

SHARING VALUES TO CREATE VALUE

Corporate Social Responsibility

REPORT 2014

FERRERO

We are proud of you. Thank you Michele



About this report

The aim of this report is to illustrate the Ferrero Group's corporate responsibility strategy and its activities around the world during Fiscal Year (FY) 2013/2014 (from September 1 2013 to August 31 2014). Along with the objectives set in previous reports, the issues in this sixth report have been selected based on their level of importance to the Group and with the constant input of key stakeholders.

The Ferrero "Great Brands" focus of this report is on KINDER SURPRISE and KINDER JOY with the additional focus of the Group's presence at Expo Milano 2015. The third, fourth and fifth reports focus on different Ferrero products and different countries where the Group operates. The reports are available at www.ferrero.com.

This report was drafted by the Ferrero Ferrero Group's Institutional Af-

fairs, Public Relations and Corporate Communication office (email: csr@ferrero.com) in compliance with the "Sustainability Reporting Guidelines" (version 3.1, 2011) and the Food Processing Sector Supplement, both of which are set by the GRI (Global Reporting Initiative) and takes into consideration the following points of reference:

- the Ten Principles of the United Nations Global Compact (UNGC);
- the ISO (International Standard Organisation) 26000:2010 "Guidance on social responsibility";
- the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

During the reporting period:

- the construction of the new production plant in China began;
- there were no significant chang-

1. The company Ferrero Industrial Services G.E.I.E. and the non-profit organisation the 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.

2. Third-party production activities for tea, whilst included in previous reports, are not included in the reporting this year as they are not within the Group's scope. Whilst the data for the production plants in Mexico and Turkey and for the Ferrero Social Enterprise in India have been included.

3. To make the data comparable, the same scope of analysis has been considered: the third-party production activities for tea as well as the new plants in Mexico and Turkey and the Ferrero Social Enterprise in India were not taken into consideration.

es to the general organisational structure of the company so it can still be compared to the previous CSR report;

- no extraordinary transactions took place.

The joint venture with Stelliferi & Itavex Srl, which prepares and sells toasted hazelnuts at different stages of processing, is not included in the scope of this report, whilst Ferrero Industrial Services G.E.I.E. and the Piera, Pietro and Giovanni Ferrero Foundation are included¹.

As the scope of² environmental data reporting has been extended and changed, the data in chapter "Minimising Environmental Impact" is not comparable to data from previous reporting periods. Nevertheless, to show how the Group's activities are progressing, variations on the data from FY 2012/2013, calculated using an equivalent scope, have also been

reported³.

The application level of this report, according to GRI Guidelines, is A+, as confirmed by the GRI Application Level Service.

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

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



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Letter from the CEO

Presenting the new Ferrero Group's corporate social responsibility report, I want to spare a thought for my Father, Michele Ferrero, who passed away on the 14th February. Enlightened and innovative entrepreneur, capable of anticipating the times, Michele Ferrero adopted and undertook challenging ideas. Thanks to his moral and intellectual strength, he was able to balance tradition with innovation, the local with the global, standardization with a niche mentality.

Michele Ferrero was a pioneer of corporate social responsibility. He thought up and created the numerous Ferrero Group's commitments, regarding the respect for the people who are working and have worked with us. Michele Ferrero himself created Ferrero Social Enterprises in Asia and Africa, in order to bring new jobs to those areas. He was always the first to strongly encourage us in the protection of the environment in which we operate as well as in the sourcing of sustainable raw materials, always of the highest quality. These commitments provide the highest assurance for our stakeholders and, especially, for our consumers.

According to his vision, the Group's first annual report has always been the corporate social responsibility one, not the financial statement we deposit every year in the trade register. He knew perfectly well that we can't create stable and lasting value for the community, if we don't share values: the factory for men, not men for the factory. This is a work concept that firstly focuses on social aspects and then considers the profit.

These strong values are guiding and will guide our actions in the future. Thanks to them, to the passion and the commitment of our collaborators and to the constant and renewed trust of our consumers, the Ferrero Group increased its sales also in FY 2013/2014, with an increase of about 4% in comparison with the previous year, which is 7% in terms of "organic growth"*. This positive trend can also be seen for 2015, according to available information.

*The data is obtained by recalculating the FY 2013/2014 sales using the previous year's exchange rate.



Such a success is also due to the dynamic development of new markets in Asia, Russia, United States, Canada, Brazil, Mexico and Turkey. A remarkable growth has also been seen in Middle East countries. The Group invested more than the 5% of sales in the consolidation of industrial and production activities. The Group currently has 20 production plants around the world and a new plant is going to be launched in China.

At the same time, the Group is continuously committed to minimising its environmental impact: in FY 2013/2014, our CO₂ emissions, per product unit derived from production activities, decreased by an additional 5% in comparison with the previous FY. Water consumption decreased by around 6%.

The strict parameters of excellent quality, respect of human rights, sustainability and animal welfare, that are categorical for us in the selection of raw materials, enabled us to reach two further goals. In December 2014, in fact, we accomplished the goal of 100% sustainable palm fruit oil certified RSPO (Roundtable on Sustainable Palm Oil) as segregated: a standard of certification that gives us the complete traceability of palm fruit oil back to the plantations. In addition, in September 2014, we reached the goal of sourcing 100% of eggs from barn hens with respect for animal welfare, regarding all our EU plants.

We renew our commitment to firmly pursuing the achievement of our other goals regarding the traceability and the sustainability of our main agricultural raw materials' supply chains. Furthermore, also regarding palm fruit oil, we don't stop at the certification achievement but we go beyond it adopting with our suppliers the strict principles and standards, as defined in the Ferrero "Palm Oil Charter". The Ferrero Group also continues in the promotion of active lifestyles among the younger generations and their families, thanks to the worldwide project Kinder+Sport. This project wants to encourage sport and spread the joy of moving to kids all over the World.

The continuous growth and expansion of the Group is based on solid principles that have always lead our activity:

- maintain the highest level of quality for raw materials;
- develop innovative products;
- devote all attention and care to the satisfaction of consumer's needs;
- maintain a strong sense of ethic, that is at the root of our business culture.

I personally commit to pursuing these values and principles, with the support of our collaborators, with the aim to make our Great Brands prosper and develop in the World and to keep doing everything possible to make it better and sweeter than how we found it.

Enjoy reading!

July 2015

Giovanni Ferrero

Chief Executive Officer
Ferrero International

Ferrero's social responsibility

Ferrero's social responsibility goes back a long way. The first conference on social issues organised by Ferrero and entitled "L'adattamento dell'uomo al lavoro nell'industria" took place in May 1961, long before the notion of corporate social responsibility was coined.

FOR THE FERRERO GROUP, THE TERM CORPORATE SOCIAL RESPONSIBILITY HAS ALWAYS STOOD FOR CARING FOR PEOPLE AND FOR THE LOCAL AREA, IN PARTICULAR FOR EMPLOYEES AND FORMER EMPLOYEES, WHO OVER THE YEARS HAVE ACTIVELY CONTRIBUTED TO THE GROWTH OF THE GROUP, CARING FOR CONSUMER, THE MAIN PARTNER WHO GUIDES THE COMPANY'S DECISIONS, THE FAMILIES AND LOCAL COMMUNITIES WHERE 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 the Ferrero Group, the most important report has never been the annual statement filed with the register of businesses; instead it is the social responsibility report, **whose aim is to promote respect for those who have worked and those who are currently working for the Group**, the sourcing of sustainable raw material and the protection of the environment.

This vision led Ferrero to define its four social responsibility pillars, which have been described in previous reports: the Products, the Ferrero Foundation, Ferrero Social Enterprises and Kinder+Sport.

The Group's international growth brought about a **change in approach**: today, care for people and the country has been extended to encompass the entire value change, from employees of Ferrero produc-

tion plants around the world to the families of people who grow the raw materials, from the care for the Alba area to environmental protection on a global scale.

The Group's activities continue to be guided by its firm and unchanged values and by its commitment to creating value for the communities where it is present by creating strong ties with the community, a commitment that is reinforced through the Ferrero Foundation's motto: **Work, Create, Donate**. Furthermore, Ferrero is committed to respecting the planet, with policies to reduce CO₂ emissions and water consumption, and to strengthen a sustainability strategy for the supply of the Group's main raw materials.

These actions are part of a change in strategy, a guiding light for all Ferrero Group activities in all the areas in which it is active: an approach that has evolved through the actions and commitments of the past few years.

This strategy is based on the following two themes:



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 the products, food safety and responsi-

























ble communication. Moreover, Ferrero shows a constant interest in the lives of its current employees and former employees and people living in the communities where it works. This commitment is evident through the activities of the Foundation, Ferrero Social Enterprises and the Kinder+Sport educational programme.

PLANET

Monitoring and improving the impact of its activities throughout the entire supply chain is a priority for the Ferrero Group, pursued through the sustainable sourcing of its main raw materials. In addition, the Group is committed to production that respects the environment, by making use of the best technology available, ensuring the efficient use of energy,

materials and natural resources and consuming water responsibly and reasonably. In the knowledge of this responsibility, Ferrero is strongly committed to minimising its environmental impact, from raw materials to production plants and logistics, down the whole value chain.

Ferrero Group's goals for 2020

SCOPE	DESCRIPTION	PROGRESS
	FSSC/ISO 22000 food safety certification for all Group production sites	By 2016 
	Enhance the activities of the Ferrero Foundation and of the Ferrero Social Enterprises	Reached and renewed 
	Promote internal initiatives to support a " culture of diversity "	Commitment renewed until 2018 
	Ongoing support and expansion of the 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% sustainable palm oil certified RSPO as 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 75% of electrical consumption of all European Plants from self-produced electricity, 25% of which from renewable sources	Partially met 

SCOPE	DESCRIPTION	PROGRESS
	Group ISO 50001 certification for the 17 current production sites – excluding Ferrero Social Enterprises – including power generation plants (New goal that depends on implementing the 2020 global energy action plan)	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 (metric tons of CO ₂ equivalents) 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 cardboard⁴ from certified sustainable supply chain	Reached in December 2014 
	100% of virgin paper⁵ from certified sustainable sources	Extended to 2017 
		
PEOPLE	PLANET	ON TRACK
		
		NOT ON TRACK

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

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

Ferrero Group's Stakeholders

The Ferrero Group has a **dedicated CSR team** (email: csr@ferrero.com) which determines and manages its corporate social responsibility (CSR) policy. **The team reports to the Vice President of the Group.**

The mapping of the internal and external stakeholder (stakeholder mapping) and the analysis of the relevant materiality issues, carried out in 2014 by the Group's numerous national businesses, are valid for the purposes of this CSR report.

The Group has continued its process of reflection on the most relevant social responsibility issues, selected on the basis of its principles and values, involving stakeholders in this process and sharing its goals and strategies.

As already highlighted in the analysis carried out in each previous CSR report, **the consumer is still central** and remains Ferrero's most important stakeholder.

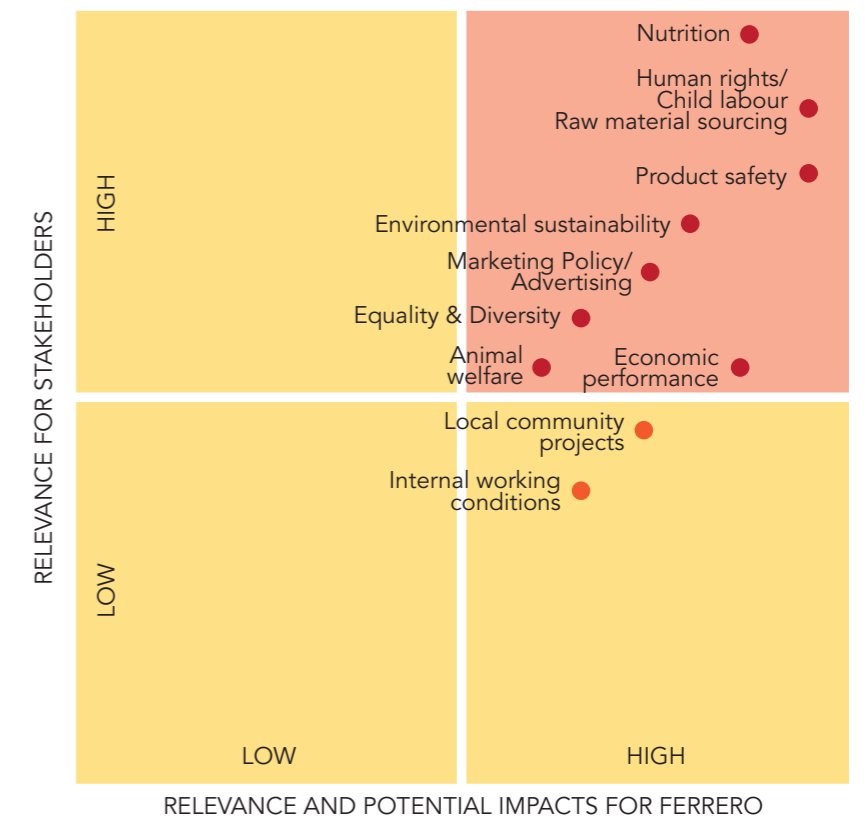
STAKEHOLDER MAPPING



As illustrated in the image above, this report is aimed at a number of stakeholders: consumers, employees, international, national and local institutions, the media, social networks, consumer associations, NGOs, distributors, vendors, logistics, suppliers, trade unions and trade and industry associations.

The following image shows the most **relevant issues** for both Ferrero and its stakeholders. These include Ferrero's nutritional strategy, the defence of human rights, including child labour and ethical supply of raw materials, product safety, environmental sustainability and marketing and advertising strategies. These issues are covered in separate chapters in this report.

MATERIALITY MATRIX



With regards to the different kinds of stakeholder involvement, the Ferrero Group actively participates in debates with the work groups of **trade and industry associations** it belongs to on the 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 work in CSR. Themes frequently addressed include: nutrition, product safety, ethical supply of agricultural raw materials, respect for the environment in Ferrero's production activities, marketing and advertising strategies and the Group's CSR strategy.

The Gro Up





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 (quintal)

2012/2013	2013/2014	PRODUCTION INCREASE
11,198,000	11,499,000	2.7%

CONSOLIDATED NET TURNOVER (€/000)

2012/2013	2013/2014	NET TURNOVER INCREASE
8,100,261	8,412,438	3.9%

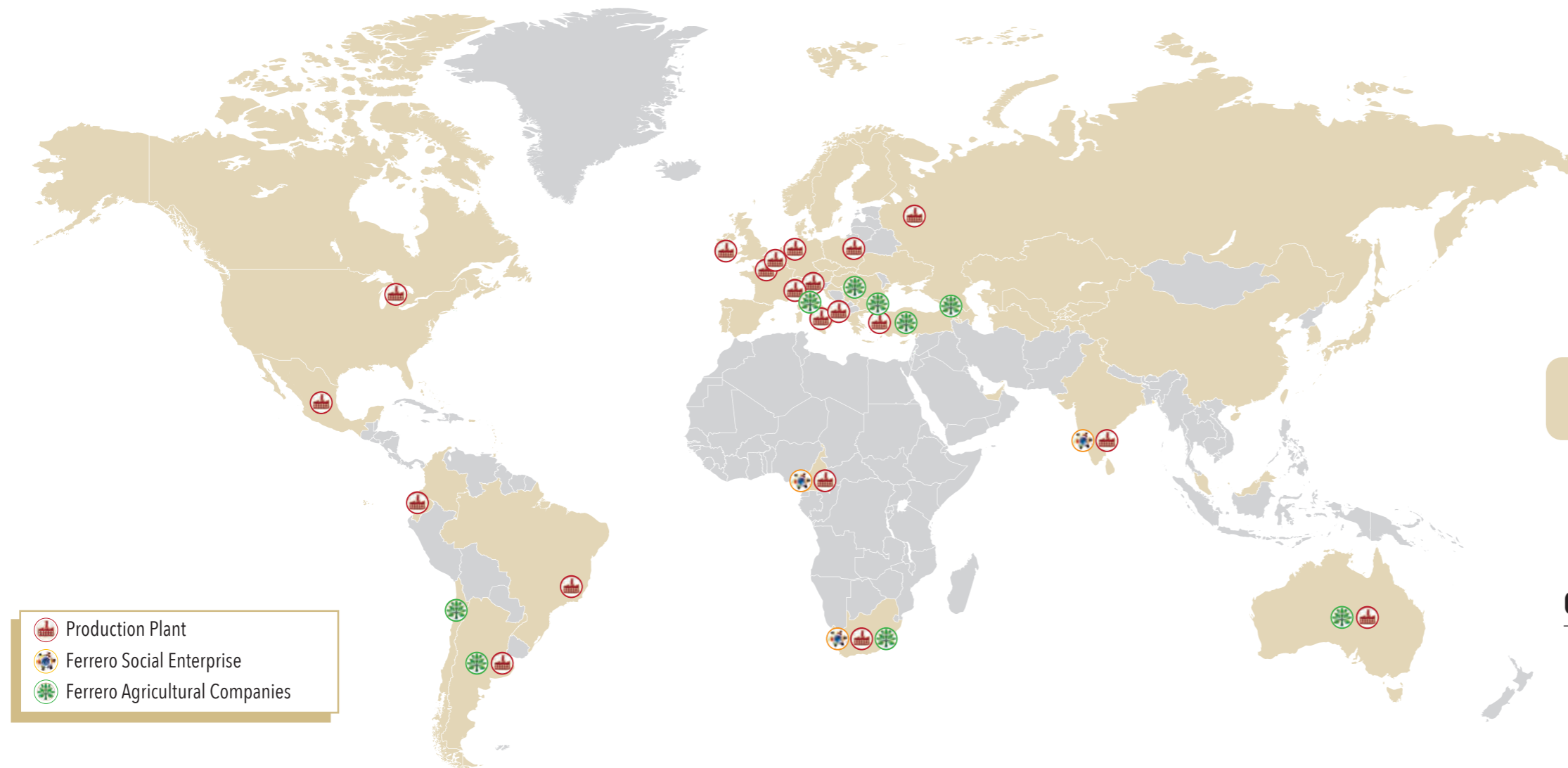
GEOGRAPHICAL DISTRIBUTION OF CONSOLIDATED NET TURNOVER FY 2013/2014

ITALY	REST OF EUROPE	OUTSIDE OF EUROPE
17%	59%	24%

AVERAGE GROUP WORKFORCE

2012/2013	2013/2014	AVERAGE WORKFORCE INCREASE
22,831	24,836	8.8%

Ferrero around the World



- Production Plant
- Ferrero Social Enterprise
- Ferrero Agricultural Companies

THE FERRERO GROUP IS PRESENT IN 53 COUNTRIES

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

Ferrero products are present and sold, directly or through authorised retailers, in more than 160 countries belonging to the entire international community.

OUR 20 PRODUCTION PLANTS



ITALY	Alba	1946
GERMANY	Stadtlendorf	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

*Ferrero Social Enterprise

OUR 9 AGRICULTURAL COMPANIES

FOR DIRECT CULTIVATION		FOR MANUFACTURING	
	CHILE 1991	BULGARIA	1996
	ARGENTINA 1994	ITALY	2013
	GEORGIA 2007	TURKEY	2013
	SOUTH AFRICA 2009		
	AUSTRALIA 2011		
	SERBIA 2013		

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, AND ALSO THE FACT THAT THE GROUP AND ITS PRODUCTS ARE IN TUNE WITH THE DAILY NEEDS OF CONSUMERS AROUND THE WORLD.

RAW MATERIALS

6. The total agricultural raw materials amount includes the volume of water used in the recipes of Ferrero products.

For the FY 2013/2014 the Group used a total of 1,651,194 metric tons of agricultural raw materials⁶ and packaging raw materials.

Corporate Governance

The Group's organisational 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 31 August 2014, the Group was composed of 74 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 700 employees work. Updates from the new reporting year include the announcement, made by the Ferrero Group in July 2014, of the acquisition of 100% of the family-run company Oltan, a market leader in the supply, processing and sale of hazelnuts, completed in March 2015.

Another key decision was the decision to invest in the completion of a 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 deci-

sion 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. 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.

One of the Audit Committee's responsibilities is to monitor the creation and revision of the individual financial statement of the parent company and the Group's consolidated financial statements. It also supervises the effectiveness of the external auditors and of internal audit.

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 company'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 Value⁷" 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 and the

payment of the net profit of the reporting year and the recognition of accrued interest.

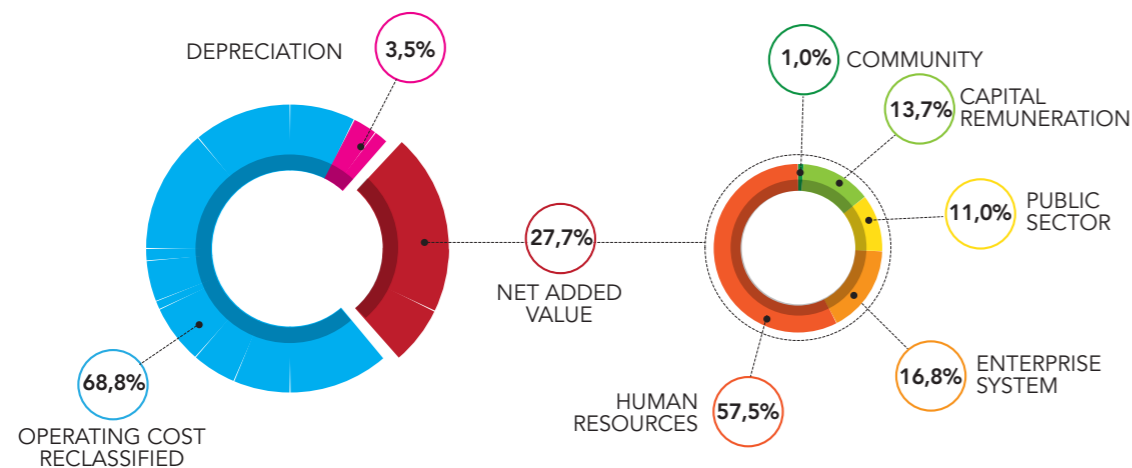
The item "Public Sector" represents the amount the Group must pay to public bodies as corporation tax and other contributions directly connected to the company assets, with the exclusion of taxes and additional costs relating to operations (duties and customs fees).

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.

7. During FY 2013/2014 the net added value generated by the Ferrero Group was €2,460 million.

ADDED VALUE GENERATED AND DISTRIBUTED - FY 2013/2014



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. The Group's current information systems do not allow for the tracing of detailed data on training

in anti-corruption policies and procedures; however this will be available from 2014/2015.

In relation to contributions from public administration, the income statement contributions and capital grants for FY 2013/2014 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 where 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).

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 the 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 members include 41 national associations and 70 companies, for a total of over 10,000 businesses.

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.fooddrinkurope.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).

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 and IFBA, which has its headquarters in Geneva.

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 the conditions of 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 the 2013-2014 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.

But 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 the actions taken to achieve the standards defined by the Ferrero supply chain protocol.

For further details, please see the chapter on 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 Internal Code for the Design and Production of Surprise Toys, 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 2013/2014, 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).

Since December 2013, Ferrero has been part of the Supply Chain Initiative, promoting the implementation of the Principles of Good Practices in Vertical Relations in the Food Supply Chain (www.supplychaininitiative.eu).

The Supply Chain Initiative was jointly launched by seven European associations for fairer commercial relationships throughout the entire food supply chain.

In January 2015, the promoters of the Supply Chain Initiative published its first annual report, providing a

Ferrero's spending on locally-based suppliers

Below are details of the percentages for purchases made from local suppliers, from total spending in countries where the main production plants are located⁸:

SPENDING ON LOCALLY-BASED SUPPLIERS IN MAIN COUNTRIES

COUNTRIES	SPENDING ON LOCALLY LOCALLY-BASED SUPPLIERS
Italy*	93,02%
Germany*	99,69%
France	91,16%
Belgium*	63,80%
Poland	78,86%
Canada	77,28%
Russia	96,61%
Turkey*	99,23%
Mexico	94,11%

*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 of our strategy. We carefully monitor our economic, social and environmental impact and believe that leveraging local suppliers is an important indicator of how deeply we are committed to and involved in the companies 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, Ferrero Social Enterprises, F-ACTS: Ferrero Agricultural Commitment To Sustainability and Minimising Environmental Impact.

8. The values refer to spending by plants with national suppliers out of the total value of purchases for the period 2013-2014. Internal company purchases and central procurement (such as raw materials and packaging) are not included.

Awards and honours

ITALY

March 2015 Randstad Award 2015

Ferrero achieved the highest recognition during the fifth edition of the Randstad Award, an award given by the employment agency Randstad based on the results of the world's largest survey on employer branding.

The study measured potential employees' perception of the attractiveness of the company, amongst respondents who said they had heard of the brand, asking to what extent and why companies attract people looking for jobs or looking to change jobs. From October to December 2014, 8,900 potential employees (students and people both in and out of employment) aged between 18 and 65 were asked which employer they were most interested in from a list of 150 companies with over 1,000 employees from 14 different industries. The survey found Ferrero to be the most attractive company.

May 2015 Reputation Award 2015 Best CSR



The Reputation Institute, a world leader in assessing company reputations, awarded Ferrero with the following accolades:

- first place in Italy for Best Reputation Ferrero stands out "for the quality of the services it offers and its ability to operate responsibly, transparently and ethically in relation to society and the territory";
- the Best CSR award. Ferrero came first out of 100 companies in Italy for corporate social awareness.

June 2015 Animal Welfare - Compassion in World Farming CIWF Good Egg Award



The Ferrero Group, a major international confectionery company with a strong commitment to sustainability and social responsibility, has received the Good Egg Award for choosing to exclusively use eggs from cage-free hens in its European production plants.

FRANCE



November 2013 Trophée de la Relation - Franprix (Catégorie Engagement)

Franprix honoured Ferrero France with two awards:

- The Proximity Award recognises companies that show a particular commitment to adapting their products and services to specific local needs: such as by selling smaller packs or providing shop managers with information and update services to help them sell products more successfully.
- The Commitment Award for the joint initiatives from Ferrero and Franprix, a chain of supermarkets, in the field of sustainable development, CSR and solidarity. Ferrero and Franprix developed and launched an ongoing project that fits with both companies' CSR policies: making changes to the logistics chain and replacing road transport with transport by river between Rouen and Paris has reduced the carbon footprint of transport considerably.

Development of river transportation

Ferrero received the award for logistical innovation during the International Week of Transport and Logistics (SITL) for having created the first temperature-controlled freight connection via boat. It is a way of recognising transport and logistics suppliers for the implementation of a service that brings innovation to processes, the economic model and value creation.

September 2014 Trophée LSA "Management de la diversité sociale"



A new skills-based selection method placing particular emphasis on equal opportunities and encouraging diversity.

In synergy with this "policy of difference", Ferrero made a commitment to create and implement a selection process that takes candidates from a wider and diversified range of sources and incentivises diversity in backgrounds and profiles. In doing so, Ferrero has promoted equal opportunities and fought against discrimination.

UNITED KINGDOM

November 2014 Best Confectionery Brand of the Year

KINDER® won the Asian Trader Best Confectionery brand of the year award in recognition of its commitment, experience and outstanding work that have made an exceptional contribution to the category.

CZECH REPUBLIC



November 2014 Silver Effie

The Kinder Day corporate project led Ferrero Czech Republic to win the Silver Effie award in the food category. Effie, present in 30 countries around the world, is an award that recognises companies that produce creative and effective advertising campaigns. The campaigns are assessed by comparing the end result with the cost of producing them.

UKRAINE



December 2014 Effie Award Ukraine

Ferrero Ukraine won the Effie award for the food industry in the Best Marketing Team category. The award recognises the best marketing campaigns developed for the Ukrainian market and creates a focus on the importance of advertising, a key tool of marketing teams.

AUSTRALIA



September 2013 POP AI Awards 2013

Ferrero Australia won the award Outstanding Performance in Design for its Kinderino Counter Display and the way in which "the iconic KINDER SURPRISE, with its egg-like shape, has always stood out on the shelves". In addition to this, Ferrero Australia received first prize for Permanent Display in Convenience for the distribution of KINDER SURPRISE and the Temporary Display in Grocery for the golden Ferrero Rocher wrappers.



November 2013 Australian Biosecurity Award 2013

The Australian Department for Agriculture, Fishing and Forestry Policies (DAFF) recognised Ferrero Australia for its admirable contribution to the integrity of the country's environmental safety. Agri Australis worked alongside DAFF, Bio-security and the Department of Primary Industry to build two quarantine sites with tailored protocols and a project management system capable of managing imported materials in line with the established quarantine regulations.



November 2014 Bonsucro Leadership Award 2014

The Ferrero Group was awarded the Bonsucro Leadership Award in recognition of its leadership and innovation and its capacity for inspiring and encouraging Bonsucro members to get more involved with the association. "Ferrero was the first company to change its production supply chain, purchasing Bonsucro certified sugar, which ensures sugar sent from Brazil to the European Union and Canada is traceable."

CANADA



January 2014 Best New Product Award 2014

Tic Tac® Arctic Rush was named the Best New Product 2014 by the Food & Beverage sector in the mint category. This prize is voted for exclusively by Canadian consumers: over 90,000 people chose the best products of 2014, in what is Canada's biggest consumer survey.



April 2015 2015 Canadian Event Industry Award

Thanks to its Unwrap a Smile campaign, KINDER® won the price for Best Experiential Marketing Event in the Canadian market at the Canadian Event Industry Awards 2015. The winners were selected from amongst hundreds of participants and assessed by a pool of 21 experts from the industry, all from North America.

CHINA



November 2014
Golden Flag Award 2014 Most Influential Public Relationship Event

The China International Public Relationship association recognised Ferrero China for its Kinder+Sport project. The Golden Flag Award is in recognition of the efforts of Kinder+Sport to promote a healthy and active lifestyle amongst Chinese children and young people.



June 2015
Ethic Panda Award

The event is sponsored by the Italian ambassador to China, the Ministry of Foreign Affairs and the Ministry of Economic Development and supported by the Chamber of Commerce in partnership with the Italy-China Foundation. The award is given to companies and business people who have made a significant contribution to strengthening and developing bilateral economic relations between Italy and China.

COLOMBIA



September 2014
EFR Empresa Familiarmente Responsable

The Masfamilia Foundation awarded Ferrero LADM (Latin America Developing Markets) the award of Empresa Familiarmente Responsable (EFR) for its activities in Colombia. Masfamilia is a certification institution based in Spain and recognised around the world. EFR is an international movement that, in a CSR context, is involved in making improvements and providing answers about responsibility and how to strike a balance between work and family life, promote equal opportunities for all and include disadvantaged people, using current and binding legislation and collective bargaining. Its aim is to ensure that EFR companies can develop a voluntary self-regulation system in these areas. The certification awarded to Ferrero LADM is the result of interviews with Group employees on their level of satisfaction at work.

RUSSIA



May 2015
Best Office Awards 2015

Ferrero's Moscow office won the first Public Prize of the Best Office Awards 2015 competition. The Best Office Awards are presented to the best Russian and international office designs once a year. The panel, composed of renowned architects, designers and project managers, assesses all the designs entered in 12 categories. This year's awards ceremony saw 700 guests fêting the winners of the Best Office Awards for the Grand Prix and 12 other entries. The panel voted on a total of 109 applications entered. The competition is announced in Office Next Moscow every year.

DONATION TO THE DAY CARE CENTER FOR CHILDREN AND YOUTH WITH DISABILITIES

We point out the donation given by the Ferrero Group to the *Day Care Center for children and youth with disabilities*, that works in the Belgrado area. The *Day Care Center* has 14 centers of operation in Serbia that works in favor of kids and young people with mental disabilities, supporting their families and improving their livelihood. In particular, the donation contributed to rebuild the *Day Care Center* in Obrenovac and to restart its activities: the Center was in fact seriously damaged by the flood that occurred in the North-West of Serbia in May 2014.

People People



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

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.

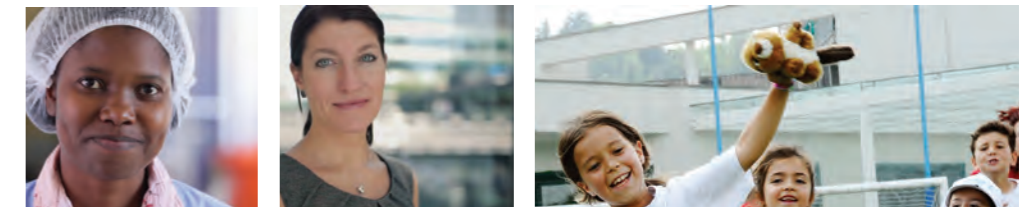
Ferrero wanted to translate its passion and engagement for satisfying the **Consumer** into action, putting them at the centre of its daily activities by producing a product of the highest quality, ongoing innovation, commitment to freshness and food safety and responsible communication.

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**, which 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's confectionery is one of the most well-known in the world, made respecting pastry traditions of over 50 years. The role of our great brands in consumers' daily diets is **in line with the fundamental guidelines of modern science of nutrition**:

1. a varied diet provides all the nutrients we need;
2. a healthy diet is based on moderate consumption of all types of food;
3. moderate physical activity on a daily basis complements diet, resulting in a good state of health.

Ferrero's nutritional strategy is based on these three principles and respects nutritional recommendations as it promotes:

- a diet that includes and combines all foods, in line with the long recognised principles that there is no such thing as good or bad food, simply diets that are balanced and those that are not;
- the dietary habit of eating small and controlled portion sizes, perfect for achieving a balanced diet and avoiding excessive consumption of foods and calories;
- the option of combining our products with other foods to achieve a full and varied diet;
- a healthy lifestyle, with an emphasis on physical exercise;
- developing and seeking a psychological and physical balance;
- happy and united family and social gatherings;
- the importance of good eating habits such as eating breakfast.

Promoting positive eating habits is made easier by the Group's use of good products, which are recommended to be eaten with fruit or as part of a larger meal.

The small portions fit in with the eating models that break down daily calorie intake into five snack and meal times a day, the recommended approach which is reinforced as the preferred dietary model in a number of national guidelines. Mid-morning and mid-afternoon snacks, also referred to as Between Meal Eating Episodes (BMEEs), are made easier by the delicious taste of Ferrero products, most of which are portion-sized, designed to provide under 150 kcal, so they are easy to integrate into the diet.

FERRERO MAKES ALSO AN ONGOING EFFORT ALSO IN ADOPTING CLEAR AND FULL LABELS THAT ARE EASY TO READ AND, IN ADDITION TO THE REQUIRED INFORMATION, PROVIDE CONSUMERS WITH VALUABLE EDUCATIONAL INFORMATION ABOUT GOOD EATING HABITS.

Another issue, very important to the Group, is the aim of providing micronutrients through confectionery products, not by adding them artificially but by selecting raw materials that contain them naturally. Micronutrients are therefore present in the ingredients that go into Ferrero products and are preserved thanks to original research into industrial processes and suitable production practices.



To ensure this strategy is constantly viable, Ferrero has developed and consolidated methods for the supply of raw materials and production methods that hinge on **rigorous ingredient procurement rules and equally stringent hygiene and food safety procedures**. This approach involves all Ferrero employees, who are continuously trained to be conscious actors in the quest for these results and to create a quality approach that is applied and controlled on a daily basis.

When purchasing ingredients, Ferrero is guided by the following principals:

- careful selection of raw materials and suppliers with more stringent acceptance criteria than those imposed by current laws and regulations;
- guaranteeing organoleptic excellence through attention to quality and freshness down the entire chain to give each product its own identity based on its unique taste, created using special and individual combinations of ingredients which, although frequently used, combine to produce flavours that are iconic and well-loved. To achieve this, by way of example, Ferrero processes and toasts cocoa, coffee and hazelnuts at its own facilities every day. It also deodorises all the fats used in advance on a daily basis. Over the years, carrying out these activities at Group facilities has enabled the development of a culture of knowledge, which translates into improved quality of the end product;
- thanks to its experience and know-how relating to raw materials and production processes, and in an effort to continue to use its traditional recipes, **Ferrero does not use hydrogenated fats, which are carriers of trans-fatty acids (TFA) and harmful to health.**

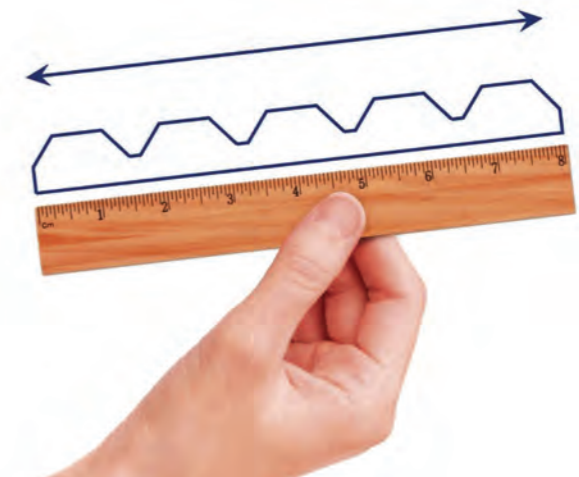
Ferrero creates a situation that enables consumers to make a free and well thought-out choice based on objective **information that in turn facilitates nutritional education and good eating habits**. The knowledge that better nutritional education must be an integral part of a healthy lifestyle is deeply rooted within the Group. Additional legislation or taxes on individual ingredients or categories of essential components of our food culture are unnecessary and actually counterproductive.

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 PORTIONS: RECOMMENDED INTAKE IS REINFORCED BY INDIVIDUAL PACKAGING

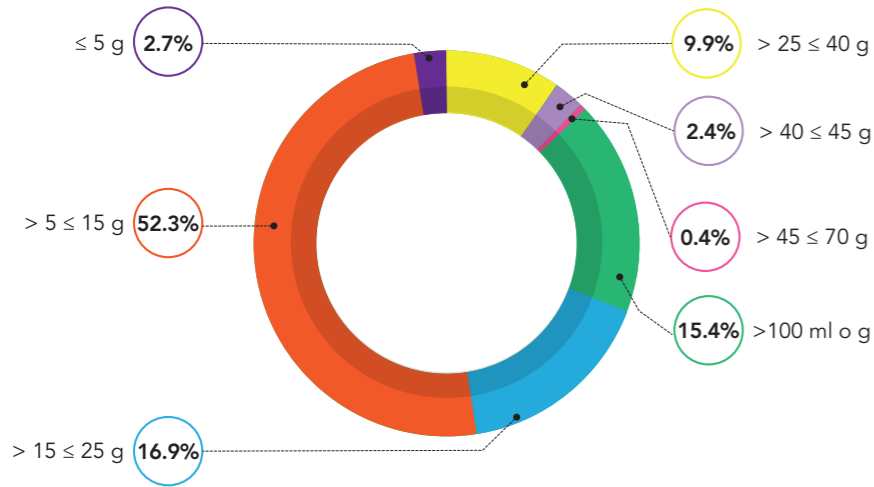
Ferrero develops and produces good and unique products that are sought and appreciated by consumers. Combining enjoyment and balance when considering food intake is without doubt a personal choice. However, providing the vast majority of our products in individual packages not only protects the quality of the product, it also clearly indicates the portion size and intake recommendation as well as maintaining the hygiene and food safety of the product. This helps consumers to create their own balanced dietary and nutritional plan for different meal and snack times throughout the day. Each individually-wrapped portion gives consumers the freedom to get that burst of energy they need or enjoy a treat.

The KINDER® range of products, for example, traditionally given to children and young people, are still offered in individual portions weighing between 5 and 43 g, which is among the smallest in their category.



As illustrated in the chart below, **more than 70% of Ferrero products sold worldwide are presented in portions weighing less than 25 g and over 80% in portions weighing less than 45 g**, with an energy content that fits with consumption as part of different meal and snack times.

PERCENTAGE BREAKDOWN OF FERRERO PRODUCTS* PER PORTION, IN GRAMS

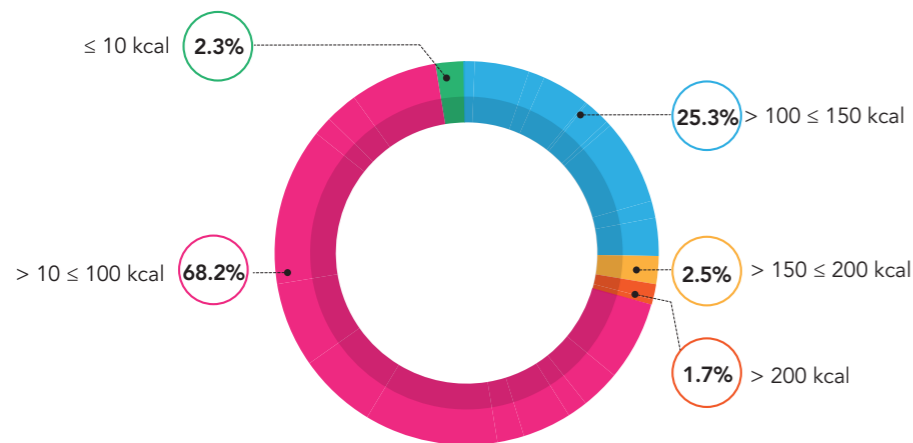


*% of volume of products marketed worldwide, during FY 2013/2014. Internal Ferrero source.

Concerning NUTELLA®, the portion considered is 15 g, as suggested in the majority of the countries in which it's sold.

More than 70% in volume of Ferrero's products are offered in portions providing fewer than 100 kcal and over 95% in portions providing fewer than 150 kcal.

PERCENTAGE BREAKDOWN OF FERRERO PRODUCTS* PER PORTION, KCAL



*% of volume of products marketed worldwide, during FY 2013/2014. Internal Ferrero source.

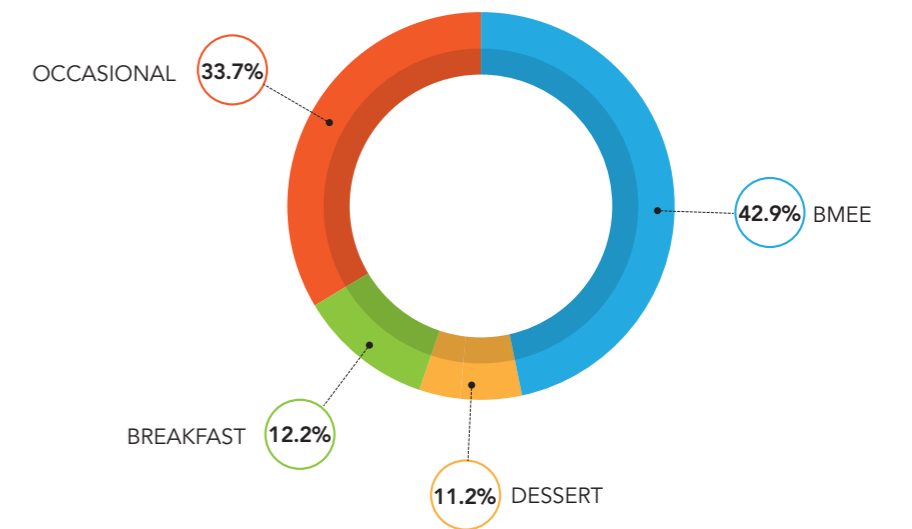
The previous charts refer to all Ferrero products sold worldwide during financial year 2013/2014, excluding products sold in special sizes, product mix trays, mini or maxi packs and special editions, corresponding to around 3% of the total volume marketed.

Around 85% of our products provide fewer than 130 kcal per portion and the average calorie content of our products is under 80 kcal.

The 130 kcal limit means that a vast range of eating opportunities can be catered to, using Ferrero products as a part of meal or snack times, whilst leaving space for other foods such as fruit, 100% fruit juices, semi-skimmed milk, other dairy products and cereal-based products.



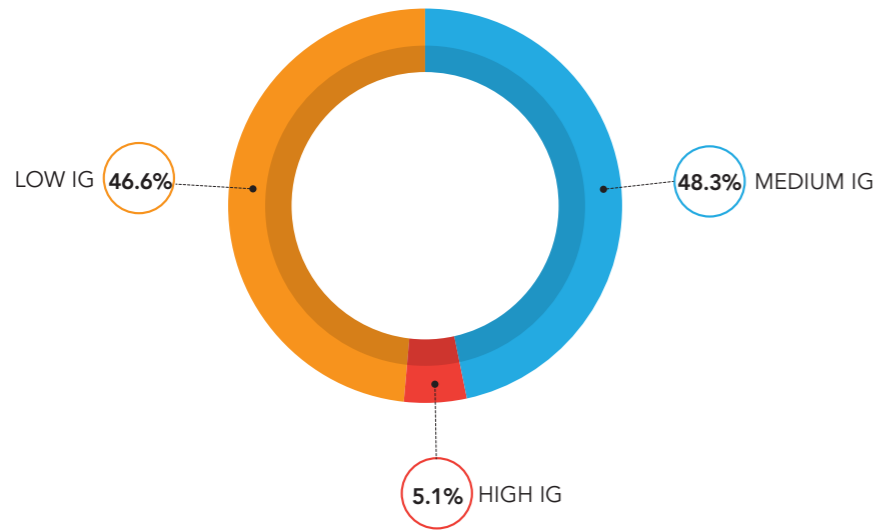
PERCENTAGE BREAKDOWN OF FERRERO PRODUCTS* PER SPECIFIC EATING OCCASIONS



*% of number of products marketed worldwide, during FY 2013/2014. Internal Ferrero source.

Another important aspect to consider, which confirms that our products have a valid place in different snack and meal times throughout the day, is that almost half of our products have a "Low Glycaemic Index" and almost half have a "Medium Glycaemic Index"; only around 5% of Ferrero products have a "High Glycaemic Index".

BREAKDOWN OF FERRERO PRODUCTS* BASED ON GLYCAEMIC INDEX



*% number of products marketed worldwide, during FY 2013/2014. Internal Ferrero source

Today the Glycaemic Index (GI) is one of the factors considered today to have the biggest impact on metabolism: low-GI and/or low-GL (glycaemic load) diets, are independently linked with a reduced risk of some chronic diseases, according to the meta-analysis of Barclay et al. (Barclay et al. 2008; Am. J Clin Nutr. 87:627-37). For diabetics and cardiac disease patients, these types of diets can offer protection comparable to that observed when wholegrain and fibre intake is increased.

RESULTS FROM OUR SCIENTIFIC RESEARCH

Ferrero contributes to promoting good eating habits through its **strong commitment to scientific research**. Moreover, the Group continues to encourage young people to eat breakfast and to moderate food consumption at all age groups. Even in FY 2013/2014, in line with its corporate values, Ferrero provided support to studies and research through unrestricted grants to respect the independent nature of scientific assessment and the intellectual freedom of the researchers involved:

- Bresciani L., Calani L., Bruni R., Brighenti F., Del Rio D. "Phenolic Composition, Caffeine Content and Antioxidant Capacity of Coffee Silverskin". *Food Research International* 2014, 61; 196-201. DOI:10.1016/j.foodres.2013.10.047
- Fattore, E., Bosetti C., Brighenti F., Agostoni C., Fattore G. "Palm oil and blood lipid-related markers of cardiovascular disease: a systematic review and meta-analysis of dietary intervention trials." *The American journal of clinical nutrition* (2014): ajcn-081190. DOI: 10.3945/ajcn.113.081190.

Furthermore, Ferrero attended the "Second International Conference on Nutrition and Growth", held in Barcelona (Spain) from January 30 to February 1 2014.

Among concluded studies, we highlight:

- an assessment of the effects of different types of breakfast, with or without Ferrero products, to offer consumers with scientific information about their taste preferences. The metabolic neutrality of Ferrero products was confirmed by Randomised Control Trials (RTCs);
- specialist research on neutrality in relation to the cardiovascular and metabolic risks of palm oil. In line with trends in the most recent international scientific literature, the trials confirmed that palmitic acid has a neutral, and sometimes positive effect.

Studies on the metabolic impact of Ferrero products are nearing conclusion, looking at product consumption during BMEEs and their glycaemic impact (Glycaemic Index and Glycaemic Load). The *interim* analysis also confirms the metabolic neutrality and positive role they perform. The conclusions of the studies will be published in 2014/2015 and presented at international scientific conventions.

OUR GOALS FOR 2014/2015

- Strengthen involvement in national and international initiatives that promote **healthy attitudes to the food and health duo**.
- Develop a "**nutritional ID card**" for Ferrero products to provide information on the metabolic response they provoke and, for some products, the impact on concentration and mood.

During FY 2013/2014 reporting period, a "nutritional ID card" was created for the most widely sold products around the world; cards will be created for all of the Group's main products by the end of FY 2014/2015.



Quality and Freshness

Ferrero's business model is designed to **guarantee maximum freshness of products** throughout the entire value chain and to avoid any waste.

The Group follows the product's life cycle, from sourcing the raw materials and packaging to distributing the finished products to points of sale.

With a view to constant improvement, Ferrero is defining global guidelines that indicate the threshold reference values and corresponding actions to take (suspension or withdrawal) for each type of product.

WHAT IS THE PRIMARY OBJECTIVE? OFFERING CONSUMERS THE WORLD OVER PRODUCTS OF THE HIGHEST QUALITY AND FRESHNESS.

To this end, during FY 2013/2014 reporting period, **over 560,000 monitoring visits were made to points of sales** around the world, during which temperature data was gathered. Over 120,000 of these visits saw increased monitoring of quality perceived by consumers to test the actual circumstances through which products pass until being displayed on the shelf at points of sale.

For example, during summer, in areas where high temperatures could damage the organoleptic qualities of the product before it arrives with the consumer, Ferrero suspends supply or withdraws its products from sales channels.

TRACEABILITY AND SAFETY

Since 1946, the very beginning, Ferrero has selected its raw materials and ingredients with the utmost care and attention.

res, such as the "sacco conosciuto".

It is the **quality and freshness** of the ingredients that determine the unique organoleptic properties of each product, which is why Ferrero has developed its own innovative procedu-

This refers to all the procedures carried out by Ferrero's specialist technicians, such as organoleptic monitoring and analysis, inspections of supplier's premises, the practices that ensure food safety and to guarantee the traceability of raw materials.

FERRERO'S SUPPLIERS AROUND THE WORLD ARE SELECTED AND ASSESSED AT GROUP LEVEL USING THE SAME CRITERIA BY MEANS OF AN ELECTRONIC PLATFORM THAT CONNECTS THEM WITH OUR FOOD TECHNOLOGY EXPERTS.

Ferrero carries out ongoing monitoring at suppliers' production sites also in line with Ferrero's Code of Business Conduct, this involves performing specific controls of the systems and procedure suppliers follow to guarantee the safety and quality of the products they supply.

During the process of accepting goods at production plants, a purpose-designed internal Group procedure, in line with modern risk analysis, defines the type and frequency of chemical, physical, microbiological and organoleptic tests that must be carried out on samples of incoming goods.

In addition to a system of strict internal controls, food safety is also ensured through inspections by independent certified bodies.

INNOVATION

Innovation is one of the main factors that drives the success of Ferrero products: over the last 50 years, the Group has created **innovative products** that over time have become iconic brands.

Studies on innovation are carried out by a dedicated consultant research and technology company that operates within the Group. This company has allocated the resources and authority to research new products able to meet and respond to customers' needs, even latent ones. The company, made up researchers involved in both technical studies and in identifying new nutritional needs and dietary habits, uses new raw materials and innovative manufacturing technologies to create great-tasting, unique products of the highest quality, all in line with Ferrero's philosophy and values.

The process that precedes the launch of a new product is a long and thorough one: after the many **studies**, research and specific product testing, the product is introduced to selected markets. Here it is **laid before consumers** and their appreciation of the product is monitored. A product only goes into industrial production once it has passed these extensive tests. At the moment, Ferrero researchers are working on **over 100 new projects**, some of which are already ready to be introduced onto the market. Behind every product, which may seem simple to the consumer's untrained eye, is a unique, cutting-edge patented technology that is clear proof of the passion Ferrero pours into the innovation of its products.

FERRERO TASTE TESTS

To ensure products comply with Ferrero's extremely high taste standards, in addition to classic lab tests, **sensorial analysis is carried out, called a "taste test"**. It aims to provide a complete analysis of every aspect of the taste of the product, its aesthetical appearance and presentation.

The analysis includes:

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

For more information of the controls and "taste tests" for two of the Group's historical products, please refer to the Focus on KINDER SURPRISE and KINDERJOY in the appendix to this report.



THE ADVANCED STANDARDS OF FERRERO'S PRODUCTION PLANTS



In Ferrero plants a purpose-built integrated global system, referred to as SAP, is used, which ensures data on quality control processes is shared, integrated and managed centrally within the Group.

The system is currently in use in the majority of Ferrero plants worldwide and enables increasingly global and coordinated compilation and comparison of data. In particular, the system focuses on specific quality "packages". The system was rolled out to two further laboratories in FY 2013/2014, covering 16 of the 20 plants. Production lines also share

quality data with the SAP system as they work; the system has been rolled out to a further three plants, covering 15 of the total 20 plants. The roll-out for plants not yet equipped with the system, previously scheduled for August 2014, has been postponed to the financial period 2015/2016 due to the launch of the new plant in China.

In plants where the SAP system is not yet in place, there is however a network of connections with the central unit ensuring quality governance: particularly worthy of mention is the system of assessing the products on a daily basis with a synthetic quality report.

PRODUCT EXCELLENCE AND SAFETY IS ENSURED BY A SYSTEM OF INTERNAL PROCEDURES VERIFIED BY INTEGRATED AND SYSTEMATIC AUDITS CARRIED OUT BY THE CENTRAL QUALITY OFFICE AT PLANTS AND THROUGHOUT THE ENTIRE LOGISTICS CHAIN.

These audits entail checking that Ferrero's strict specifications on products, food safety (in line with the requirements of FSSC/ISO 22000 and HACCP standards) and management systems (in line with ISO 9001 requirements) are applied at all Group plants, storage warehouses and at third-party suppliers.

The system is also certified by external independent bodies. **The Ferrero Group has set the objective of obtaining for each production site the certification of the two strictest and most prestigious international standards: ISO 9001 and FSSC/ISO 22000.** This objective will automatically include each new Group plant, including the plant under construction in China.

The tables below illustrate the certification levels for the Group's plant management systems.

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

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

* Before 2008, the plants were certified according to the ISO 9001 standard in force the year the certification was awarded.

The Group's ISO 9001:2008 certification involves a single quality manual and procedures that apply to Ferrero in its entirety. At the end of 2014 the plants in Manisa in Turkey and San José Iturbide in Mexico also achieved certification.

FERRERO SOCIAL ENTERPRISES WITH ISO 9001:2008 CERTIFICATION

FERRERO SOCIAL ENTERPRISE	ISO 9001:2008* CERTIFICATION SINCE
Walkerville (South Africa)	2012
Baramati (India)	2013

* Before 2008, the plants were certified according to the ISO 9001 standard in force the year the certification was awarded.

In 2012, Walkerville in South Africa was one of the first Ferrero Social Enterprises to achieve certification for its quality management system. In 2013, the Ferrero Social Enterprise in Baramati, India achieved the same goal. The Ferrero Social Enterprise in Cameroon is expected to receive its ISO 9001:2008 certification by the end of 2016.

FOOD SAFETY CERTIFICATIONS OR ACCREDITATIONS OF TESTING LABORATORIES

PLANT	FSSC 22000 since:	ISO 22000 since:	IFS, COSTCO, HACCP since:	ISO 17025 since:
Alba (Italy)	2014 (April)		2007	2006
Arlon (Belgium)	2014 (July)		2006	
Balvano (Italy)	2014 (May)			
Belsk Duży (Poland)	2013		2006	
Cork (Ireland)	2013		2011	
S. Angelo (Italy)	2013		2011	
Stadtallendorf (Germany)	2012		2006	2007
Villers- Écalles (France)	2012			
Vladimir (Russia)		2013	2010	
Brantford (Canada)	2014 (July)		2008	
La Pastora (Argentina)	2011	2008		
Lithgow (Australia)	2011			
Poços De Caldas (Brazil)		2007		
Quito (Ecuador)	2013		2010	

During FY 2013/2014, four additional Ferrero plants (Alba, Arlon, Balvano and Brantford) obtained FSSC 22000 certification - the highest level of food safety certification. A further two plants (Poços De Caldas and Vladimir) hold certifications proving compliance with specific food safety standards, such as IFS, HACCP and ISO 22000, and other standards required by distribution chains. Finally, in line with company strategy, all Group plants have and apply an HACCP plan.

CASES OF NON-COMPLIANCE

ISO 9001:2008 Ferrero Quality Management Systems Certification

During FY 2013/2014 seven audits were carried out by external certifying auditors at the Group's plants in Villiers-Écalles, La Pastora, Vladimir, Baramati, Balvano and Alba (twice): no cases of non-compliance were found, only some recommendations for improvement.

IFS – International Featured Standard - FOOD

During FY 2013/2014 verifications of compliance with this certification standard carried out at the plants in Alba, Arlon, Belsk Duży, Cork and Stadtallendorf resulted in a "Higher Level" compliance level, with an average score of 97.4%.



OUR GOALS FOR 2015 AND 2020

1. Set up a **central customer complaints centre** where all customer comments can be managed in a single and structured system, to create a worldwide database, **by 2015**. This project is in full swing with the involvement of all the business units it affects. In particular, the Corporate Department, which manages IT systems, has developed an implementation plan for rolling out the solution, called CCM (Consumer Contact Management) to all business units. In October 2014, 86% of customer complaints were managed centrally and a single procedure for managing contact with customers has been developed and will be implemented in all Group business units. In the context of the Group's quality system, managing complaints centrally makes it possible to implement the necessary preventive/corrective measures and prevent cases of non-compliance from reoccurring.
2. **Extend the FSSC/ISO 22000 food certifications to all Group plants by 2015**, except for Ferrero Social Enterprises, for which the target date for ISO 9001 certification and FSSC/ISO 22000 Food Safety Certification is set for 2016. The two certification schemes that have been defined as the company's standard (ISO 9001 and FSSC/ISO 22000) are

being rolled out in line with the implementation plan as shown in the previous tables, and will result in a single joined-up Group quality system that will cover every plant. In line with the objectives, five plants (Pozzuolo Martesana in Italy, Vladimir in Russia, San José Iturbide in Mexico, Manisa in Turkey and Poços de Caldas in Brazil) have started the process for obtaining FSSC 22000 certification by 2015.

3. **Extend the food safety audits and/or inspections to cover all contract packers (subcontractors) and warehouses**, to achieve complete coverage **by 2020**. A number of different initiatives are underway to implement supervision of the entire production chain through audit, inspection and other methods. In FY 2013/2014 food safety audits and inspections were carried out on 80% of contract packers and 27% of all warehouses.

4. Obtain **ISO 9001 certification at a global level with a single manual and procedures that apply to the entire Group**: this will make Ferrero plants all over the world divisions of a single "virtual global plant" **by 2020**.

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.

At the global level, 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 on the formulation and portioning of food, providing nutritional information to consumers, advertising directed at children and promoting physical exercise. In addition, Ferrero adheres to the *World Federation of Advertisers* (www.wfa-net.org/en), an international organisation "made up of advertisers" which promotes good practices in relation to responsible advertising.

In Europe, Ferrero is a member of a number of associations: *Food-DrinkEurope* (European federation of the food and beverage industries), *Caobisco* (European association for the confectionery industry) and the *European Brands Association* (AIM).

Together with other companies in the industry, 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.supplychaininitiative.eu).

With regard to the European Commission, referring to the European Platform on diet, physical activity and health, **starting in 2006 Ferrero made a series of individual commitments**, in particular on labelling, advertising and the promotion of physical activity (through its *Kinder+Sport* Programme) and generally healthy lifestyles (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's self-regulation commitments are subject to **certified monitoring by external third-party organisations**.

Advertising monitoring

AT GLOBAL LEVEL

At global level, Ferrero applies the IFBA Global Policy on *Advertising and Marketing Communications to Children*, in line with which **the Group, as a rule, does not target adverts for its food products**, either on television, in print media or on the internet, **at an audience that is predominantly made up of children under the age of 12**. In line with the actions at European level, from January 1 2013 Ferrero has:

- applied the self-regulation standards and not advertised its food products to audiences of which over 35% is made up of children under the age of 12;
- in light of the growing importance of digital, extended the scope of its commitments to include its own corporate websites.

The results of the external monitoring by Accenture confirm the positive progress achieved over the last five years (www.ifballiance.org/documents/2015/05/accenture-2014-compliance-monitoring-report.pdf).

For the monitoring of television advertising conducted in 2014 among companies that adhere to IFBA's policy¹, Accenture analysed over a million independently-selected adverts broadcast on over 400 channels for a pe-

riod for three months in the following seven countries: China (Beijing), Colombia, India, Malaysia, South Africa, Turkey and the United Arab Emirates. The aggregate data shows that the general level of compliance of television advertising was 88.5%.

Monitoring of print advertising was conducted in the following five countries: Brazil, China, India, South Africa and Singapore. In this instance, based on a sample of 59 publications, compliance was 100%. In the same five countries monitoring of 57 corporate websites showed a 99.5% rate of compliance with the commitments made.

With regard to Ferrero specifically, **monitoring pledges about television advertising was carried out on a sample of six countries** and the compliance levels² were as follows:

- China: 100%, Malaysia: 100%, South Africa: 92.7% United Arab Emirates: 99.3%, Colombia: 98.5%, India: 81.4%

Accenture monitored **print media advertising** for compliance between September and October 2014 in Brazil, China, India, South Africa and Singapore. **No cases of non-compliance were encountered in these countries**.

1. Accenture's report on television monitoring of the IFBA pledge was written in the second quarter of 2014.

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

Online advertising, including corporate websites, was also evaluated for the same countries during the same period. Once again, Accenture's monitoring activities did not encounter any violations of the pledges made by Ferrero.

AT EUROPEAN LEVEL

In Europe, Ferrero takes part in the *EU Pledge* initiative: a series of pledges for a responsible approach to advertising food products to children under the age of 12 on television, in print media and on the internet.

As already mentioned in last year's CSR report, 2013 saw the introduction of the *EU Pledge* strengthened commitments under which the websites of signatory companies also fall within the self-regulation scope.

The commitments were subject to an annual monitoring programme carried out by two external organisations³:

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

- **European Advertising Standards Alliance (EASA)** for the websites of signatories to the *EU Pledge*, based on 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 the United Kingdom.

The overall compliance rate for television advertising by signatories to the *EU Pledge* was 98.5%, an increase on the results of last year (98.1%). In relation to website monitoring, this

year a total of 326 sites were checked and the overall compliance rate was 97%. This is also up on the result of the previous year, which was 94%.

Ferrero has always believed in the fundamental role of parents in educating children about a balanced diet and a healthy lifestyle. In spite of this and although no direct link between advertising and children's eating habits has been proven, in line with its advertising principles (www.ferrero.com/fc-1910), **Ferrero does not advertise any food products in Europe to children under the age of 12.** The functions involved (marketing, legal, PR and media planning) have kept working in close synergy to develop internal guidelines on responsible advertising, with an emphasis on good practice in relation to corporate websites.

With regard to television advertising, **Ferrero's compliance rates** for 2014 were:

- Spain 99.4%, France 99.9%, Portugal 99.6%, Poland 98.6%, Hungary 98.7%, Germany 100% and Italy 99.5%.

The Group was informed of a few minor cases of non-compliance and quickly took action to identify the adverts in question and take the necessary corrective action. Of the 326 websites analysed, 43 belong to Ferrero: two of these were rated as not complying with *EU Pledge* criteria and corrective measures were immediately put into action. Unlike last year, this year **none**

3. The data presented in the following Accenture Media Management and EASA report refers to the second half of 2014.

of Ferrero's websites were considered to be counter to national self-regulation codes.

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 it has made on: product formulation and portion, proper nutritional information and food education, promotion of physical activity and responsible advertising communications. This monitoring report is then assessed by a body appointed by the European Commission.

The **2013 monitoring report** of the commitments Ferrero made in the context of the platform was assessed with the following results:

- *"Media literacy & responsible advertising to children"*: highly satisfactory;
- *"Promotion of physical activity"*: highly satisfactory;
- *"Product formulation and portion sizes"*: not satisfactory (Ferrero product portion sizes were not reduced further during FY 2013/2014 as Ferrero's existing portion size policy envisages the use of Ferrero products as part of a snack or meal time. In particular, Ferrero offers its products in portions that leave room for other foods to be consumed, such as fruit: 70% of the products sold (by volume) already provide a portion weighing less than 25 g, as illustrated by the chart on page 44. For more information, please see chapter "Great brands in small portions");
- *"EPODE (Ensemble Prévenons l'Obésité Des Enfants) / EEN (European Epode Network)"*: highly satisfactory.



THE LABELS SPEAK FOR THEMSELVES

In compliance with the current legislation in different countries, **Ferrero provides consumers with accurate and transparent nutritional information.**

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.

European regulation 1169/2011 EU on the provision of food information to consumers came into force on December 13 2014, setting new requirements for food product labels. In line with the requirements of this new 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 the food and beverage industries, for products in the KINDER® and NUTELLA® ranges and for Ferrero snacks.

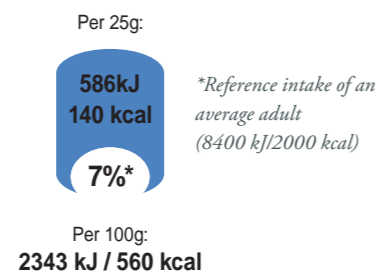
In the European Union this commitment to voluntarily display information on the front of pack for products in the KINDER® and NUTELLA® ranges and for Ferrero snacks covers 69.4% of the Group's entire portfolio of products. This percentage is calculated on the sales volume (in metric tons) in the EU of KINDER® and NUTELLA® products 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 **IFBA Principles for a Global Approach to Fact-based Nutrition Information**⁴ were further strengthened and shared with the World Health Organization on September 15 2014. Implementation is scheduled to take place by December 2016.

Therefore, the Ferrero Group is pro-

4. www.ifballiance.org/documents/2014/09/ifba-commitment-on-nutrition-information-final-september-2014.pdf

gressively implementing the IFBA's global principles in line with that deadline. More specifically, in order to properly implement the principles, in light of the new regulations introduced in some countries during the year in question and the problems applying a recognised "reference intake" value (which is sometimes not possible), Ferrero has revised its own objectives of **applying the IFBA's global principles on nutritional labelling, bringing them into line with the December 2016 end date**, whilst giving precedence to changes to regulations that may occur in different countries.

During 2014, IFBA principles were applied in the US and Mexico and extended to include Russia, Kazakhstan and Belarus. In the remaining countries, either local measures are applied or the IFBA's principles will be applied by 2016 as per the self-regulation commitment.



Image 1



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 (Together Let's Prevent Childhood Obesity) project 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 has maintained its status of "Golden Partner" of the project **Vivons en Forme**, which saw 45 training initiatives organised in 2014.
- **Belgium:** Ferrero continues to support the **Viasano** project, the positive results of which were published in the scientific review *Pediatric Obesity*⁵, 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 2014,

the project reached one million people and 155,000 children in 70 Spanish towns.

- **The Netherlands:** in 2014 the **JOGG** project launched a weekly programme in Breda to promote healthy lifestyles in a number of areas across the city where particularly high levels of obesity had been detected.

- **Greece:** Ferrero continues to support the programme **Paideiatrofi** in three towns where two educational campaigns on portion sizes and healthy lifestyles have been developed. The project ended in February 2014.

FERRERO'S CONTRIBUTION IN	PROGRAMME	CITIES AND PEOPLE	YEAR	EUROS
European Union	European Epode Network/EPHE (www.epode-european-network.com)	7 Member States	2013/2014	150,000
France	Vivons en Forme (www.vivons-en-forme.org)	250 towns and 50,000 children	2013/2014	250,000
Spain	Fundacion Thao (www.thaoweb.com)	70 towns and 155,000 children	2013/2014	60,000
Belgium	Viasano (www.viasano.be)	19 towns and 815,000 people	2013/2014	100,000
The Netherlands (Breda)	JOGG (www.jongerenopgezondgewicht.nl)	63 towns (Ferrero is only involved in Breda)	2013/2014	20,000
Greece	Paideiatrofi (www.epode-european-network.com/index.php?option=com_content&view=article&id=218&Itemid=74&lang=en)	5 towns (Ferrero involved in 3 communities)	2013/2014	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 universities⁶. The project,

5. 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*, 31 March 2015, www.onlinelibrary.wiley.com/doi/10.1111/ijpo.12022/abstract.

6. For more details about the partners, please see the 2012 CSR report.

covering three years from 2012 to 2015, is based on local initiatives that actively reach out to families, schools and local communities. EPHE, with its focus on socio-economic inequality, specifically targets economically and socially underprivileged people with the aim of reducing diet-related illnesses and those caused by inactive lifestyles.

The programme reaches 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.

The evaluation study will have three phases. Using the baseline measurements from the first phase, a further 100 interventions were developed in the first half of 2014. These interventions will provided the basis for **formulating concrete recommendations aimed at developing good practice** to be transmitted and shared using the European cohesion policy and structural funds to encour-

age local, regional and national authorities to make further investments in the EPODE methodology. At the end of the project, these good practices will be accompanied by a book of EPHE recommendations and a series of scientific publications. The final phase of the project will see **an analysis of the sustainability of the interventions** carried out in the seven pilot communities in order to measure its success and long-term benefits.

Even the **European Commission** has formally recognised the importance of socially valuable public-private partnerships. The Commission **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.



THE FERRERO FOUNDATION

Work, Create, Donate. These values have guided the **Piera, Pietro and Giovanni Ferrero Foundation** of Alba from the very beginning.

Founded as a social entity under the direction of its tireless president, Maria Franca Ferrero, the Foundation **is active in social, philanthropic, cultural and artistic spheres**, aimed principally at Ferrero's elderly - employees who have retired from the company - and at children. 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.

THE FERRERO FOUNDATION IN ALBA IS AN "ACTING FOUNDATION", MEANING THAT IT CARRIES OUT NUMEROUS SOCIAL AND CULTURAL PROJECTS AND ACTIVITIES. THE RESOURCES ARE PROVIDED BY THE FERRERO GROUP.



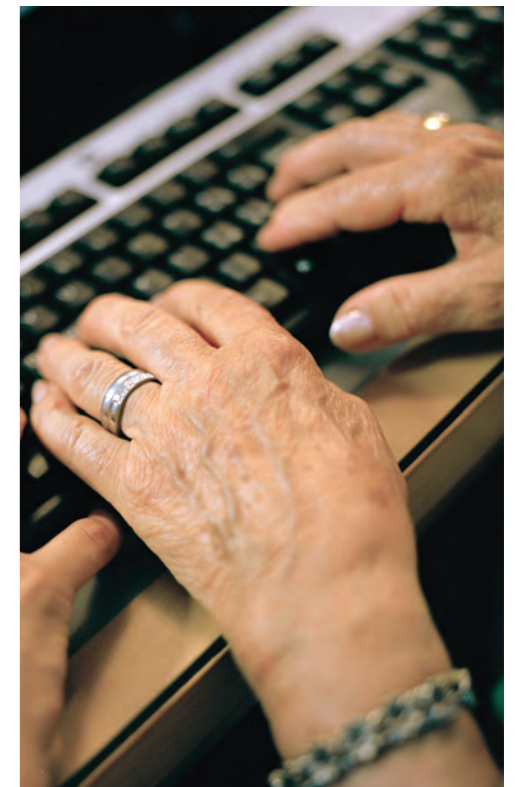
The Foundation is based on the Ferrero family's ethical principles and is a point of reference for all of the Group's businesses. In fact it has served as a blueprint for both the Opera Sociale in Stadthallendorf in Germany, founded in 2008 and all the initiatives supported by Ferrero France since 2005 aimed at employees, the elderly and children; these initiatives include the social unit, the nursery, the Mini Club, summer camp, school support and scholarships. With all its activities and over 30 years of experience, **the Ferrero Foundation is also a model for Ferrero Social Enterprises**, created by the Group in South Africa, India and Cameroon.

The Foundation's philosophy and structure have been extensively described in previous Ferrero Group CSR reports (available at www.ferrero.com).

SOCIAL PROJECTS

Since 1983, the Piera, Pietro and Giovanni Ferrero Foundation has been **working every day to improve quality of life for the elderly**. It offers a wide range of activities, promoting a different and positive image of the old age, a time of appreciation when the social capital of each individual is truly valued - the values, experiences, wisdom and humanity that characterise the elderly.

The Foundation offers its elderly health, medical and social support and enables them to be more active, enjoy cultural activities and build relationships, with a positive impact on the local community and area. There are around **40 activity groups** giving former employees the opportunity to get involved, with workshops



on sewing, ceramics, photography, embroidery, internet skills, foreign languages, drawing and painting. Ecological trips, choral activities, grandparent and grandchild groups, meet-the-chef events, baking lessons and much more are also organised. **The elderly support and contribute to the Ferrero Foundation's cultural projects**, which are becoming increasingly frequent and structured over time. They are actively involved in setting up for exhibitions, welcoming guests, security services, managing the bookshop during events and a number of other activities. Volunteers' activities are frequently tailored and improved in order to provide practical assistance to the sick and needy.

In FY 2013/2014, **over 700 people** used the Ferrero Foundation on a regular basis, participating in one or more group activity, amounting to over **1,400 enrolments**.

HEALTH AND SOCIAL CARE

In 2014, as part of the health and social care service, **670 medical visits** were made to Ferrero's elderly and their spouses in Alba and the surrounding area. In addition, the medical clinic carried out **445 check-ups** for Ferrero's elderly and their spouses who participate in the mobility courses.



Thanks to **8 volunteer nurses**, 2,668 blood pressure readings were taken, 381 intramuscular injections were delivered, 118 ECGs were carried out and 243 blood sugar level readings were taken. In 2014, the infirmary was open for 221 days, for 331 hours in total.

The **chiropractic** service helped **110 people**, whilst 676 people benefited from the service for the **treatment of foot problems and 60 sessions of phototherapy** were delivered. In

addition, **neurological assistance was given to 182 patients**.

The Foundation offers **mobility courses**; in 2014, 445 people participated, split across 12 general mobility groups and 22 targeted mobility groups. Twenty-two elderly people still working for Ferrero also took part in the targeted mobility activities.

Once again, the Ferrero Foundation

will be running **nordic walking** sessions in 2014. These sessions are carried out each year from March to June and from September to December. The activity proved very popular, with **103 elderly people signing up for nordic walking** in six different groups.

The **screening** initiative for the **prevention and early diagnosis of age-related macular degeneration** was continued in 2014 in partnership with the Macula Foundation of Genoa. In 2014, **170 appointments** were given.

HOME HEALTH AND SOCIAL SERVICES AND BLOOD TEST CENTRE

In June 2013, a **home health and social care service** was launched serving Ferrero elderly and their spouses living in Alba and the neighbouring area. The goal is to work with doctors and family members in all cases where an elderly person needs assistance and health services at home. This service does not aim to replace the existing IHC (Integrated Home Care) provided by the local health system (ASL CN2), but will be in addition to it. Thanks to a network of volunteers and the provision of a specifically allocated vehicle, the professional nurse can go straight to patients' homes.



DURING 2014, 481 BLOOD SAMPLES WERE TAKEN AND 264 HOME VISITS WERE MADE.

RELIEF DAYS

Since June 2014, **the Foundation has been open to Ferrero elderly and their spouses who need care or company** because they are alone at home, giving their caregivers the opportunity to have a few hours to themselves.

Two Wednesdays a month, in the presence of a social worker and a professional nurse, and under the supervision of the Foundation's doctors, the Foundation invites around 20 people to spend the day, from 11 am to 4 pm, and have a shared lunch.

THE FERRERO NURSERY "IL NIDO"

The company's nursery, which opened in autumn 2009, continues its activities. The Ferrero nursery has **places for 80 children, aged between three months and three years, with special rates for employees**; between 5 and 10% of places are reserved for children from Alba, as set by the local authorities.

SINCE OPENING, THE FERRERO NURSERY HAS PROVEN ITSELF TO BE A PLACE DEDICATED TO CHILDREN. IT ALSO PROVIDES A MEETING PLACE WHERE PARENTS, EDUCATORS, CARE AND SUPPORT WORKERS AND CHILD CREATIVITY PRACTITIONERS CAN RECEIVE INFORMATION AND TRAINING AND SHARE INFORMATION.

The Ferrero nursery building is state of the art, perfectly-sized for children and has dedicated safe areas where children can move freely, rest, play and have fun. As much as possible, children are given the space to acquire awareness and learn without limitations on their individual freedom. This means children can express themselves and move around freely in safety.



The nursery offers support and advice to families, **organising meetings and discussions on educational issues** such as parenthood and healthy growth for children.

A range of educational sessions are run, including workshops on light, painting, handling exercises and music. Depending on the season, the children can also experience nature first hand in the outside space. The nursery also has its own kitchen that uses fresh and seasonal products.

The Foundation's elderly, in their role of "grandparents", **enjoy a range of activities with children and parents**. The grandparents give their time, experience and affection, enjoying the shared time, reading fairy tales and nursery rhymes, cooking, making decorations and gardening together.

The Foundation's medical service runs an advice service at the Ferrero nursery. Monthly meetings with the director are held and every so often activities are coordinated with paediatricians from the Alba-Bra (ASL CN2) local health authority. The service carries out a number of activities, including: advice for

minor traumas or illnesses that do not require first aid, organising weekly training sessions for the nursery's professional educators and staff, supervising and helping to create seasonal menus, all under the aegis of competent local health authority agents.

"MICHELE FERRERO" MASTER'S DEGREE IN FOOD SCIENCE AND TECHNOLOGY AND HUMAN NUTRITION

As in previous years, the Ferrero Foundation of Alba has continued its **partnership with the University of Turin** through the "Michele Ferrero" Master's degree in Food science and technology and human nutrition.

THE GOAL IS TO TRAIN SPECIALISTS IN THE FIELD OF TECHNOLOGY, MEDICAL BIOLOGY AND CHEMISTRY WHO CAN JOIN THE MANUFACTURING SIDE OF A FOOD PRODUCTION COMPANY OR A RESEARCH AND DEVELOPMENT LABORATORY.

The teaching delivered during the master's degree takes into consideration the requirements on production decisions in the food industry coming from new consumer demands, from changing lifestyles to the effects of globalisation on the composition of the population.

Two scholarships of € 5,000 are awarded to students who achieve the best marks and an additional award of the same amount is awarded for the best dissertation.

CULTURAL PROJECTS

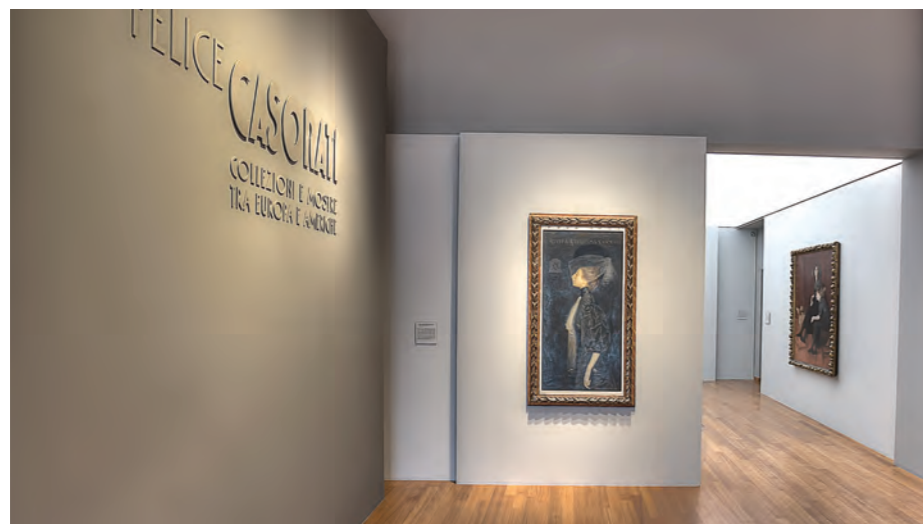
The Ferrero Foundation is becoming increasingly culturally active. With its study and research initiatives, it plays a leading role in intensive training sessions, designed to **develop a network of ideas and experiences** that cut across different spheres of knowledge. In tune with the Group's values, the Ferrero Foundation promotes opportunities for discussion in favour of an active, creative and responsible culture. In the course of achieving its goals, the Ferrero Foundation supports and fosters cultural initiatives, working with local, national and international foundations, institutions and organisations, becoming the founding supporters

of long-lasting projects designed to benefit the whole of society. Each year, the Foundation awards **national and international scholarships** to the children of Ferrero employees and "elderly", supports scientific research and PhD programmes. In addition, it contributes impetus and funding to projects and events that combine science and research, art and culture and economic and social studies, giving particular emphasis to projects on the most important figures from the cultural past of Alba and the Piedmont region, with the aim of achieving international acclaim for these figures.

Felice Casorati. Collections and exhibitions in Europe and the Americas

In autumn 2014, the Foundation opened the exhibition: *Felice Casorati. Collezioni e mostre tra Europa e Americhe*. The exhibition brought **over 100,000 visitors** to Alba, with a record number of people, including children, visiting and enjoying the exhibition, where they took part in educational workshops, between groups and associations and between middle school and secondary school students.

The works to exhibit were selected from among those that Casorati himself chose to display at international exhibitions throughout his long artistic career, spanning from 1907 to 1963 when he died.



“Smiles of African mothers” exhibition

From May 21 to June 13 2014, the "Smiles of African mothers" exhibition, curated by the **CCM - the Medical Collaboration Committee and Magnum Photos**, was on display at the Foundation.

The CCM, an NGO founded in 1968 by a group of doctors from Turin, exhibited 30 of the most stunning photographs taken by Magnum photographers in African countries where the NGO's doctors and healthcare staff work. The exhibition has been a valuable tool for **raising awareness of the situation of mothers and children in Sub-Saharan Africa.**

The CCM hopes to use the “Smiles of African mothers” exhibition,

launched in 2011 and ending in 2015, to provide aid during pregnancy and labour to 200,000 women, offer treatment and vaccinations to 500,000 children, train 1,700 healthcare workers in obstetrics and pediatrics, renovate and equip 27 healthcare centres.

At the end of the exhibition period, as part of the cycle of conferences organised by the Ferrero Foundation, a session entitled "Tales of Africa. Volunteering and life experiences with the CCM" was held. CCM doctors, interviewed by Piero Bianucci, spoke about what being a volunteer doctor in Africa is like, the difficulties, the successes and the support provided to mothers and children.



Conference cycle

The Ferrero Foundation **organises periodic meetings in the context of the "Conference Cycle"**. The following conferences were held during the reporting period:

- Professor **Mario Di Martino** gave a talk on the passage of the ISON comet, which was unusual for its speed, size and luminosity;
- **Giorgio Simonelli**, in conversation with journalists Orlando Perera and Roberto Fiori, presented his book "Cari amici vicini e lontani. L'avventurosa storia della radio", a reconstruction of the animated journey of the radio system as it sought to find its place in the cultural world;
- Professor **Eugenio Del Toma**, a specialist in food science and gastroenterology, led a session on nutrition as a lifestyle and an active and conscious contribution to a long life and ageing happily, in relation to the number of cultural and technological benefits and constraints that have an impact on our daily behaviours;
- the journalist **Giuseppe Altamore** brought to light the issues surrounding the Italian water supply network, with a look at the situation in Europe and the world;
- Professor **Giovanni Appendino** led a conference entitled "Burning with health. Chilli pepper in the kitchen and pharmacy". Over the course of the conference, he illustrated the hidden components of spicy foods and why they are so useful. The links between cooks and pharmacology were also explored;
- **Maria Caramelli**, director of the Experimental Animal Disease Prevention Institute of Turin, illustrated how food controls work in Italy;
- **Gustavo Zagrebelsky**, former Presiding Judge of the Constitutional Court, held a session on the Italian Constitution, providing a forum for a number of questions on potential conflicts in the Constitution related to modern times;
- **Francesco Profumo**, a lecturer at the Turin Politecnico and former Minister of Education, held a session on the educational aspects of the world of teaching and the practical implications: acquiring knowledge with the aim of find a place in the world of work.

With regard to **musical offerings**, two partnerships are still ongoing: one with the Musical Union of Turin, a non-profit organisation founded in 1946, and one with *Italy & USA Alba Music Festival*, a show directed by musicians Giuseppe Nova, Jeffrey Silberschlag and Larry Edward Vote.

The **company magazine Filodiretto** continues to be published, with four issues per year sent to over 20,000 employees and Ferrero "elderly" around the world. The magazine is translated into four languages (English, German, French and Spanish) and offers a report of the initiatives of the Ferrero Group, the individual companies and the Ferrero Foundation.



GOALS FOR THE FUTURE

The Ferrero Foundation and the Turin Academy of Medicine, two years after the successful and acclaimed international convention on "Successful ageing: a multidisciplinary approach", held in Alba in autumn 2013, are organising a new opportunity for reflection on the theme of ageing, in light of new social, economic and cultural challenges.

The convention "Successful ageing: new horizons", planned for **November 5-7 2015** will be held in the Ferrero Foundation's auditorium and will enjoy the benefit of a dedicated scientific committee.

FERRERO'S OPERA SOCIALE IN GERMANY

The Opera Sociale was founded in 2008 at the Stadtallendorf production plant. It is a place where **former collaborators can meet, share experiences and enjoy each other's company.** It provides Ferrero elderly with a wide range of activities and encourages an active and healthy lifestyle. The programme is built on three pillars and offers the people involved a holistic approach.

MIND Information and Learning

Courses for improving specific skills and abilities, cultural events and debates, such as the Literary Café, research into history and local cultural ties, computer skills courses, photography, painting and theatre.

BODY Fitness and Nutrition

Sports activities, relaxation techniques and initiatives for improving quality of life, such as excursions and cycling holidays, *Qi Gong*, Life Kinetic training and cooking lessons in the equipped and shared space.

SOUL Sharing and Social time

Opportunities for sharing stories and experiences with others, such as, for example, a healthy breakfast to start the day, or opportunities to meet and explore creative ideas and organise events.

The aim is to **actively involve all former Ferrero collaborators** to enable mutual and shared learning. The belief is that this will increase the number of events organised by Ferrero elderly, both for themselves and for other members of the Opera Sociale.



The programme of events has been added to in the past year, and now counts **5,382 participants for a total of 258 activities.** Day after day, the Opera Sociale is becoming an integral part of daily life for former Ferrero employees.

Equally important is the intergenerational exchange element: former employees can share the abilities they have built up and their experience,

all of which is highly valuable to those who are not members of the Opera Sociale, providing a forum for intergenerational dialogue.



"BOOKWORMS" PROJECT

Nothing is more captivating than reading or telling and listening to stories. Based on this theory, the initiative wants to give elderly from the Opera Sociale the opportunity to **build a connection with the children** they come into contact with. At the same time, reading aloud improves concentration, whilst children can discover and explore their own potential, developing their personalities and a sense of social responsibility. As reading mentors, the "bookworms" are directly involved with the Opera Sociale and with the schools, pre-schools and youth club in Stadtallendorf.

LITTLE ONES' INTERACTIVE MUSEUM

An interactive museum installation on the premises of the Opera Sociale. In partnership with professors from the *KINDER® & Jugendmuseum Nürnberg* (Nuremberg museum for children and young people), the children learn by doing in an authentic environment. An exhibition on the origins and production of cocoa and chocolate was followed by "Let's go to Rome", a colourful look at the culture of ancient Rome. The end of the museum shows information about the present and the Ferrero family.

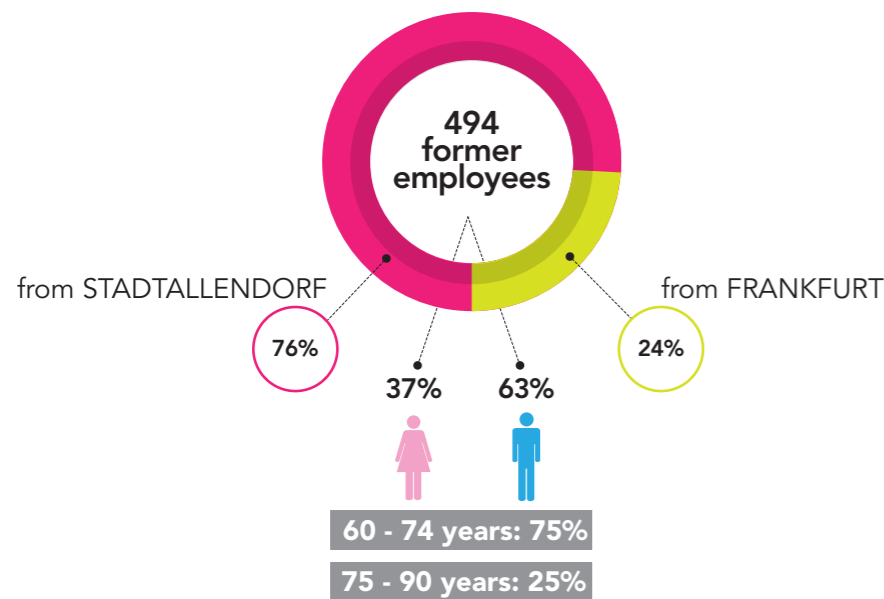


The initiative is aimed at members of the Opera Sociale, their grandchildren and local school children.

Spotlight on well-being

Ferrero is reinforcing its commitment to the Opera Sociale and the local community through a series of events put on with the people of Stadallendorf. The issue of "energy management" continues with an in-depth look at how to "manage health", which **aims to raise participants' awareness of health with unconventional methods**. In addition to these alternative techniques and new types of exercise, the programme takes a look back at health and medicine through the ages, imparting learnings on healthy lifestyles and healthy, balanced diets. Started in March 2015, the programme of events is aimed at members of the Opera Sociale and older people from Stadallendorf and the surrounding area. Members' grandchildren can also get involved and learn about health and the human body in a fun environment.

FERRERO'S GERMAN OPERA SOCIALE IN NUMBERS



72% have taken part in at least one of Opera Sociale's activities

Of them:

of retired employees from STADTALLENDORF: 78%

of retired employees from FRANKFURT: 49%

FERRERO'S OPERA SOCIALE IN FRANCE



The *Groupe d'Initiatives et de Solidarité* (GIS, Group for initiatives and solidarity) was founded in 2005 and unites employees who have retired from Ferrero France and their spouses, who can become "associate members" if they so wish.

GIS aims to support former Ferrero France collaborators in their new retired life, to maintain the links of friendship and solidarity between the company and its former employees. To this end, a space at the Viller-Écalles plant was allocated and furnished to provide members of GIS a special meeting place at the heart of the company.

GIS activities are structured around four pillars:

- SOCIAL** | maintaining contact between the company and its former employees.
- CULTURE** | organising cultural trips and engaging curiosity.
- HEALTH** | keeping physically fit and intellectually nimble.
- SOLIDARITY** | participating in meetings with local and national associations.

Ferrero's "cellule sociale" (social cell) supports GIS members and helps them bring their projects to fruition. Thanks to this special relationship with the company, every year a number of outstanding projects are carried out in partnership with Ferrero France.

Social - Every Tuesday, a group of between 30 and 40 members meet in the allocated GIS space in Villers-Écalles to spend some social time together. The sportier members take advantage of this opportunity to get their running shoes on. Also, to strengthen the ongoing relationship with the company, GIS members are invited to the annual Christmas lunch for Ferrero France employees.

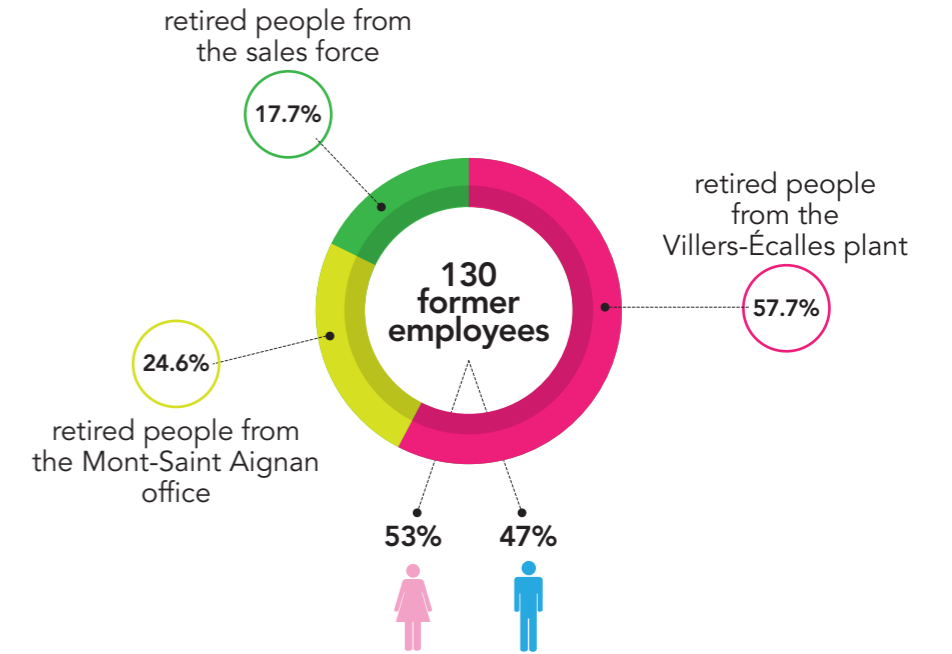
Culture - Each year, around 20 large cultural events are organised. Organised trips, guided tours, cultural heritage discovery days and more. These activities stimulate the mind and enrich the cultural knowledge of those who are part of the GIS life.

Health - To maintain and improve the physical health of GIS members, excursions and hiking trips are held on a regular basis. GIS members can also take part in games to improve the memory and stimulate the intellectual abilities.

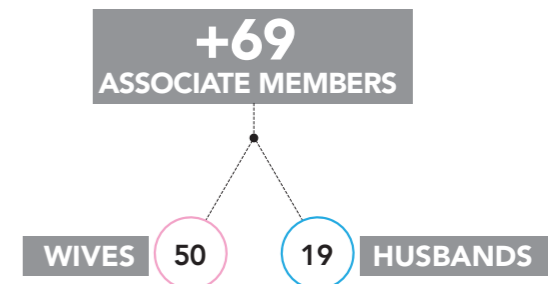
Solidarity - During 2014, six solidarity partnerships were set up with local associations, with a special emphasis on associations aimed at childhood. Intergenerational exchange and dialogue are encouraged by sessions organised for GIS members and children involved with the partner associations.



FERRERO'S FRENCH OPERA SOCIALE IN NUMBERS



44% have taken part in at least one of Opera Sociale's activities

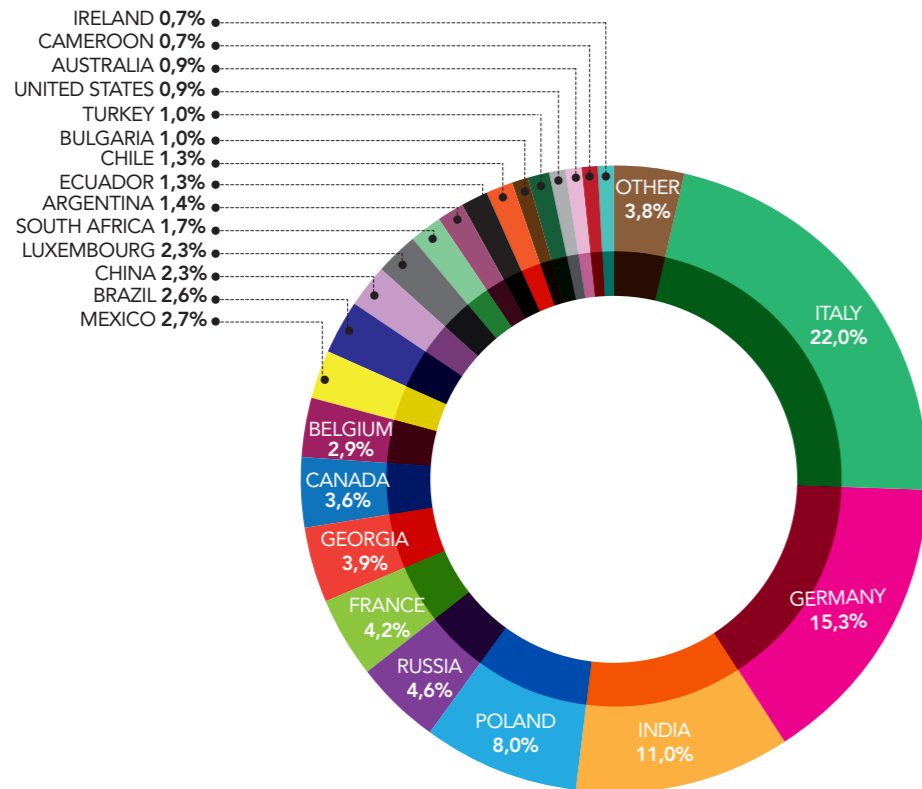


FERRERO WOMEN AND MEN

As of 31 August 2014, the exact number of Ferrero collaborators is **34,236**.

This figure is formed by **27,457 employees** in addition to 28 employees of Ferrero Industrial Services G.E.I.E and the Piera, Pietro and Giovanni Ferrero Foundation, for a total of **27,485 employees**. **6,751** external collaborators, working with the Group's companies¹ (mostly as temporary workers and sales representatives²), are to be added to this number.

INTERNAL AND EXTERNAL COLLABORATORS OF THE FERRERO GROUP AT 31 AUGUST 2014 DIVIDED BY COUNTRY



1. This figure also includes external collaborators who work with Ferrero Industrial Services G.E.I.E and the Piera, Pietro and Giovanni Ferrero Foundation.

2. The figure also includes internships and other direct cooperation relationships, with the exception of service contracts.

COUNTRIES	AS OF 31 AUGUST 2014	
	N. EMPLOYEES	%
Italy	7,533	22.0%
Germany	5,243	15.3%
India	3,779	11.0%
Poland	2,727	8.0%
Russia	1,577	4.6%
France	1,444	4.2%
Georgia	1,344	3.9%
Canada	1,246	3.6%
Belgium	978	2.9%
Mexico	916	2.7%
Brazil	884	2.6%
China	801	2.3%
Luxembourg	772	2.3%
South Africa	582	1.7%
Argentina	466	1.4%
Ecuador	459	1.3%
Chile	439	1.3%
Bulgaria	357	1.0%
Turkey	331	1.0%
United States	304	0.9%
Australia	292	0.9%
Cameroon	232	0.7%
Ireland	231	0.7%
Others	1,299	3.8%
TOTAL	34,236	100.0%

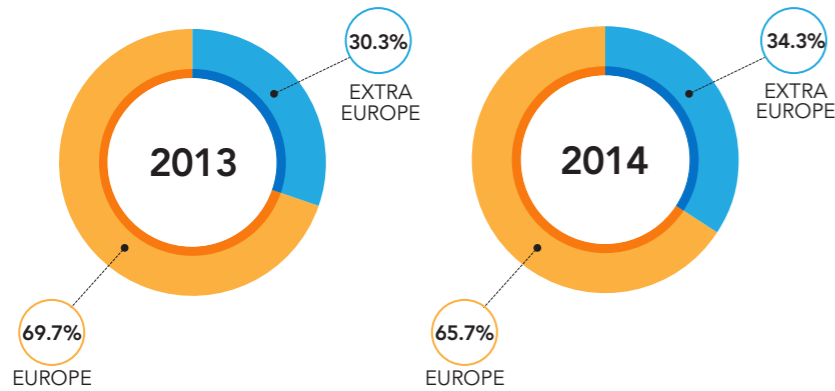
As of 31 August 2014, the Ferrero Group includes **employees of 100 different nationalities**.

In particular, over the previous year, there was an increase in the number of employees in Georgia, Mexico and China.

CONSTANT EXPANSION IN THE WORLD

The Group maintains a strong presence of its workforce and of its activities in Europe³ and continues to **increase its presence outside Europe, rising from 30.3% in FY 2012/2013 to 34.3% in FY 2013/2014, an increase of 4 percentage points.**

EXACT WORKFORCE OF THE GROUP AS OF 31 AUGUST BY GEOGRAPHICAL AREA



FERRERO PEOPLE IN NUMBERS

EXACT WORKFORCE OF THE GROUP AS OF 31 AUGUST

No. EMPLOYEES	AS OF 31/08/2013	AS OF 31/08/2014
Total	24,797	27,485
Of which women	42.7%	43.3%

*The total workforce takes into account employees directly employed by Ferrero as of August 31, including employees of Ferrero Industrial Services G.E.I.E and the Piera, Pietro and Giovanni Ferrero Foundation.

There is a positive increase in the number of women in percentage terms.

As of 31 August 2014, the total workforce has increased compared to the previous year, with particular reference to fixed-term and seasonal contracts in the production area. However, a positive growth **trend can also be seen for permanent contracts.**

The particular nature of Ferrero products, mainly consisting of chocolate, strongly affects market demand, which records high peaks at particular times of the year and in conjunction with holiday celebrations. This means that about 70% of production is concentrated during 7/8 months of the year (winter); this situation makes it indispensable for Ferrero to use fixed-term seasonal contracts.

3. Europe includes all of the 28 EU member states.

The average workforce in FY 2013/2014 was equal to **24,836 people** to which the average workforce of Ferrero Industrial Services G.E.I.E and the Piera, Pietro and Giovanni Ferrero Foundation can be added for a total of **24,864 employees.**

GROUP WORKFORCE BY TYPE OF CONTRACT

TYPE OF CONTRACT	AS OF 31/08/2013		AS OF 31/08/2014	
	No. EMPLOYEES	%	No. EMPLOYEES	%
Fixed-term	5,671	22.9%	7,370	26.8%
Permanent	19,126	77.1%	20,115	73.2%
TOTAL	24,797	100%	27,485	100%

PART-TIME/FULL-TIME	AS OF 31/08/2013		AS OF 31/08/2014	
	%		%	
Part-time	8.4%		6.2%	
Full-time	91.6%		93.8%	

It is worth noting that, in Italy the use of part-time eight-month contracts is widespread, enabling a balance between the company's seasonal needs and the employees' commitments outside of work.

GROUP WORKFORCE BY POSITION CLASSIFICATION

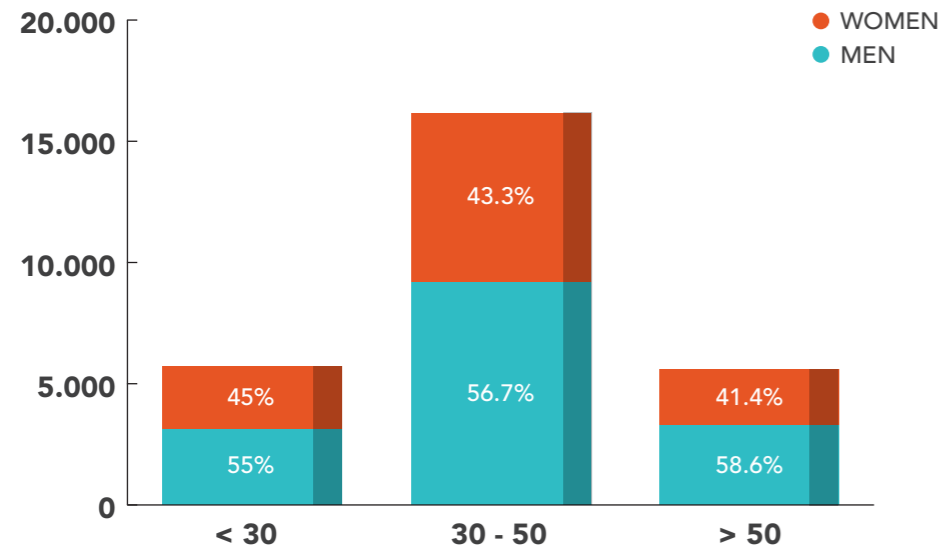
POSITION CLASSIFICATION	AS OF 31/08/2013		AS OF 31/08/2014	
	No. EMPLOYEES	%	No. EMPLOYEES	%
Workers	14,338	57.8%	16,121	58.7%
Office Workers	7,698	31%	8,374	30.5%
Middle manager	1,911	7.7%	2,109	7.7%
Senior manager	850	3.4%	881	3.2%
TOTAL	24,797	100%	27,485	100%

Senior managers cover a role within the company, characterised by a high degree of professionalism, autonomy and decision-making power and contribute to the positioning and development of corporate strategy.

AGE RANGES

The breakdown of workforce of the Group is shown below.

GROUP WORKFORCE BY AGE AND GENDER AS OF 31 AUGUST 2014



GROUP WORKFORCE BY AGE

AGE RANGERS	AS OF 31/08/2013	AS OF 31/08/2014
	%	%
< 30	20.5%	20.7%
30 - 50	57.8%	58.9%
> 50	21.7%	20.4%
TOTAL	24,797	27,485

Because of the increase of the average age of the workforce, there was an increase in the population's average age between 30 and 50 years.

The committees described under the paragraph "The organisational structure and governance of the Group" is composed of 18 members which belong by 56% to the age group "over 60", by 28% to the age group "between 51 and 60" and by 17% to the age group "between 40 and 50", including the CEO of the Group. In these committees, the presence of women is represented by the Chairman of the Board of Directors.

FEMALE AND MALE PRESENCE



Compared to the previous year, **the employment of women in the Group is increasing** both in Europe and outside Europe. In addition, the presence of women is increasing in the middle and senior management population.

A growing trend is also evidenced, in the percentage of women working part-time.

GROUP WORKFORCE AS OF 31 AUGUST

WORKFORCE	FY 2012/2013			FY 2013/2014		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
	No. EMPLOYEES	%	%	No. EMPLOYEES	%	%
Geographical Area						
Europe	17,280	58%	42%	18,064	57.7%	42.3%
Extra Europe	7,517	55.9%	44.1%	9,421	54.9%	45.1%
Position classification						
Workers	14,338	53.8%	46.2%	16,121	53%	47%
Office Workers	7,698	57.6%	42.4%	8,374	57.8%	42.2%
Middle Managers	1,911	69.9%	30.1%	2,109	68.5%	31.5%
Senior Managers	850	87.4%	12.6%	881	86.6%	13.4%
Type of contract						
Permanent	5,671	44.6%	55.4%	7,370	45.9%	54.1%
Fixed-term	19,126	61.1%	38.9%	20,115	60.7%	39.3%
Part-time/Full-time						
Part-time	2,074	22.6%	77.4%	1,715	19.5%	80.5%
Full-time	22,723	60.5%	39.5%	25,770	59.2%	40.8%
Total workforce	24,797	57.3%	42.7%	27,485	56.7%	43.3%

PERSONNEL TURNOVER



The figures for turnover relating to men and women of the workforce by geographic region and age group are shown below, with the exception of seasonal workers. The output data includes retirements, voluntary resignations or expiration of the term of the contract, while the data on revenues includes new hires in the Group.

It should be noted that during FY 2013/2014 the Group Ferrero had **3,550** new hires, of which **1,879** men (52.9%) and **1,671** women (47.1%).

OUTGOING AND INCOMING TURNOVER BY AGE - EUROPE

FY 2012/2013						
EUROPE	OUTGOING TURNOVER			INCOMING TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	52	49	101	164	163	327
30 - 50	109	130	239	141	177	318
> 50	62	113	175	6	22	28
TOTAL	223	292	515	311	362	673
%	3.07%	2.91%	2.98%	4.28%	3.61%	3.89%
FY 2013/2014						
EUROPE	OUTGOING TURNOVER			INCOMING 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%

OUTGOING TURNOVER BY AGE - EXTRA EUROPE

FY 2012/2013						
EXTRA EUROPE	OUTGOING TURNOVER			INCOMING TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	349	238	587	680	527	1,207
30 - 50	385	308	693	481	580	1,061
> 50	72	47	119	24	35	59
TOTAL	806	593	1,399	1,185	1,142	2,327
%	24.31%	14.11%	18.61%	35.75%	27.18%	30.96%
FY 2013/2014						
EXTRA EUROPE	OUTGOING TURNOVER			INCOMING 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%

OUTGOING AND INCOMING TURNOVER BY AGE - GROUP

FY 2012/2013						
GROUP	OUTGOING TURNOVER			INCOMING TURNOVER		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
< 30	401	287	688	844	690	1,534
30 - 50	494	438	932	622	757	1,379
> 50	134	160	294	30	57	87
TOTAL	1,029	885	1,914	1,496	1,504	3,000
%	9.73%	6.22%	7.72%	14.14%	10.58%	12.10%
FY 2013/2014						
GROUP	OUTGOING TURNOVER			INCOMING 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%

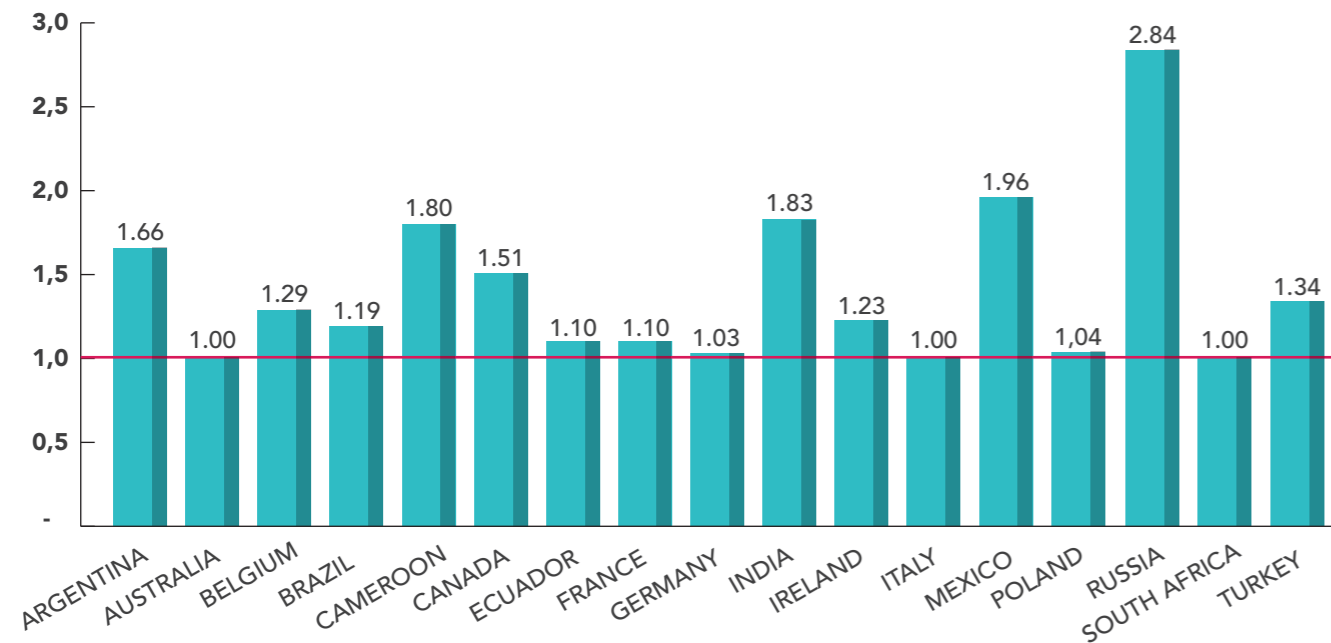
Data on the return to work after a period of parental leave for Ferrero women and men will be available by FY 2014/2015.

REMUNERATION

Ferrero meets wage standards set by law and by collective bargaining, if any, in all company areas. In addition, the main company headquarters signed corporate supplementary agreements aimed at defining more favourable business treatment or bonuses according to objectives achieved and local practices.

The chart below lists some examples, for the most significant sites, of the relationship between the minimum wage and minimum wages required by law for each country where Ferrero has plants.

RATIO BETWEEN BASE SALARY OF NEWLY HIRED WORKERS, AND THE LEGAL MINIMUM IN FY 2013/2014*



*The base salary is the gross minimum annual salary of newly hired employees as production operators. The figure does not take into account pay for overtime, production bonuses or individual bonuses. The ratio equal to 1 indicates consistency between the legal minimum and the amount paid by Ferrero. For South Africa, it should be taken into account that, since there is no national legal minimum, the agreement between Ferrero and the national trade union was used as a reference.



The ratio⁴ between the average pay of male and female employees relative to some of the main countries of the Group, is shown below. Given the system for collecting compensation data at the Group level, we are able to now provide this information relative to a sample of countries.

AVERAGE WAGE RATIO BY GENDER AND POSITION CLASSIFICATION

POSITION CLASSIFICATION	REMUNERATION RATIO MEN VS WOMEN 31/08/2013	REMUNERATION RATIO MEN VS WOMEN 31/08/2014
Italy		
Workers	92.2	92.4
Office Workers	95.8	95.4
Middle manager	95.6	93.9
Senior manager	66.6	72.4
Germany		
Workers	78.0	79.1
Office Workers	83.7	84.5
Middle manager	88.2	85.8
Senior manager	90.8	92.7
France		
Workers	91.6	90.8
Office Workers	101.4	100.4
Middle manager	88.8	90.2
Senior manager	96.8	102.7
Poland		
Workers	66.1	68.9
Office Workers	93.5	93.6
Middle manager	117.2	94.6
Senior manager	64.3	65.5
Ireland		
Workers	91.5	90.8
Office Workers	77.9	78
Middle manager	74.2	70.5
Senior manager	n.a.	n.a.

4. This ratio is calculated using the following formula: average wage for men: 100 = average wage for women: x. When the ratio is less than 100, the average compensation for men is greater than that for women.

POSITION CLASSIFICATION	REMUNERATION RATIO MEN VS WOMEN 31/08/2013	REMUNERATION RATIO MEN VS WOMEN 31/08/2014
Canada		
Workers	87.2	87.7
Office Workers	88.2	88.2
Middle manager	100.6	99.9
Senior manager	72.3	73.6
USA		
Workers*	90.8	92.4
Office Workers	76.3	79.3
Middle manager	106.3	97.5
Senior manager	70.1	68.2
Russia		
Workers	90.9	78
Office Workers	114.5	112.1
Middle manager	97.5	99.8
Senior manager	91.1	79.2

*This figure refers to workers employed in the packaging centre in the USA.

In the average figure reported, some situations of inequality result from the greater number of men employed in previous decades, resulting in the current greater male seniority and consequently a higher average salary, particularly evident for senior managers.

It should also be pointed out that in some countries where the Ferrero workforce is smaller, even transfer a single employee resource (among the most senior resources) may result in a significant change in the male/female employment ratio.

In addition, the recruitment of new staff with base salary according to experience can lead to significant changes in the ratio.

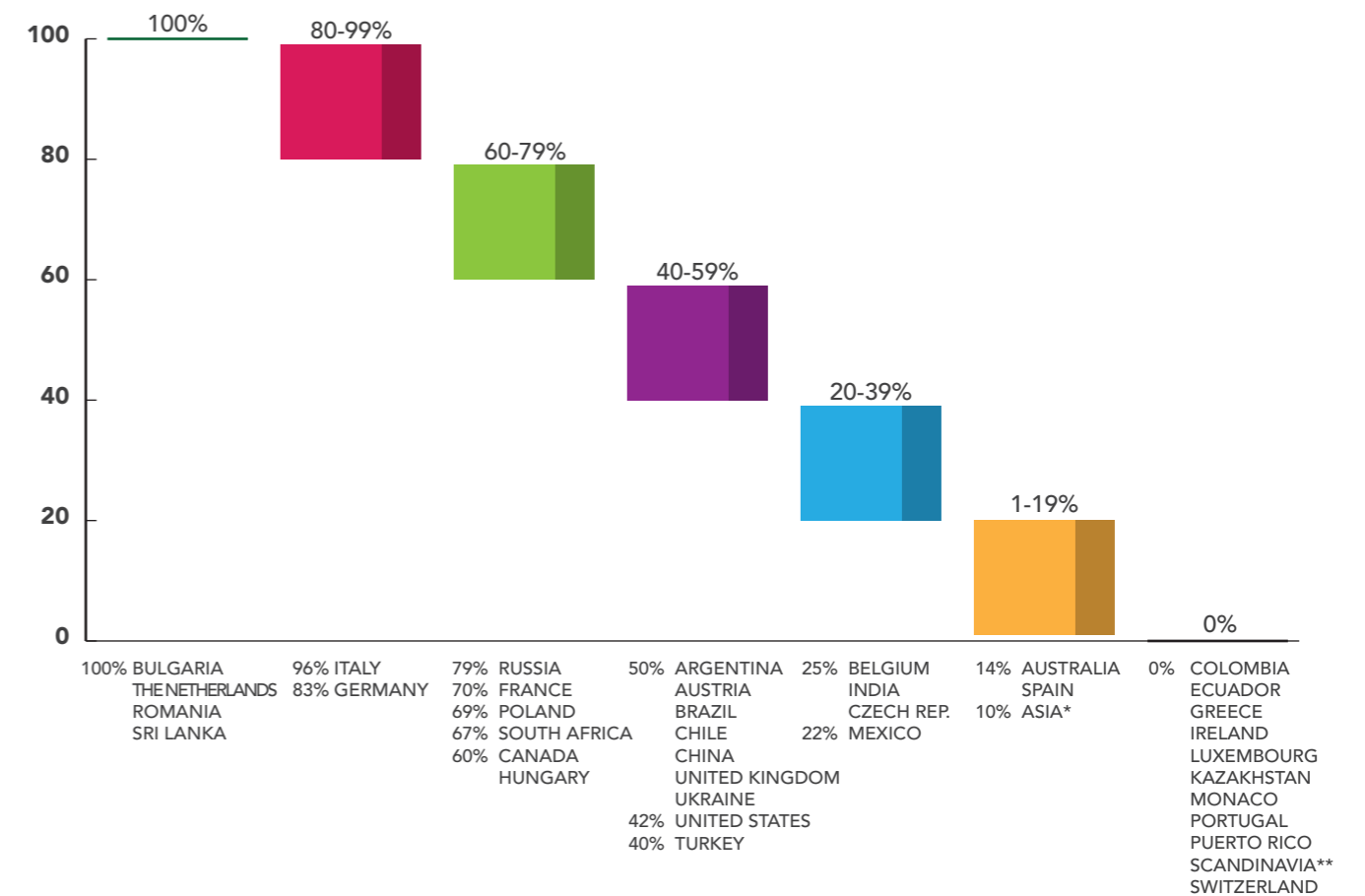
The remuneration data collection system at the Group level will be completed by FY 2014/2015. It is now able to provide data for the following countries: Italy, Germany, France, Poland, Ireland, Canada, United States and Russia accounting for almost 60% of the total workforce of the Group.

LOCAL RECRUITMENT

In relation to recruitment, Ferrero does not have a Group policy aimed at creating a preferential criterion for recruitment of local workforce, although the group tends to favour, whenever possible, workforce residing in the countries in which it operates.

The percentage of senior managers hired locally, or with the nationality of the country of employment, is shown below. The figure refers to the 881 senior managers of the Group. It should be taken into account that, in certain smaller countries, the presence of senior managers is equal to 1 or 2 people. Countries not listed do not have senior managers.

PERCENTAGE OF SENIOR MANAGERS HIRED LOCALLY AS OF 31 AUGUST 2014



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

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

INDUSTRIAL RELATIONS

The minimum notice period applied by the Group, in case of significant operational changes, complies with national or regional collective agreements, ranging from a minimum of 15 days to a maximum of six months.

In FY 2013/2014, no cases of strike were found against the company, in any of the Ferrero branches.

Activities of the European Works Council (EWC)



The "FERRERO EWC Health and Safety Laboratory" is created

At a meeting in October 2013, the Ferrero European Works Council decided to create a European laboratory for the exchange and sharing of information on risks, best

practices and prevention strategies aimed at protecting the psychological-physical integrity of workers in all plants and centres of activities of the Ferrero Group. A project to also promote organizational well-being, environmental protection and corporate social responsibility policies.

The establishment phase of the laboratory began in November 2014 and was preceded by the large involvement of all members of the EWC.

The path taken was as follows:

- On 8-9-10 April 2014, in Brussels, on the occasion of the annual training days, a work plan for the laboratory was presented to members of the EWC;
- Starting in July-September 2014, the work group met all local groups and interviewed representatives of workers and local management to gather their perceptions and priorities for the success of the project;
- On 7-8-9 October 2014, the results of the planning phase were presented in Rouen (France), at the annual meeting of the Ferrero EWC. All members of the Committee valued the project and the indications that emerged from the interviews, giving way to the deployment phase of the laboratory.

What will this laboratory be?

1. An organised system, available to representatives of workers in the EWC and the Ferrero Administrations, for the collection of information on risks and the dissemination of good practices of communication, training and employee involvement. The goal is to promote a culture of prevention and the improvement of working and living conditions;

2. a tool to create awareness campaigns and to disseminate good practices of corporate social responsibility and safety in the management of environmental issues;

3. a repository of information, periodically updated, on the organization of protection and prevention services, forms of worker representation, best training and awareness practices, and more;

4. a forum to be dedicated to the debate on risks and prevention policies and to launching awareness campaigns.

Moreover, the meeting of Rouen has identified local contacts, both among workers and in Management, to assist the central working group assigned to coordinating the laboratory.

The Ferrero Group has made an organisational secretariat and IT support available to the laboratory. A dedicated space for the laboratory within the website has already been developed for EWC activities. All information collected, from now on, will be available on the site.

To date, the EWC is an expression of more than 60% of the Group workforce in the world and almost all of those operating in Europe.



Coverage of the organization's defined benefit plan obligations

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

If an employee ends its employment relationship before completing this contribution plan, the contributions payable by the Group are reduced by a proportional amount of contribution. The only obligation that is retained by the Group, with reference to the pension plans, is to disburse the amounts accrued.

Some employees receive severance pay in accordance with the laws applicable in each country where the Group operates. The amount of pension benefits payable is determined on an actuarial basis and covered by specific allocations and provisions recorded in the financial statements.

The amounts due to employees are determined at year-end and represent the present value of the Group's liabilities to employees, net of advances paid.



HEALTH AND SAFETY PROTECTION

PROTECTING WORKPLACE HEALTH AND SAFETY IS A CORE VALUE IN THE CENTRAL FERRERO SYSTEM. AS A RESULT, THE GROUP IS COMMITTED TO PROTECTING THE SAFETY AND HEALTH OF EMPLOYEES, CONTRACTORS, VISITORS AND ANY OTHER PERSONS WHO COME INTO CONTACT WITH THE GROUP.

Ferrero recognises the importance of encouraging and supporting a strong and effective safety culture within its sites. Through appropriate training, involvement and awareness, any interested party should feel a real part of the initiatives aimed at improving the health and safety of their organization. Moreover, Ferrero encourages safe and healthy behaviour even in private life, at home and during leisure time.

Ferrero meets all the requirements defined by the law of the countries in which it operates, as well as the more

restrictive requirements established or subscribed to by the Group. The identification of hazards, risks and their control are elements that must be taken into account in the design of plants, processes and within the work environment and constantly kept up to date.

During FY 2013/2014, Ferrero has further **strengthened its coordination and dissemination initiatives of best practices** in workplace health and safety, achieving important results in terms of performance, as described below.

FERRERO GROUP (PRODUCTION) SAFETY PERFORMANCE

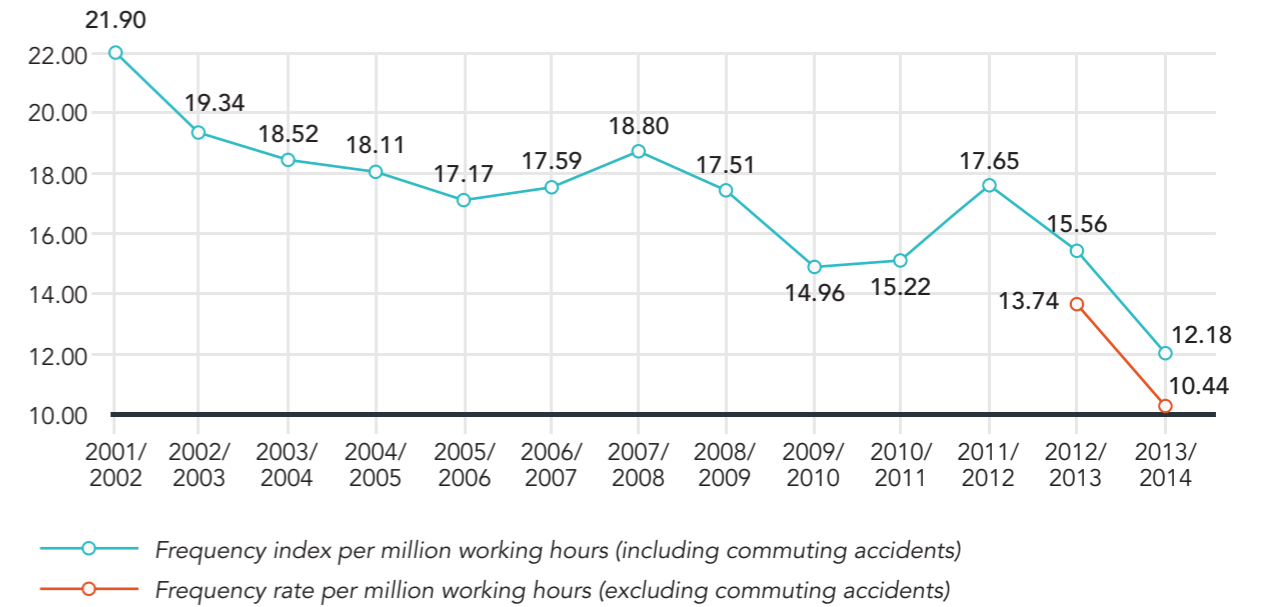
FINANCIAL YEAR	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Index of frequency per million worked hours													
Commuting accidents included	21.90	19.34	18.52	18.11	17.17	17.59	18.80	17.51	14.96	15.22	17.65	15.56	12.18
Commuting accidents not included												13.74	10.44
Index of gravity per thousand worked hours													
Commuting accidents included	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
Commuting accidents not included												0.28	0.20



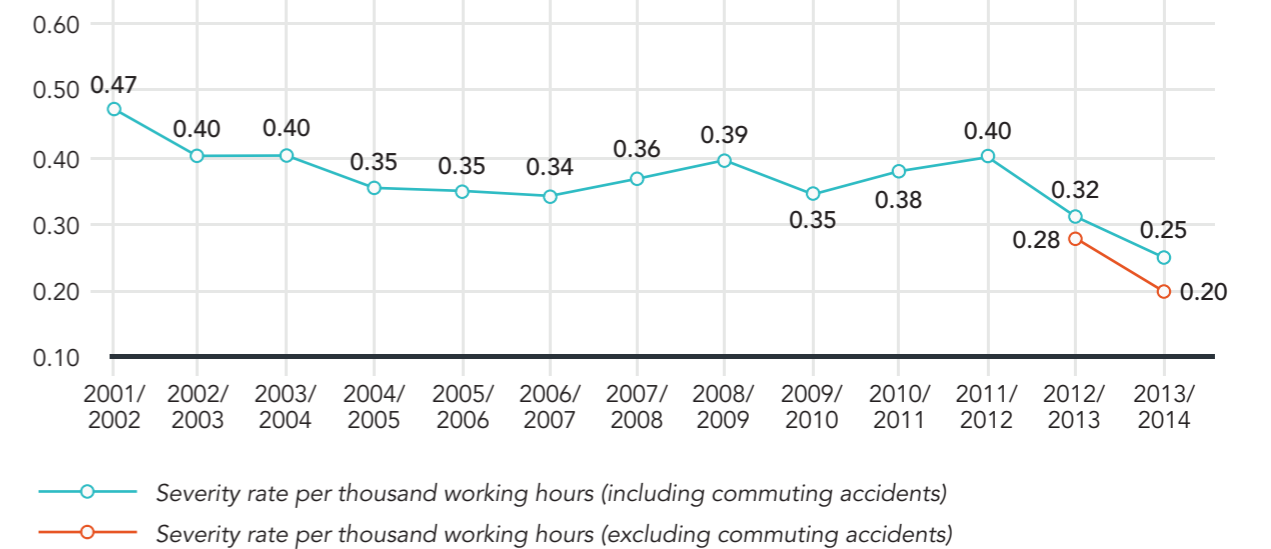
The statistical data relative to accident performance is encouraging. Of the total number of injuries occurring to Ferrero workforce belonging to production plants, **the frequency rate dropped from 15.56 accidents per million hours worked to 12.18 (-22%)**, while the severity index, which measures the days lost per thousand hours worked, went down proportionately from 0.32 to 0.25 (-22%). Because starting in the FY 2012/2013, data is available with the exception of commuting accidents, it can be seen that the reduction of the index was

mainly due to the decrease of accidents during working hours, whose frequency rate declined from 13.74 to 10.44 (-24%) and the severity rate from 0.28 to 0.20 (-29%). Turning to macro geographical regions, the reduction of accidents during working hours can be seen, albeit with some differences, both in the geographical area of Europe (-25% for the regional frequency index and -23% for the regional severity index) and outside of Europe (-7% and -43% for frequency and severity).

GROUP ACCIDENT FREQUENCY RATE



GROUP ACCIDENT SEVERITY RATE



THE GENERAL REDUCTION OF THE INDICES CONFIRMS THE SIGNIFICANT IMPROVEMENT TREND IN THE LAST TWO YEARS: RELATIVE TO THE FINANCIAL YEAR 2011/2012, THE REDUCTION OF TOTAL INDEXES WAS, RESPECTIVELY, 31% FOR FREQUENCY AND 37% FOR SEVERITY.

During the reporting period, there were no fatalities.

Involvement: a week dedicated to safety



During financial year 2013/2014, efforts to promote and sustain a safety culture increasingly focused on prevention, involving all workforce of the Ferrero production areas during a special "Safety Week".



In particular, the Safety Commission of the branch in Alba sponsored a series of meetings inviting all employees, stopping the production activity in each production shift. On such occasions, in order to give effective fulfilment to the slogan "La TUA sicurezza interessa anche ME" (YOUR safety is MY concern too), three prevention courses were proposed with voluntary participation, funded by the Group:



- a paediatric course on managing airway obstruction aimed at the prevention of suffocation, to protect the safety and health of our greatest asset, our children's lives; the course was conducted in collaboration with the Red Cross (approximately 400 participants);
- a safe driving of motor vehicles course (48 participants);
- a psychological counselling course aimed at stopping smoking addiction (approximately 20 participants).

All three initiatives were met with great success and satisfaction of the participants, helping to consolidate the value of the safety not only in productive activities but also as a contribution to the health and safety of the communities in which Ferrero operates.

During "Safety Week" at the plants of Pozzuolo Martesana, Sant'Angelo dei Lombardi and Balvano, meetings were held and initiatives devoted to the safety for all collaborators, culminating in the awarding of the best slogans submitted by the workers themselves and disseminated throughout the Company.

An indispensable tool for prevention: training activities

As confirmation of the growing role of safety training, during the course of FY 2013/2014 the Ferrero S.p.A. company, has provided 435 training sessions in Italy specifically dedicated to safety, involving about 4,542 participants for a total of 34,184 classroom hours, about double than the previous year. In addition to basic courses for production and office workers, specific safety courses were offered, with unique and different content, aimed at supervisors and managers.

Numerous specific courses, meetings and workshops have been organised to ensure the safe use of certain equipment, in theoretical and practical terms (forklifts and platforms for working at specific heights) and to address special risks (including, for example, safe driving courses for travellers and salespersons). Training of workers on emergency management, constant updating of Emergency Plans and their relative implementation tests help keep the organisation ready to face any critical situations.

For the continuous improvement of safety: audits

Accurately defining the rules of conduct and communicating them to all employees is an essential action but is not sufficient. In fact, it is necessary to subject the entire system that oversees prevention activities to an **accurate verification activity in the field**.

For this reason, audits have assumed particular importance in internal safety, and are implemented - in the scope of Ferrero S.p.A. in Italy - within each office and department, (49 audits were performed in the financial year in question). The audits, verify as a sample, effective compliance to company standards, noting strengths and areas of improvement to share with all similar departments.

Even technical audits carried out on outsourced activities (30 in the year in question) are particularly important: in fact, the contractors working at Ferrero facilities must meet specific security protocols, which compliance must be verified over time. **These technical audits constitute both a time of more formal verification of compliance and a tool for continuous improvement within the different company locations and departments.**

All audits are performed by specifically trained and qualified workforce relative to knowledge of the specific safety regulations and company standards, as well as production processes and operating practices.

TRAINING AND DEVELOPMENT

The Ferrero Learning Lab, in keeping with its mission, this year also has developed important training initiatives of interest to the Group, through the Corporate University and Professional Academy, the spirit behind the Ferrero Learning Lab.

In FY 2013/2014, the Corporate University continued to support and develop interpersonal skills and knowledge, strengthening an innovative and engaging central portfolio available to all companies in the Group.

The two main areas of intervention were strengthened:

Institutional Training Catalogue

aimed at sharing the values and principles applied to business practices and procedures, inherent to the Ferrero business model;

Management Training Catalogue

to support growth in the role and development of the skills necessary for their management role, which faces increasingly complex, diverse and challenging markets.

The Ferrero Institutional Training Catalogue primarily targets newly hired workforce in each position of interest of the Group: from young talent to complex managerial roles, to key positions within the organization. During FY 2013/2014, **over 700 employees** were involved.

Programmes that receive participation from all countries of the Group were:

- **Capire Ferrero**, an international induction programme lasting 4 weeks aimed at newly hired graduates;

of the Group during the year, including Mexico, Italy, Portugal, USA and Cameroon;

- **Ferrerità**, a programme with the aim of transferring the values, the culture and the business model on which Ferrero is based. This course was held in various locations

of the Group during the year, including Mexico, Italy, Portugal, USA and Cameroon; **Ferrero Academy**, a program lasting 2 weeks dedicated to newly appointed senior managers totally redesigned in partnership with a renowned Business School of international calibre.

The Ferrero Management Training Catalogue, created for the development of managerial training courses for various target populations, on the other hand, welcomed approximately **1,300 participants**.

Planning activities of training and the relative implementation are tailored to business needs and designed to maintain a distinctive managerial approach.



For example, in order to support the development of strategic skills necessary for cultural and geographical integration in new market scenarios, several **international and interdepartmental project in progress were started** on the specific issue of the effectiveness of management of teams with strong heterogeneity characteristics.

Other topics of strategic impact have been organizational improvement, the topic of innovation, and guidelines to change and development of leadership.

Corporate University also re-strengthened training offerings relative to "soft" skills: Strategic Problem Solving, People Management, Negotiation Skills, Team Management & Surviving in the Matrix, Team working, and Project Management Essentials.

The second icon of the Ferrero Learning Lab is the Professional Academy. These training programs, unlike Institutional and Managerial courses, have the mission of knowledge and skills transfer for the Ferrero "trades" (specific know-how of the company).

The most significant activities in this area are:

1. Ferrero Marketing Academy

This ambitious project of training for the Marketing professional family, in FY 2013/2014, saw the completion of further phases of development:

- a. planning of three courses: Consumer Centricity, Engaging Communication, Growing Love Brands;
- b. Implementing of pilot course and final validation.

2. Ferrero Sales Academy

The most significant implementations have taken place in China, Mexico and Saudi Arabia, involving several hundred people. The experience gained from these projects has enabled us to further refine the training tools used and to invest significantly in the development of new means of sharing knowledge, also online, and content.

3. Ferrero Industrial Academy

For the first year a two-year program was launched dedicated to the training and development of young talent in the industrial sector, which involved 11 young graduates hired at plants in Alba (Italy) and Stadtallendorf (Germany). Technical training delivered in classroom phases was made possible due to the involvement of Subject Matter Experts (SME) of the Ferrero Industrial Academy.



4. Ferrero Legal Academy

In financial year 2013/2014 saw the creation of the educational project dedicated to the Legal Department of the Ferrero Group, which then became part of the professional training. The objective is to lead said people from their start at the company in junior positions to the time that they will cover positions of greater responsibility. In this first phase, the focus was on the junior population and activities carried out were:

- a. identification of skills and knowledge necessary for this type of population, in order to lay the foundation of the Legal Academy;
- b. planning of the first 6 training modules: Industry & Company Overview, Roles & Responsibilities,

Rules of Engagement, Service Level Standards, Confidentiality, and Legal Writing Skills.

In conclusion, to complete the picture of intervention of the Ferrero Learning Lab for future years, we are committed to strengthening and improving the level of professionalism of the colleagues who oversee the Ferrero know-how and assets in the areas of technology and communication of brands, offering them professional training through the Ferrero Know-how Academy. In addition, we are committed to renew the contents of the existing Academies and launching new ones on the main Ferrero professional areas of experience and know-how by 2020.

Measurability and structure of data

Data on training for FY 2013/2014 was extracted through an information system, designed ad hoc for monitoring of training activities and enabled in all Group companies. Said data is organised in a macro cluster named Training Area, in which they are grouped by area of training. A sub-category named Training Ca-

tegories unpacks the data according to the nature of the training content.

During the year, for all the activities involved in the Ferrero Learning Lab, **78,351 total training** hours were implemented offered attended by **3,875 participants**⁵.

5. Participation includes the total number of participants in the various training activities, which does not match the number of people involved because one employee may have participated in multiple training events.

TRAINING ACTIVITIES OF THE FERRERO LEARNING LAB FOR TRAINING IN FY 2013/2014

TRAINING AREA	PARTECIPATION	TRAINING HOURS
Development activities	35	408
Institutional training	757	28,128
Managerial & Soft skills	1,341	26,656
Professional know-how	1,742	23,160
TOTAL	3,875	78,351

- **Development activities:** training activities aimed to enable the participants to the use tools or to provide the necessary knowledge of processes for Development. An example of this activity is the school of mentors: training sessions aimed at establishing internal mentors;
- **Institutional training:** learning activities focused on the development of the institutional role of leader, in respect of corporate culture and values;
- **Managerial & Soft skills:** training activities focused on the development of individuals with regard to the managerial skills required;
- **Professional Know-how:** training activities focused on the development of individuals with regard to the skills required by the role covered.

**TRAINING ACTIVITIES OF THE FERRERO LEARNING LAB
BY CATEGORIES OF TRAINING CONTENT IN FY 2013/2014**

TRAINING CATEGORIES	PARTECIPATION	TRAINING HOURS
Managerial & Soft skills	1,341	26,656
Sales training	1,136	15,032
Institutional	757	28,128
Production	341	4,120
Finance	129	2,064
Marketing	107	1,712
Development activity	35	408
Institutional affairs & Pr	29	232
TOTAL	3,875	78,351

**TRAINING ACTIVITIES OF THE FERRERO LEARNING LAB
BY GENDER IN FY 2013/2014**

DATA BY GENDER	PARTECIPATION	TRAINING HOURS
Women	1,610	33,717
Men	2,265	44,634
FINAL TOTAL	3,875	78,351

The data shown in the tables above refer only to training drawn from the Ferrero Learning Lab. The implementation of the information system for **tracking of training courses** and the **monitoring of training actions** also developed locally is being gradually completed.

We therefore confirm the objective of making available a total figure of the entire Ferrero Group, relative to the total training hours and average per capita, by qualification and gender, as of FY 2014/2015 and not FY 2013/2014, as it is estimated that the implementation of the new system requires a first year of consolidation in order to ensure the reliability of the data.



Intercultural Project

Even for the school year 2013/2014, the Group offered its employees' young children the opportunity to attend a study period abroad through the Intercultural Project, which Ferrero has been renewing for nearly ten years.

As in previous years, the initiative involved participation in Italy (with 2 annual scholarships), France (2 scholarships bimonthly), Germany (with 2 annual scholarships) and Poland (1 annual scholarship).

TALENT MANAGEMENT ACTIVITIES

The main areas of activity are the following:

• **Performance Management:** In FY 2013/2014, Ferrero achieved the ambitious goal of involving the entire office and management workforce of the Group (8,553 people living in 48 different countries) in a common process for assessing performance. This allows the same professional mobility, assignment of objectives, skills assessment, results, and aspirations, anywhere in the world. For almost all of the people involved, a personal development plan was shared. The effort of Performance Management in the next year will focus on consolidation of said plan and on the development of resources.

• **Management Review:** is the process, which by creating a sense of shared responsibility between the HR role and function, guides management decisions to direct and facilitate the development of people and identify possible successors for key positions within the business organization.

FY 2013/2014 was the second year of application of a common process for employees and managers of the Group and represented an important path of consolidation and comparison, for professional growth and development of people.



TECHNICAL AND PROFESSIONAL TRAINING

IN ADDITION TO PROJECTS COORDINATED BY THE TRAINING LABORATORY, IMPORTANT INITIATIVES HAVE BEEN IMPLEMENTED AT LOCAL BRANCHES (BOTH INDUSTRIAL AND COMMERCIAL) OF THE GROUP, AIMED PRIMARILY AT THE DEVELOPMENT OF TECHNICAL AND PROFESSIONAL SKILLS.



Among the main initiatives, the courses of human resources management, food security, industrial safety, production management, plant maintenance, workplace health and safety, and computer applications and languages, are noteworthy.

The total hours of training per capita for workers and office workers of the Group's plants are shown below.

AVERAGE ANNUAL HOURS OF TRAINING FOR PLANTS

COUNTRY	FY 2012/2013		FY 2013/2014	
	HOUR/YEARS	AVERAGE HOURS/EMPLOYEE	HOUR/YEARS	AVERAGE HOURS/EMPLOYEE
Italy	25,625	5.89	21,121	3.73
Poland	11,709	12.27	15,489	13.48
Russia	5,072	26.84	9,496	29.31
Brazil	10,581	22.51	14,157	34.11
Belgium	4,674	7.44	6,321	7.85
Canada*	5,989	10.68	2,679	4.19
Argentina	2,151	6.13	4,266	13.21
Ireland	1,997	9.04	2,954	12.82
Ecuador	1,777	3.84	30,836	69.29
Germany	60,359	19.11	77,998	20.05
France	2,889	6.96	3,291	6.57
Australia**	496	5.23	n.a.	n.a.

* The figure for Canada refers only to workers.

** The figure for Australia does not include training in the workplace.

SENIORITY OF SERVICE



THE FERRERO GROUP IS CHARACTERISED BY A PARTICULARLY GOOD WORK ENVIRONMENT AND THE STRONG BOND, CONSOLIDATED OVER THE YEARS, ESTABLISHED BETWEEN THE EMPLOYEES AND THE FERRERO FAMILY.

In 2014, 262 employees received formal recognition for 25 years of service in the Ferrero Group, 186 employees for 30 years, 98 employees for 35 years and 24 employees for 40 years.

The data relative to the average seniority⁶ of plant employees of the Group as of 31 August 2014, is shown below (it should also be noted that the Manisa and San José Iturbide plants are active only from 2013).

6. The average was calculated taking into account, for each active employee as of 31 August 2014, seniority from the date of starting in the Ferrero Group until 31 August 2014.

AVERAGE SENIORITY OF THE FERRERO GROUP'S EMPLOYEES

POSITION CLASSIFICATION	LENGTH OF AVERAGE SENIORITY IN THE FERRERO GROUP (YEARS, MONTHS)		
	WOMEN	MEN	TOTAL
ITALY: Alba since 1946, Pozzuolo since 1965, Balvano since 1985, Sant'Angelo dei Lombardi since 1985			
Workers	14 years, 2 months	17 years, 11 months	16 years, 3 months
Office Workers	15 years, 4 months	18 years, 3 months	17 years, 1 month
Middle managers	15 years, 8 months	19 years, 5 months	18 years, 7 months
Senior managers	16 years, 1 month	22 years, 4 months	21 years, 7 months
GERMANY: Stadtlendorf since 1956			
Workers	10 years, 9 months	12 years, 9 months	11 years, 8 months
Office Workers	12 years, 11 months	16 years, 7 months	15 years, 5 months
Middle managers	11 years, 1 month	18 years, 7 months	17 years, 6 months
Senior managers	n.a.	22 years, 7 months	22 years, 7 months
FRANCE: Villers-Écalles since 1960			
Workers	14 years, 4 months	15 years, 4 months	14 years, 10 months
Office Workers	18 years, 1 month	17 years, 7 months	17 years, 9 months
Middle managers	4 years, 10 months	14 years, 10 months	11 years, 10 months
Senior managers	n.a.	7 years	7 years

POSITION CLASSIFICATION	LENGTH OF AVERAGE SENIORITY IN THE FERRERO GROUP (YEARS, MONTHS)		
	WOMEN	MEN	TOTAL
AUSTRALIA: Lithgow since 1974			
Workers	14 years, 7 months	9 years, 2 months	11 years, 9 months
Office Workers	10 years, 9 months	13 years, 3 months	12 years, 1 month
Middle managers	n.a.	10 years, 5 months	10 years, 5 months
Senior managers	n.a.	31 years, 8 months	31 years, 8 months
IRELAND: Cork since 1975			
Workers	15 years, 3 months	11 years, 3 months	12 years, 8 months
Office Workers	12 Years, 6 months	16 years, 1 month	14 years, 9 months
Middle managers	17 Years, 2 months	28 years, 9 months	25 years, 10 months
Senior managers	n.a.	31 years, 11 months	31 years, 11 months
ECUADOR: Quito since 1975			
Workers	8 years, 4 months	5 years, 8 months	7 years, 3 months
Office Workers	7 years, 4 months	6 years, 4 months	6 years, 10 months
Middle managers	20 years, 1 month	17 years	17 years, 11 months
Senior managers	n.a.	38 years, 1 month	38 years, 1 month
BELGIUM: Arlon since 1989			
Workers	10 years, 4 months	12 years, 10 months	11 years, 7 months
Office Workers	19 years, 9 months	19 years, 8 months	19 years, 9 months
Middle managers	16 years, 1 month	20 years, 10 months	19 years, 10 months
Senior managers	n.a.	8 years, 1 month	8 years, 1 month
POLAND: Belsk Duży since 1992			
Workers	4 years, 4 months	7 years, 3 months	5 years, 12 months
Office Workers	8 years, 4 months	9 years	8 years, 9 months
Middle managers	17 years, 6 months	16 years, 5 months	16 years, 6 months
Senior managers	n.a.	16 years, 11 months	16 years, 11 months
ARGENTINA: La Pastora since 1992			
Workers	9 years	9 Years, 2 months	9 Years, 1 month
Impiegati	13 years, 1 month	10 Years, 2 months	12 Years, 3 months
Middle managers	10 years, 9 months	20 Years	12 Years, 7 months
Senior managers	6 years, 9 months	n.a.	6 Years, 9 months
BRAZIL: Pocos de Caldas since 1994			
Workers	4 years, 2 months	4 years, 2 months	4 years, 2 months
Office Workers	7 years, 5 months	7 years, 1 month	7 years, 2 months
Middle managers	n.a.	10 years, 9 months	10 years, 9 months
Senior managers	n.a.	18 years, 8 months	18 years, 8 months
CANADA: Brantford since 2006			
Workers	4 years, 8 months	4 years	4 years, 4 months
Office Workers	5 years, 9 months	6 years, 9 months	6 years, 2 months
Middle managers	8 years, 10 months	17 years, 8 months	16 years, 9 months
Senior managers	9 years, 6 months	20 years, 3 months	16 years, 8 months

POSITION CLASSIFICATION	LENGTH OF AVERAGE SENIORITY IN THE FERRERO GROUP (YEARS, MONTHS)		
	WOMEN	MEN	TOTAL
CAMEROON: Yaoundé since 2006			
Workers	4 years, 9 months	2 years, 5 months	4 years, 1 month
Office Workers	3 years, 9 months	2 years, 11 months	3 years, 2 months
Middle managers	8 years, 7 months	1 year, 5 months	5 years
Senior managers	n.a.	n.a.	n.a.
INDIA: Baramati since 2007			
Workers	6 years, 3 months	4 years, 9 months	5 years, 5 months
Office Workers	3 years, 6 months	2 years, 3 months	2 years, 5 months
Middle managers	n.a.	5 years, 7 months	5 years, 7 months
Senior managers	n.a.	12 years, 7 months	12 years, 7 months
SOUTH AFRICA: Walkerville since 2007			
Workers	4 years, 1 month	2 years, 11 months	3 years, 10 months
Office Workers	5 years, 1 month	2 years, 5 months	3 years, 7 months
Middle managers	4 years, 5 months	12 years, 7 months	10 years, 3 months
Senior managers	n.a.	n.a.	n.a.
RUSSIA: Vladimir since 2009			
Workers	1 year, 9 months	2 years, 6 months	2 years, 2 months
Office Workers	3 years, 8 months	4 years, 2 months	4 years
Middle managers	6 years, 7 months	11 years, 10 months	8 years, 10 months
Senior managers	n.a.	7 years, 12 months	7 years, 12 months
MEXICO: San José Iturbide since 2013			
Workers	7 months	6 months	2 years, 8 months
Office Workers	2 years, 12 months	2 years, 7 months	2 years, 8 months
Middle managers	2 years, 4 months	13 years, 9 months	9 years, 11 months
Senior managers	n.a.	26 years, 5 months	26 years, 5 months
TURKEY: Manisa since 2013			
Workers	1 year, 5 months	1 year, 4 months	1 year, 5 months
Office Workers	2 years, 7 months	2 years, 12 months	2 years, 9 months
Middle managers	2 years, 3 months	22 years, 4 months	15 years, 8 months
Senior managers	n.a.	37 years, 6 months	37 years, 6 months

The experience at Nudge Global Leadership Challenge



We are very delighted to be nominated by the company to participate in the Nudge Global Leadership Challenge (www.nudgegloballeadershipchallenge.com) on Sustainability in Amsterdam. This opportunity has evidently demonstrated the company's commitment in sustainability and its investment in building capacity of young employees. The Global Challenge was a three-day intensive and demanding programme. 30 young professionals (age 23-33) in sustainability coming from different parts of the world and sectors gathered to exchange ideas, work and vision around the themes 'Sustainability' and 'Leadership'. The Challenge was made up of various individual and group activities such as debate, presentations, case studies, dialogues and development assessments. Workshops and speeches were organized and given by international speakers, sharing with us their aspirations and how they lead their organizations to drive changes. The Challenge has allowed us to meet like-minded professionals, the potential future leaders in sustainability, whom we have built a consolidated basis of friendships. It has not only given excellent ideas to grow sustainable initiatives in the company, but also insights of addressing challenges and opportunities for innovation to bring more positive impacts. More importantly, it has contributed significantly to our personal development, realizing and reassuring our strengths to be utilized in life and at work.

*Merve Sensoy (Ferrero Turkey) and
Phillis Kong (Ferrero Trading Lux)*

Life and career in the Ferrero "Family"



I was born in Moscow and started to work in international companies after they came to the former Soviet Union when I was 16. My serious career started in Credit Suisse, followed by Pepsi and Alcoa. I came to Ferrero from SAB Miller.

As you can see most of these companies are huge Anglo-American corporations. Coming to Ferrero, a family owned Italian business was challenging and exciting. My first boss at Ferrero, Mr. Arturo Cardelus won me over by saying: "Ferrero deals with sweets which bring people pure joy and love and fun."

I spent 6 years as Director of Marketing in Ferrero Russia. Those 6 years were unforgettable and Ferrero became my love at first sight. Personally I think that when you get the Ferrero spirit you can never leave. We did so many exciting things in Russia and made this market one of the leading markets for the Group. The success stories of Raffaello, Kinder Chocolate and Kinder Surprise in Russia are well known.

In 2012 Ferrero relocated me to the Head Office in Luxembourg. And this was yet another challenge - building a new Media function from scratch to open new horizons for the company. I am very grateful to my boss for giving me all the necessary support and assistance. That was quite a new level for me which is something I appreciate about Ferrero. Ferrero always gives you an opportunity to excel, to move forward, to reach for something new.

My other big priority is my family - that is my husband and my 6 year old daughter Anna. Guess who's the biggest fan of Kinder Chocolate at home? I love Ferrero for the same family spirit in the company which makes it stand out in the corporate world.

Iulya Polyakova

Responsibility: an opportunity to give the best



The words that best describe my life in Ferrero are enthusiasm and responsibility. The excitement of being part of a company unique in its ability to innovate, due to its leap towards the future, for respecting its consumers and for its attention to people. A company where I started working in 1989 and which gave me the gift of increasing responsibility: marketing by Country and Area, development and management surprises in KINDER®, research and development in Soremartec with focus on the markets of the Ferrero Social Enterprises. I was privileged to be part of the team of Dr Pietro and had the honour of being able

to watch directly as the business principles of Mr Michele Ferrero took shape.

Today I have the responsibility of Ferrero Ceska. Being responsible for of a company, whatever its size, means dealing daily with small and big issues. We need to connect the everyday with strategic objectives, enhance the existing energy, be enriched by and welcome at all times new things as a stimulus, as an opportunity.

Challenging objectives, that are easier to grasp by being part of a company that is like a family.

Antonella Sottero

The importance of a winning team



My name is Melek Özen and I am 38 years old. I am married and I have daughter who is 8 years old.

I have joined Ferrero family 3 years ago for the start-up of the Manisa Plant in Turkey as HR Responsible. I had 12 years of HR experience before joining Ferrero. I had to deal with many change management processes, but what I experienced in Ferrero as start-up was a really different world for me.

Trying to understand the unique culture of Ferrero and creating a team who can adopt to this culture, and at the same time, creating a synergy between local employees and the some key management po-

sitions coming from Ferrero Group was the most challenging part of my job during this start-up process, I guess. Of course, it was a team success what we achieved in Manisa during the 3 years and my contribution allowed all these people to integrate them successfully. Especially the 1st year, working hard and trying to balance the family life was a big challenge for me. Enthusiasm to work, understanding and loving Ferrero, cooperation at home with my husband, passion and staying calm were my secrets I think. I believe that how your family perceives your work is important in your success. I cannot forget what my daughter was saying to her friends after I started to work for Ferrero : "There is the taste of my mom's hand in this chocolate."

We are really proud of our Plant!

Melek Özen

The power of change



I guess the starting statement is that I am a packaging engineer, married and mother of three girls... completely unable to imagine life at home...and a firm believer that I am responsible for my choices and where I steer my life.

I graduated as a chemical engineer almost 20 years ago when I had no idea what "packaging" was all about, and family logistics were simple because there was no family yet. I could travel without making special arrangements, work late without

notifying anyone, change plans without any concern. I discovered the world of packaging by chance: I shared an open space office with packaging managers who spent their days debating bottle design, polymers and moulds, decided it all sounded very interesting...and asked to join that team without knowing packaging would become the leading theme in my career development.

I joined Ferrero almost 4 years ago, following a "gut feeling" that the opportunity I was being offered was simply "too good to miss" and the time for change was right.

Ferrero has not let me down – it's been a steep learning curve and often a tough ride, but this company was able to surprise me every step of the way. I learned what it means to live Ferrero from the inside in a dynamic and demanding environment where integration requires a high degree of personal energy and commitment: I learned to understand the Ferrero way and appreciate the true meaning of "putting the product at the centre".

End 2011 I had joined DPU with responsibility for packaging design building on the core competence I had developed for the previous 10 years.

In July 2013, I left the design team to take on the responsibility for the overseas Deploy units with the objective to establish local packaging teams whilst maintaining a strong link to the central functions.

Today I know my gut feeling was correct - this is a truly great company, built on very solid building blocks, where people make a difference through a rare degree of energy and commitment. Motivation for me today is to have the opportunity to bring my own personal contribution to this change, to drive and shape a part of this change and support many more years of successful, delicious global product launches.

Paola Avogadro

Working together to keep improving



When I turn back the clock 18 months ago, I was a new joiner with lots of curiosities to discover this Italian family owned confectionery group. Even today, I am still in the journey to understand and learn more in depth and width of Ferrero.

Before Ferrero, I spend 20 years in 4 different multi-national companies in the industry of FMCG, Luxury, Cosmetics, Spirit mainly in Sourcing function. I like to take adventure and breakthrough myself to another new arena for learning, gaining new experiences of industrial knowledge and also build new network which really has enriched my professional and private life.

Someone has asked me ever that why you quitted such good company and join Ferrero? At that moment, I don't know how to answer; I think probably the moment comes that I wish to make some change again in my career path.

Now, I think I get the true reasons.

- *one of inside drivers is I want to be part of success of Business growth of Ferrero within Asia. Last 18 months proves that working in Ferrero is really full of fun and excite!*
- *Another reason is that I want to explore my scope wider out of sourcing.*

I must say that I made the right decision; I'm so lucky that I lead such a high performing Asia DPU team compassing by 5 people cross functions with mixture of Chinese and Italian. Every individual is equipped with their expertise and high level of commitment. We work seamlessly full of trusts and rely on each other; I even enhanced my leadership along the challenging journey to the successful destination by working with my fantastic team.

Work-life balance is my aspiration. My family is my motivation and happiness source; I like cooking and bakery during weekend; I like travel in & out China to explore the new landmarks, culture and history;

I have a stable friend pool to catch up now and then for sharing, outing activities which generate lots of happiness cross my spare time.

I think that keeping a positive attitude is a good approach. If sometime I am a bit tired, Rocher will re-generate my energy and passion!

Jocelyn Zhao

FUTURE STEPS RENEWED UNTIL 2018

Continuing projects already underway and according to the objectives set in the previous report, Ferrero will be particularly active in the following areas:

- initiatives for the dissemination of "**Culture of Diversity**" Including management-training courses aimed at developing the topics of inter-culturalism within the activities of the Corporate University. In order to promote equal opportunities at all levels, tools will be further developed for performance evaluation and salary review policies, which define the priorities of the interventions both based on performance and individual positioning on the market, will be perfected;
- initiatives to **encourage the professional placement of disabled workers**, with particular reference to partnership projects with third-party operators that offer jobs to disabled workers: even in FY 2013/2014 other initiatives already in place in some countries, partnerships with external suppliers in Italy employing mainly disabled and disadvantaged workers, were increased;
- continuation of current projects for **employment of young people**, also through initiatives in partnership with Masters or University, to facilitate the attendance of deserving students at courses. Numerous initiatives are active at individual country level, such as school-work projects, orientation days, scholarships, and internships which will be further developed;
- increase voluntary initiatives in the area of **workplace health and safety**, aimed at promoting a culture of safety and aimed at greater participation of workers in this regard: see the specific section in which some of the planned and ongoing activities both locally and within the EWC are listed.
- strengthening and development of professionalism of employees who protect and manage the know-how and business assets, offering **specific training courses at the Ferrero Academy**. In particular, already existing courses will be updated and new ones will be established, relative to the main areas of expertise;
- development of additional initiatives aimed at spreading, at all levels of the organisation, **knowledge of the principles and values of the Code of Ethics** which in the second half of 2014 has been updated and delivered to all Group employees;

Mexico without borders

During FY 2013/2014, a project was developed for the inclusion of 7 new Mexican graduates, which included 9 months of training at the plant in Mexico and 3 in the other plants of the group: Italy, Canada and Brazil. The project was carried out by Ferrero Mexico in collaboration with local government.

Photo: the project participants that were guests at the Alba plant.



Ferrero Polska Commitment

1. The plant works with several Universities to make young students aware of production environments, through different modalities: Career Days, curricular internships, presentations and lessons in company. In 2014, for example, Ferrero participated in a Career Day held at the National Football Stadium in Warsaw, Poland. Several thousand students took part in the initiative.

Throughout the day Ferrero employees spoke with the students of Group activities, opportunities and professional challenges. Particularly welcome was the presence, in addition to representatives of human resources, of Managers of the different business units, which provided students with advice and suggestions for their future careers.

At the end of the event, we received many letters and e-mails of approval, confirming that students consider important, as well as pleasing, this kind of dialogue and discussion.

2. In addition, Ferrero Polska invites members of the training centres for disabled children to the company, with the aim of supporting their entry into adulthood (the visit includes the presentation of the plant and a visit to the production line). For these children, the chance to get in touch with something so new, like that of a modern production plant is very exciting and a new experience. One of the most appreciated moments, no doubt, was the tasting of products. Children also appear to be very interested in the history of the Ferrero Group: our goal is to explain the specificity, distinctiveness and uniqueness of our company and its values.

3. Collaboration with the Medical Centre aims to promote and educate employees on the importance of a healthy lifestyle, both at work at home. During the last year, we were checked by the Centre, which assessed the workstations in terms of ergonomics. We then established a plan for the future, which includes meetings and presentations for employees on different aspects of health and wellbeing (diet, lifestyle, posture ...). We are also organising sports activities for employees as well as for their children. In June of 2014, to celebrate Children's Day, an event was held, during which the children were able to participate in numerous sports activities. In addition, each year it is a tradition to organise an internal Ferrero Polska football tournament in which six teams compete, representing different business divisions. The award, the traditional big Cup, is delivered directly to the winners by the Director of the plant.



FERRERO SOCIAL ENTERPRISES

“ I was a housewife and I always wanted to work and earn a living for myself. I heard about the Ferrero Social Enterprises through a friend who already worked for Ferrero in India. I went for an interview and I was selected. I've now been happy working at Ferrero for seven years, in the KINDER JOY department, and I am thoroughly satisfied with my job. I have grown as a person and the job has also contributed financially. I'm proud to be able to give a helping hand to my family. I've been able to send my children to school without worrying about not being able to pay their fees. We work shifts, in the morning or evening, but I'm happy to do that because we don't even have to worry about transport. ”

Anuradha Chaudhari (Ferrero India Social Enterprise)

The dual spirit of entrepreneurship and philanthropy that has characterised Ferrero from the very beginning was the inspiration behind the Ferrero Social Enterprises, **designed and launched around 10 years ago by Michele Ferrero**, first in Cameroon, then in South Africa and India. Michele Ferrero designed Ferrero Social Enterprises to be different and innovative compared to what is generally meant by "social enterprise".

FERRERO SOCIAL ENTERPRISES ARE PROPER BUSINESSES, SO THEIR AIM IS TO TURN A PROFIT. NEVERTHELESS, THEY DO HAVE A "SOCIAL" WAY OF OPERATING, AS THEY AIM TO CREATE JOBS IN LESS ADVANTAGED AREAS OF EMERGING COUNTRIES. MOREOVER, THEY CARRY OUT SOCIAL AND HUMANITARIAN PROJECTS THAT AIM TO SAFEGUARD THE HEALTH AND EDUCATIONAL AND SOCIAL DEVELOPMENT OF CHILDREN AND YOUNG PEOPLE IN THESE COUNTRIES.

This social mind set includes **humanitarian initiatives** carried out in areas where the Ferrero Social Enterprises operate. These initiatives aim to safeguard the health and educational and social development of young people and children and are implemented under the banner:



Ferrero Social Enterprises began manufacturing in 2006 in Cameroon (Yaoundé), in 2007 in India (Baramati/Pune and Maharashtra) and in South Africa (Walkerville/Midvaal and Gauteng).

FERRERO SOCIAL ENTERPRISES: THE MISSION

Two guiding principles inspire and guide the Ferrero Social Enterprises:

a. Job creation

This statement of intent, in addition to providing employees an income that allows them to cover living expenses for themselves and their families, aims to:

- give workers a sense of dignity, offering them the possibility of becoming masters of their own destiny;
- provide professional training and build work skills;
- boost a new culture of industrial work.

The manufacturing plants provide a breeding ground for spin-off activities involving local companies. In addition, **locally-sourced raw materials are given preference** for use in production: this results in more job creation, creating a virtuous circle that supports economic development and the well-being of the entire local community.

1. During FY 2013/2014 the companies Imsofer Manufacturing India Private Limited and MPG Multi Production Group India Private Limited merged to form the company Ferrero India Private Limited. Please note that, as in previous CSR reports, "Ferrero Social Enterprise in India" refers solely to the activities of the Baramati plant.

b. Social and humanitarian projects

To meet this objective, a mechanism is in place that creates a Social Fund based on the volumes produced each year by the plant. This sum is then transferred to an allocated local bank account and used over three years to fund specific social projects identified alongside the local authorities, with advice and guidance from the Ferrero Foundation. To date, the Ferrero Social Enterprises have focused on social and humanitarian initiatives that provide **health and educational support during childhood**. Examples of activities include renovating and refurbishing state schools and nurseries, funding paediatric facilities and facilities for homeless children and seminars for teenagers to raise awareness about the prevention of communicable diseases.

For more information about the mission and activities of the Ferrero Social Enterprises, please visit www.ferrerosocialenterprises.com and see the previous CSR reports, available at www.ferrerocrs.com.



In FY 2012/2013, the two new production plants in Turkey and Mexico followed in the footsteps of the Ferrero Social Enterprises and created a Social Fund destined to finance similar projects to help children and young people in the communities where the plants operate. These Social Funds use the same allocation mechanism as the Ferrero Social Enterprises funds, meaning that they are fed into on a yearly basis and can be used over a three-year period.

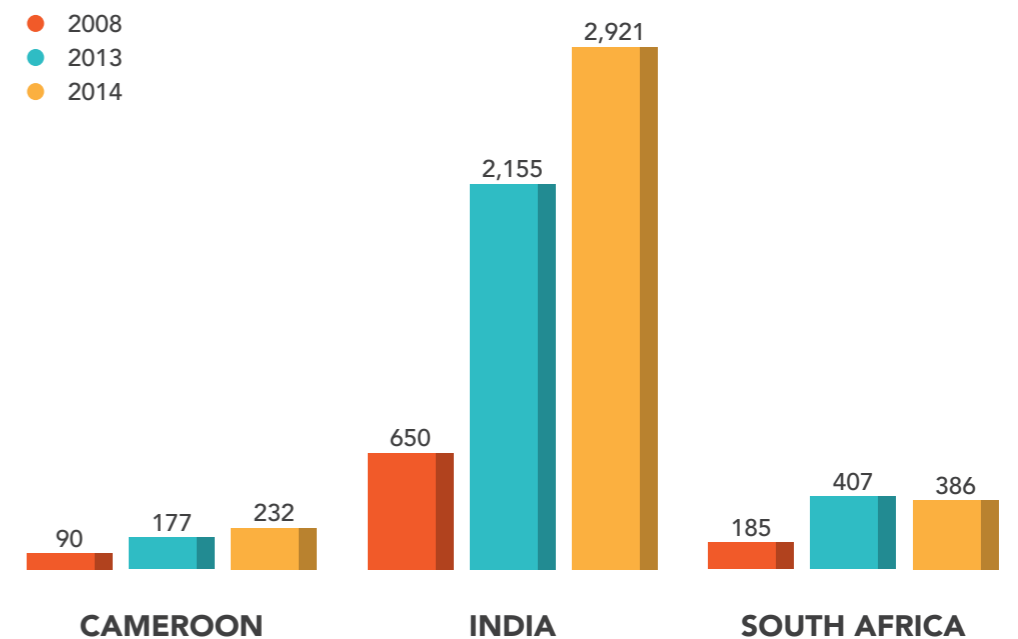
EMPLOYMENT DEVELOPMENT AND SOCIAL IMPACT

As of 31 August 2014, the Ferrero Social Enterprises involved a total of 3,539 people², equivalent to 10.34% of the total number of Group employees.

During the reporting period, the number of people working at each of the individual Ferrero Social Enterprises was: 232 in Cameroon, 2,921 in India and 386 in South Africa.

The production plant in India is still in fourth place in terms of labour force absorption capacity, out of the total 20 production plants across the Ferrero Group.

OCCUPATION LEVELS OF THE SOCIAL ENTERPRISES AT 31 AUGUST 2008, 31 AUGUST 2013 AND 31 AUGUST 2014



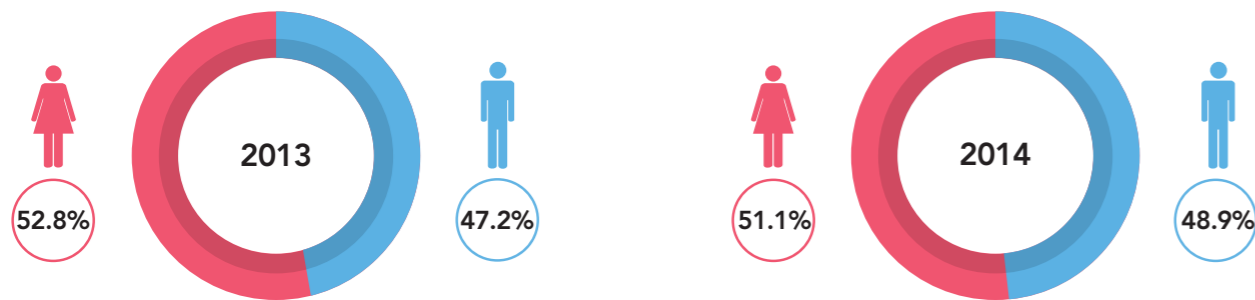
2. This figure includes external Ferrero collaborators, such as temporary workers, sales agents, traineeships and other direct collaboration arrangements, but excludes services contracts.

The slight change in occupation levels at the Ferrero Social Enterprise in South Africa for FY 2013/2014 is due to the 11.76% reduction in external workers, offset by an increase of 8.15% in direct employees.

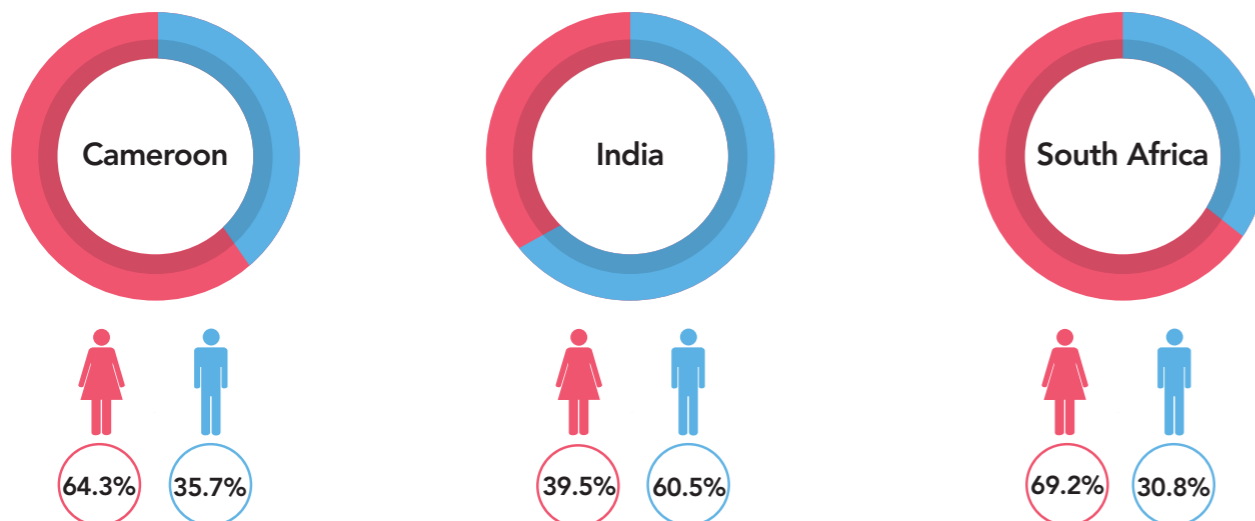
For every employee working in the confectionery industry at least one works in related activities (supply of raw materials, packaging and logistics), contributing to creating a **virtuous system that provides the right conditions for sustainable development** in the communities where Ferrero Social Enterprises are active.

The Ferrero Social Enterprises continue to have a high percentage of female workers in the workforce in South Africa and Cameroon. This is not the case in India, however, where mainly cultural, economic and logistical reasons severely limit the mobility of Indian women.

PROPORTION OF FEMALE EMPLOYEES IN THE WORKFORCE OF FERRERO SOCIAL ENTERPRISES AT 31 AUGUST



31 AUGUST 2014



The social impact of employment development is also measured in relation to the composition of the family units that directly benefit from the income of staff employed by Ferrero Social Enterprises.

DEMOGRAPHIC PROFILE OF STAFF EMPLOYED BY THE FERRERO SOCIAL ENTERPRISE IN INDIA AT 31 AUGUST 2014³

Average age	31.71
Average number of dependants per employee	2.39
Average number of children per employee	0.95
Average number of family members	3.39

“Learn and Earn” in India

The “Learn and Earn” project, created in January 2014, is a **technical apprenticeship for Food Science students**. The programme provides both desk-based theoretical teaching and practical training at the plant. By 31 August 2014, 129 students had been involved in the projects, with an average age of 23 who, in addition to receiving a wage from Ferrero, were also given insurance and a grant for their university fees. Ferrero's goal in India is to increase the number of participants in the project to allow students in the nearby rural area to complete their studies with technical training. In addition, depending on their performance as an apprentice, once they have finished their studies, **students can join Ferrero as a member of staff**, depending on the company's needs.

“ To begin with I went to Alba in Italy for a training programme that lasted for six months. The programme then became a two-and-a-half year project: I was in Italy for the whole of that time and was able to learn about the Ferrero culture. When I came back to India, I had another amazing opportunity - to share my knowledge and the culture of Alba that I had learnt with my colleagues here in India. I now work for the Quality Department in India and I am responsible for product quality and line and sensorial testing. The most important thing was that after my training in Alba I was given the responsibility of sharing with my colleagues here in India everything I learnt and to build a team that respects Ferrero's standards. I'm the link between Ferrero Italy and Ferrero India and I consider this a huge responsibility and a fantastic opportunity.”

Tejilee Tembe (Ferrero India Social Enterprise)

3. This data does not include temporary workers.

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

THE FERRERO SOCIAL ENTERPRISES MAINLY FOCUS ON PRODUCING PRODUCTS FROM THE KINDER® RANGE. KINDER® PRODUCTS, NOW KNOWN ALL AROUND THE WORLD, ARE A RANGE OF PRODUCTS WITH A SHARED GOAL: CONTRIBUTING TO HAPPY GROWTH IN CHILDREN AND YOUNG PEOPLE FOR HEALTHY EMOTIONAL AND COGNITIVE DEVELOPMENT AND TO DEVELOPING A RELATIONSHIP OF TRUST WITH PARENTS, THANKS TO THE QUALITY OF THE PRODUCTS, THE RECIPES AND PORTION-SIZED PACKS.

Ferrero Social Enterprises plants use production methods that are:

- for the edible part of the product, technologically **innovative and automated** in order to ensure the same product quality and safety as products made in the rest of the world;
- for the inedible part, and in particular for the production of KINDER JOY and other ancillary activities, **manual**, in order to provide employment for the maximum number of people.

More specifically, in all three Ferrero Social Enterprises plants, the edi-

ble part of KINDER JOY is produced using highly automated equipment: the capsule containing the surprise, however, is assembled by hand and the toy is inserted by hand.

Similarly, in India and South Africa, the Tic Tac® is made using proprietary Ferrero automated technology, whilst the packing phase is semi-manual.

During FY 2013/2014, 78.9% of raw agricultural materials used by Ferrero Social Enterprises was purchased from local producers, with just a slight decrease on last year.

“We currently have 65 permanent employees on staff, in addition to 40 interim workers... By growing and buying new equipment and equipment we want to be able to create more jobs and train our workers... We recently obtained our ISO 22000 certification to meet the quality requirements the Ferrero Social Enterprise in South Africa expects from its suppliers around the world.”

Andrew Frame, Sales Manager, Magnum Packaging (one of the main suppliers of packaging materials to the Ferrero Social Enterprise in South Africa)

With regard to raw materials, local procurement leads to an increase in job creation in related activities. In the case of the Ferrero Social Enterprise in **Cameroon**, the choice to step up development to make it a centre for research and experimen-

tation on raw materials as well as a plant for the production of semi-finished products will **strengthen the country's trade balance**, thanks to the added value exporting these products will create.

“Baramati has a very fertile land for dairy farming... Ferrero and other processing companies based in Baramati need 1.5 million litres of milk per day... these companies have become valuable clients for local suppliers... It means that farmers with cattle can count on a real market and get an additional economic return, on top of their income from farming. From this point of view, we actively encourage this type of activity.”

Honourable Sharad Pawar, former Indian Minister for Agriculture

SOCIAL INITIATIVES

The social project "Kindergarten Pietro Ferrero" in Baramati, India

The first years are the most "strong" and important period in a person's life: we learn ideas and skills, develop feelings and lay the foundations of our adult personality, with an intensity unequalled by any other period of our entire life⁴. So the importance of the nursery/primary school opened in Alba (Italy) by the Ferrero Foundation, a centre of excellence for childhood open both to children of employees of the Ferrero plant in Alba and children from the local community, is self-evident.

THE EXAMPLE OF ALBA HAS LED TO AN INCREASED INTEREST IN FERRERO SOCIAL ENTERPRISES FOR SOCIAL AND HUMANITARIAN PROJECTS THAT PROVIDE FOR THE EDUCATION AND WELL-BEING OF PRE-SCHOOL CHILDREN.

In India, local regulations⁵ requires each industrial plant of a certain size, that that permanently employs over 30 women, to have a basic on-site service that looks after workers' children of pre-school age. This requirement is generally met by making available a large room and small number of staff capable of providing basic care to the children in question. However, breaking away from this trend, in 2013 construction began of a **proper nursery and primary school** about 100 m from the plant in part of the ample grounds surrounding the Baramati plant and previously undeveloped.



4. J. Piaget's theory of learning

5. The Factories Act, 1948, Cap. V, Par. 48.

THE GOAL IS AN AMBITIOUS ONE: TO CREATE A MODEL STRUCTURE PROVIDING FOR THE CARE AND SOCIAL AND EDUCATIONAL DEVELOPMENT OF EMPLOYEES' CHILDREN, WITH A PERCENTAGE OF PLACES ALLOCATED TO CHILDREN FROM THE COMMUNITY WHERE THE FERRERO SOCIAL ENTERPRISE OPERATES.

The centre is called "Kindergarten Pietro Ferrero" and the **Ferrero Foundation has been involved** in the various stages of the project. More specifically, Ferrero's Indian colleagues were given access to the insights built up over the 5 years the nursery in Alba has been running, both from an architectural (or use of spaces) and pedagogical point of view.



On November 14 2014 the opening of the centre in Baramati was celebrated. The "Kindergarten Pietro Ferrero", with a **covered area of approximately 1000 m²** has room for **over 120 children** at any one time, between the age of 6 months and 5 years. The nursery area has 2 rooms for children under the age of 2, 4 rooms are allocated for children between 2 and 5 years old, and there is also a kitchen, a number of toilets and washing facilities, store rooms and staff rooms.

The modular nature of the building will make it possible to extend the building by adding additional modules in the future, as need dictates.

Designed by Indian architect Akshay Dutta, the building has been planned and laid out to give the children and staff maximum light and wide, open vistas. To add to this, each module of

the building has direct access to the lawns surrounding the structure and to two large courtyards which have also been turfed.

To ensure the centre is **powered by efficient and sustainable energy**, the lighting system for the external areas is powered by **solar panels**. In addition, the pitched roofs of the living areas of the building contribute to improved thermal insulation during the hottest times of the year in particular, when temperatures can reach 40°C in March and April.

The "Kindergarten Pietro Ferrero" has 3 shifts: during the first two (6 am - 2 pm and 2 pm - 10 pm) the plant's female staff can bring their children to the nursery, depending on which shift they work. The third shift (10 am - 5 pm) meets the needs of families from the local community.

"Being able to count on a space for children is very important because it's another step towards independence for women: today, the majority of women want to work, but don't have anywhere to leave their children. Kindergarten is a very new idea for most Indians. Independence for women is a fundamental issue, many of them are housewives and don't have the option to work and take care of their families too. Ferrero is providing them an alternative, enabling women to work and motivating them as a result, as they can now work for a company and build a career. This will bring a number of benefits to women, and also provide them with the peace of mind that their children are being taken care of by Ferrero. Not just in the literal sense of being given basic care; the children are also given a good education by professionals."

Supriya Sule, Member of Lok Sabha (House of the People), the lower house of the Indian Parliament

A service company with proven experience in the industry has been appointed to manage the "Kindergarten Pietro Ferrero". The company has the requisite capabilities to efficiently manage the centre and offer pedagogic and educational methods that promote the intellectual and emotional growth of the children, through independent research, discovery and learning.

The staff is made up of **7 teachers and 10 childcare assistants**, in addition to the kitchen, security and cleaning staff. By March 2015, the centre, which

opened in November 2014, receives 109 children, 89 of whom are the children of Ferrero employees and 20 children from the local community.

The “Cité Verte primary school” social project in Yaoundé, (Cameroon)

The **gap between rich and poor** in Cameroon is the biggest in the world, and has seen an increase of 84% in the last 20 years. This has dramatic consequences for children's health, education and survival in the weakest strata of society, exposing them to disease and physical or mental disabilities and causing them to abandon their studies. In addition, children born in better economic conditions are 35 times more likely than poor ones to have access to education and healthcare, and are less likely to have to work at a young age⁶.

“ In these countries, in Cameroon in particular and in Africa in general, women have an essential role simply because, within the family unit, it is the woman who is responsible for feeding the family. She has to somehow find something to put in the pot every day. It is women who feed their families. It is women who, if they have extra, can sell or give people food in the villages. Women are responsible for producing food, 80% of the time. Women are therefore essential when it comes to feeding our people. And this is why we maintain that, without women, we would never be able to achieve the food self-sufficiency we as a country are so proud of. This is something I expressed at the beginning of my mandate, but in the name of the government of Cameroon I want to emphasise once again all the initiatives Ferrero implements to put people at the centre of its development. ”

Ananga Messina, at birth Beyene Clémentine A, Minister attached to the Ministry for Agriculture and Rural Development

The Ferrero Social Enterprise in Cameroon wanted to **make a contribution to supporting the country's disadvantaged children**, in response to the Ministry for Basic Education's request for assistance for a primary school in Yaoundé, the capital, where Ferrero's production plant is also located. The school in question is the **primary school in the Cité Verte quarter**. The school's two buildings had a capacity of around 200, including both children and staff: the brick-built block “A” and block “B”, a wooden shack built a few decades previously and very run down due to

lack of care and the weather. A single wooden latrine with two seats and no biological septic tank served both pupils and teachers from both blocks.

The health and safety conditions were critical and worsened further by a lack of drainage system to drain away the rain water and waste water that made the school's courtyard impossible to use, especially during the rainy season, which is particularly fierce in this tropical country. These conditions exposed pupils to an increased risk of illnesses such as malaria.

6. Source: Save The Children, Born Equal Report (2012).

The project planned to demolish the wooden structure and the latrine and **build a new school building out of bricks** in the school courtyard, to include two large halls. An office for the headmistress, a small library and separate sanitary facilities for pupils and staff complete with septic tank were also planned. The project also made it possible to purchase new furniture for the school, reinforce the foundations of the old wooden structure, renovate the boundary wall and the door granting access to the school site, put cement down in the courtyard and build a drainage system for rain and waste water. Finally, the old brick block “A” was repainted and the entire school site was made secure.

October 13 2014 saw the inauguration of the restored site and the new school block “B” of the “Cité Verte primary school”. The ceremony was jointly presided over by the Cameroonian Ministry for Basic Education (MINEDUB) and Italy's Ambassador to Cameroon.



KINDER+SPORT



KINDER+SPORT, MOVING PEOPLE

In line with its corporate vision, the Ferrero Group has a particular focus on people and all the aspects that have an impact on their quality of life.

For this reason, the Group continues to actively **promote active lifestyles among the younger generations** and their families through the international programme Kinder+Sport.

THE KINDER+SPORT PROGRAMME PROMOTES SPORTING ACTIVITIES AND AIMS TO SPREAD THE JOY OF MOVING TO CHILDREN AROUND THE WORLD, INSPIRING THEM TO ADOPT ACTIVE HABITS FROM AN EARLY AGE.

Data on sedentary lifestyles worldwide is increasingly alarming and, according to data from the World Health Organization, more than half of children aged 11 don't even achieve the recommended 60 minutes of activity per day.

Against this backdrop, the commitment of Kinder+Sport is even more pertinent as it aims to get large numbers of children moving and to **encourage education on physical activity** leading them to shape new habits for life.

World Health Organization - Physical activity - Fact sheet N°385 - January 2015

KEY DATA

- Physical activity has significant health benefits and helps prevent non communicable diseases;
- Globally, one in four adults has a lifestyle that is not sufficiently active;
- Over 80% of the world's young people do not do sufficient physical activity;
- Policies to address insufficient physical activity are operational in 56% of WHO Member States;
- WHO Member States have agreed to reduce insufficient physical activity by 10% by 2025.

HOW MUCH PHYSICAL ACTIVITY IS RECOMMENDED?

WHO recommends for children and adolescents aged 5-17 years:

- at least 60 minutes of moderate to vigorous physical activity every day;
- physical activity for longer than 60 minutes per day provides additional health benefits;
- activities that strengthen muscles and bones at least 3 times per week.

RESPONSIBILITY FIRST: CONSOLIDATING THE STRATEGY

Kinder+Sport is continuing down its **responsible path**, in the knowledge that physical activity is an essential part of children's education and contributes significantly to their physical development and to preparing them for life as an individual and a member of tomorrow's society.

KINDER+SPORT, TOGETHER WITH ITS PARTNERS, IS COMMITTED TO MAKING ACTIVE LIFESTYLES MORE THE NORM FOR THE YOUNGER GENERATIONS SO THEY BECOME A CONSOLIDATED HABIT.

To do this, the actions of Kinder+Sport are guided by the **five responsibility guidelines** set out to in last year's report:

1. **Clear rules**, to maintain maximum consistency as the programme is rolled out across the globe. In line with the global guidelines summarised in the Kinder+Sport Decalogue, set out in the two previous reports, a Brand Book has been created and shared with all countries with the aim of standardising every aspect of the project, from strategic approach to use of visual identity and instructions for putting together an effective

and conscious communication. These guidelines are accompanied by a code of responsible conduct set out in a detailed list of "Do's and Don'ts".

2. **Strong partnerships**, to ensure support for effective and specialised programmes with recognised and qualified federations and institutions. This approach has led to a strengthening of relations with the project's "historical" sporting associations and, in some cases, a review of contractual agreements supporting projects for young people and schools. In addition, the partnership with ISF, the International School Sport Federation, has been reinforced to reach as many areas as possible with the common goal of educating young people through sport. Globally, the number of associations and federations Kinder+Sport works with has more than doubled: since 2013 the number of partnerships has increased from 40 to 92.

3. **Educational approach**, to emphasise programmes with a particular educational value, both for children and parents, making families aware of the importance of moving. This approach has become one of the defining characteristics of all Kinder+Sport initiatives. The UK's educational project "Move and

Learn" is an excellent example of this approach (more on this below). The "Manifesto Joy of Moving" summarises the new communication's model: it enshrines the Kinder+Sport values and aims to raise awareness of the importance of an active lifestyle.

4. **"Glocal" development**, with the aim of spreading the project to as many countries as possible around the world, tailoring it to local needs and specificities. This is the case in South Korea, for example, where Kinder+Sport has set up a skiing programme for children and a partnership with the Korea Elementary School Taekwondo Federation in support of the most popular sport in Korean schools, where martial arts is an integral part of the curriculum.

5. **Measurability**, to assess the quality of programme activities using a clear set of KPIs. In 2014, a global internal monitoring system was introduced to gather clear and timely data. In addition, a pilot research project started in Italy, with the aim of assessing the progress of the Kinder+Sport project, the results it achieves and the impact on the Ferrero Group's reputation.



Kinder+Sport people

In 2014 the new Kinder+Sport organisational structure came into effect:

- **Kinder+Sport Board:** central executive body, responsible for setting the global strategy. The Board meets every quarter and is made up of 25 permanent members plus local representatives of the countries where the project is running, on a rotating basis;
- **Central Kinder+Sport team:** 7 people who manage worldwide coordination and research projects;
- **Local teams:** over 50 project people around the world working to implement local programmes;
- **Support functions:** around 14 people from the following functions: HR, Group PR, Group CSR, Multimedia and Digital, Kinder Surprise Company, Media and Sponsoring, Packaging/Graphic Unit, Consumer Research, Kinder+Sport Scientific Committee and Technical and Scientific Control and Management.

KEEP MOVING CONSTANTLY



During FY 2013/2014 the following research programmes were carried out:

- **"1, 2, 3... Minivolley"** FI-PAV-Kinder+Sport. The Turin Institute for Sports Medicine's scientific research programme in partnership with the Italian Ministry for Education (MIUR), the Italian Volleyball Federation and the Italian Olympic Committee (CONI) has been running since 2009. The goal of the project, which will run from school year 2009/2010 to school year 2014/2015, is to assess the effects of **extra hours of constant physical activity**, planned and supervised by qualified staff, **in children of primary school age**, a requirement not currently included in the Ministry's curriculum. The results are assessed in terms of impact on motor skills, physical data (weight, height, joint mobility and skin folds) as well as Body Mass Index (BMI) and compared with data for peers who have not carried out the programmed physical activity at the test primary school. The study will end in 2015 and the results will be available in full in January 2016. The partial data

gathered to date from the children of the schools involved in the project shows **positive effects on the elements included in the study**, from a quantitative point of view (BMI, skin folds, coordination and motor skills) and a qualitative point of view (recognition of the importance of physical activity and a healthy lifestyle).

- **"Village"**, renamed **"Joy of Moving"**, is a project in partnership with the Foro Italico University of Rome, the Olympic Committee for the Region of Piedmont, the Ministry of Education for the Region of Piemonte, the Piemonte Department for Teaching, Sport and Health, the School Board for the Province of Cuneo and the municipality of Alba, which aims to **show that physical activity contributes to physical, cognitive and social development in children** and helps improve their life skills. The study is currently monitoring the effects of physical activity on 1,000 children in primary schools for a

three-year period. The initial results, with final results available in October 2015, are encouraging: the test groups exhibited significant benefits among five to six year olds, improving physical efficiency, coordination and cognitive and creative functions such as the ability to concentrate, memorise, plan, set goals and solve problems.

Kinder+Sport is continuing with its quest to **bring the joy of moving in the company**. In the UK, for example, physical activity sessions are organised for employees during the lunch break, tailored advice from sports ambassador Olympic medallist Sally Gunnell and specialist appointments with nutritionists are also on offer, forming a practical and comprehensive approach, aimed at encouraging staff to lead healthy and active lives, too.



At the same time, specific initiatives in the different countries have been continued, reflecting the numerous values of Kinder+Sport. These initiatives include:

1. MOVE AND LEARN - United Kingdom

The "Move and Learn" programme embodies the educational goals of the Kinder+Sport project.

Carried out in partnership with the Football League Trust and the Watford Community Sports and Education Trust, it aims to teach young children the importance of a varied diet together with an active lifestyle.

The six-week programme foresees fun desk-based lessons on physical activity, nutritional education and how the body works, **and physical education sessions outside**, where coaches and professional players teach the children a number of different sports (football, handball, dodgeball and athletics).

The programme encourages the children to think about what makes their bodies healthy and grow healthily, creating an awareness among families too, so that good eating habits continue also at home.

The success of the pilot project in Watford has led to a rapid roll-out of the initiative across the country, with the aim of **moving over 20,000 children in FY 2014/2015**, for a total of 190,000 hours of activity.

The "Move and Learn" project is an example of excellence in the Kinder+Sport landscape worldwide and a model that can be exported outside of the UK.



Rob Clarke, 37 years old, sports coordinator for the Watford Community Sports and Education Trust

We've got more than 60 schools involved in this programme. The approach covers everything, from teaching key values like respecting others to encouraging younger generations to be physically active, providing them with the right information about nutrition, a crucial part of healthy growth for our young people.



Ryan, 10 years old

We've had the opportunity to learn sports that we'd never done before, thanks to this programme. Also, since the trainers came to our class, we've also learnt a lot about what healthy eating means, for example it's important to eat up to five portions of fruit and vegetables a day.

2. LE VILLAGE KINDER - France

In France, on the other hand, a project with a social slant is running. For six weeks in July and August, "Le Village Kinder" at Temple-sur-Lot in France welcomes around **1,000 children between the ages of 8 and 12 from difficult family backgrounds** referred by the French non-profit against poverty and exclusion *Secours Populaire Français*.

In an enclosure of over 17 acres, wholly dedicated to sports, around 160 children each week have the opportunity to experience sport and sporting values thanks to a staff of around 70 people, including educators, trainers and other specialists and with input from a number of sports ambassadors.

For Ferrero, this is an **important social responsibility project** that offers disadvantaged children the opportunity to experience a special week in a healthy environment of sports and movement, playing and developing important skills for comprehensive development.

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Geneviève Glanes, 55 years old, deputy director of Le Village

I've been working for this sports centre for over 25 years. I was on the national basketball team, second division. My sporting past taught me the benefits of sport and exercise: I believe that sporty children become sporty adults, and this is why it's important to start young. The work we do here at Le Village is done as a team, and each year we schedule new activities. We're grateful to Ferrero for the support they give us, making it possible to offer a new programme each year, and for the presence of the sports ambassadors who, by telling us what they have achieved and sharing their experiences and stories, are positive examples and role models for these disadvantaged children.



Yanes, 10 years old

It's the second year I've come here. I'm glad to be back, I've caught up with loads of friends and tried the new activities. The rest of the year I only play football, this is the only opportunity for me to try out and enjoy other sports. It's nice to come back and see my friends, even though we write to each other during the year to stay in touch and tell each other what we've been doing. We're growing up together.

3. EDUCATIONAL PROJECTS IN ITALY

One of the key objectives of Kinder+Sport is **involving schools in the countries where it operates**.

For example, in Italy, the project has championed the importance of **sports at school**. The first projects of this type date back to 2003 and were run in partnership with the Italian Volleyball Federation. In addition to volleyball, other school projects have been put in place over the years, involving a number of disciplines such as athletics and fencing. A number of new partnerships are scheduled for FY 2014/2015, involving new sports such as sailing, basketball and swimming.

FIPAV (Italian Volleyball Federation)

A number of school projects are currently running, specially tailored to different age groups. From 2003 to today, through the projects "**1, 2, 3 Volley**" (in secondary schools) and "**1, 2, 3 Minivolley**" (in primary schools), approximately 25,000 kits containing nets, balls and a how-to guide have been distributed.



FIDAL (Italian Athletics Federation)

Starting with "**Athletics goes to school**" and continuing with "**Kinder+Sport School Athletics**", around **360 kits** made up of cones, obstacles and tape measures were distributed between 2006 and 2010. Over the last few years, DVDs have been distributed to physical education teachers at **4,000 middle schools** for athletics lessons.



In FY 2014/2015, the goal is to distribute mini-kits made up of tape measures, relay batons, vortexes and digital stopwatches.

FIS (Italian Fencing Federation)

Since reporting year 2013/2014, around **460 kits** containing masks and foils have been distributed as part of the "**Fencing School**" project. The kits are sent to fencing schools which then arrange fencing lessons with their teachers at the school with the aim of distributing a further 140 kits in FY 2014/2015.

GLOBAL RESULTS 2013/2014

The results achieved are in line with the **project's long-term goals** for 2017/2018:

- increase the presence of the programme from 20 to 30 countries;
- move 5 million children per year;
- launch at least one programme in partnership with schools and educational institutions in each of the 30 countries where the programme is present.

Over the last year:

- the number of children moved **increased by over 1 million**;
- the number of events **more than doubled**;
- the number of associations and federations involved **increased two fold**;
- the number of sports ambassadors involved was given a **significant boost**, thanks to the involvement of athletes from national teams, trainers and nutritionists, genuine ambassadors for active lifestyles;
- **50% of the countries** have introduced at least one programme in partnership with schools.



21 countries involved

3.8 Mio children moved*

1,500 number of events

3 olympic committees

2.5 Mio technical kits distributed

1,295 sports ambassadors involved

400,000 sports equipment distributed

22 sport disciplines

92 federations and associations

9.5 Mio EUR investment

*Children moved: number of children that have actively taken part at programs and events promoted by Kinder+Sport.

THE JOY OF MOVEMENT AS EXPERIENCED BY THE PEOPLE INVOLVED



Daluba,
9 years old

This is my first time at Le Village, I didn't know anyone and I felt shy. At home I like riding my bike, it's the only sports activity I do. I tried windsurfing here, I'm not very good at it, I fall in the water every so often, but it's fun. Of course I want to win, but I also know that sport is helping me grow, as well as letting me meet other children like me.



Marijn Peters,
31 years old,
coach

I'm a physical education teacher and this year I worked at the sports college as a handball teacher for the federation, who I work for. Even when we lose I try to teach my girls that we deserve the respect of others because we gave it our all, right to the end. You can't play alone, it's a sport team that wins together.



Riccardo, 16 years old, assistant instructor at the Joy of Moving in Alba

I know about Kinder+Sport: any sport at any age. Sport is a great vehicle for education and that's what I try to do as an assistant instructor. I'd like to be a doctor or vet when I grow up, because I like the idea of helping others. This is something I learnt from sport.



Sergio Gallo,
59 years old,
maths, science
and physical
education
teacher

I've learnt so much from this partnership with Kinder+Sport: a different methodology for teaching physical education using games, stimulating not only physical skills, but also relationship-building and cognitive skills and what are referred to as life skills.



Andrea,
14 years old

To be a champion you have to combine intelligence with strength, physical endurance and a bit of cunning. Tennis helped me grow, it made me a better person, I'm calmer, I don't break the racket out of anger any longer. I like winning, but you should always remember to be grateful and never take anything for granted.

MOVING TOWARDS THE FUTURE: KINDER+SPORT AT EXPO MILANO 2015

Kinder+Sport aims to raise awareness among families and the public of the importance of having an active lifestyle.

For this reason, **it is present, in partnership with the Italian Olympic Committee (CONI), the Italian Ministry for Education (MIUR) and Expo Milano 2015**, at the Universal Expo with an area specially made for small children and with an educational section about movement, where families from around the world can experience the joy of moving.

Expo Milano 2015 is a global stage and a unique opportunity to draw the world's attention to the essential role an active lifestyle can play in our daily lives.

THE KINDER+SPORT PAVILION, WITH ITS RICH PROGRAMME OF SESSIONS AND EVENTS, AIMS TO GET PEOPLE TO THINK ABOUT THE CENTRAL IMPORTANCE OF MOVEMENT IN YOUNG PEOPLE'S DEVELOPMENT, AS AN INDIVIDUAL HERITAGE OF WELL-BEING AND A SHARED RESOURCE FOR THE FUTURE.

Kinder+Sport has a space of **3,600 m² dedicated to movement**, where visitors can experience first-hand the innovative physical activity method developed through research by the Joy of Moving project, by trying out a series of exercises on creative ma-

chines and innovative floor exercises. It's a new, non-competitive way of getting children moving, designed to stimulate their physical, cognitive and social development and useful for developing the essential life skills that will equip them to grow into more responsible members of the society of tomorrow.



In addition, Kinder+Sport presented its "**Manifesto Joy of Moving**" at Expo Milano 2015, outlining how, along with its partners, it plans to share the joy of moving with the younger generations. The aim is to involve the institutions and ordinary people and prompt them to take responsibility for encouraging children to develop the habit of an active lifestyle. The manifesto's call to action is "**it's time to move kids, together**".

The manifesto sets out the principles of the Kinder+Sport project and is tangible proof of its social commitment.

Joy of moving

LIFE BEGINS WITH MOVING
Movement is the first form of communication a child discovers. It will remain the most important and natural expression of his own vitality.

GROWING UP IS MOVING
The experience of movement has the power to turn active children into conscious adults. It enables kids to face daily life challenges, growing up as autonomous and positive individuals, able to build authentic relationships.

MOVING UNITES THE WORLD
Movement is a universal form of communication that goes beyond race, gender and status. It breathes the values of cooperation, respect and responsibility into young generations.

INSPIRING MOVING
Movement is a way of life. It is crucial to educate and encourage children from a young age to fight laziness and inactivity to embrace more positive habits.

WE MUST KEEP ON MOVING
Movement opportunities should be easy for everyone: children and parents, in every country of the world. This is why we actively work with Institutional Partners to bring the joy of moving into families' daily lives. This is a collective effort and it can also start with you.

IT'S TIME TO MOVE KIDS, TOGETHER

Logos at the bottom: Kinder+Sport Joy of moving, EXPO MILANO 2015, MIUR (Ministero dell'Istruzione, dell'Università e della Ricerca), and CONI (Italian Olympic Committee).

For the six months of Expo Milano 2015, Kinder+Sport will be hosting a number of **events and conferences** with the aim of gathering innovative ideas and concrete solutions for encouraging children and their families to develop active lifestyles.

Six key themes will be brought to the attention of visitors and institutions:

IT'S TIME TO MOVE KIDS IN INNOVATIVE WAYS

- What synergies exist between government bodies that can generate innovation in the world of physical education?
- What new methods and approaches to physical activity can make a difference for tomorrow?

IT'S TIME TO MOVE KIDS WITH THEIR FAMILIES

- How can families get more exercise together as part of their daily lives?
- How can we effectively communicate to parents the many benefits of physical activity?

IT'S TIME TO MOVE KIDS AT SCHOOL

- Which countries can we learn from when it comes to improving education and making sport a more important part of the curriculum?
- What types of approaches can schools adopt to promote physical education among young people?

IT'S TIME TO MOVE KIDS IN EVERY ASPECT OF THEIR LIFE

- How can we make towns and cities more suitable for movement?
- What suggestions are there for making sports and active play available to children in a time marked by economic problems?

IT'S TIME TO MOVE KIDS AND TEACH THEM GOOD EATING HABITS

- What can we do to give children a sense of responsibility about food from a young age?
- How can we create awareness of good eating habits and actively involve parents in these issues?

IT'S TIME TO MOVE KIDS AND HELP THEM GROW INTO RESPONSIBLE MEMBERS OF SOCIETY

- What are the links between playing sports and making the members of tomorrow's society?

Kinder+Sport is providing a starting point for a **general discussion about the role of movement in children's development** and the positive effects it can have by transferring values, habits and lifestyles to future generations. This talking point will underpin future actions and commitments, for constant improvement.

Pla net



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: AGRICULTURAL COMMITMENT TO SUSTAINABILITY

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 characterise 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 recognised 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-FACTS

THE 3 PILLARS

DEVELOPMENT OF PROJECTS AND PARTNERSHIPS



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	By 2014 100% sustainable palm oil 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	Within 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 are already 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!".

COCOA



In FY 2013/2014, Ferrero has sourced more than **120,000 metric tons of cocoa beans**, which are internally processed in the Group's factories in Alba (Italy) and Stadtallendorf (Germany).

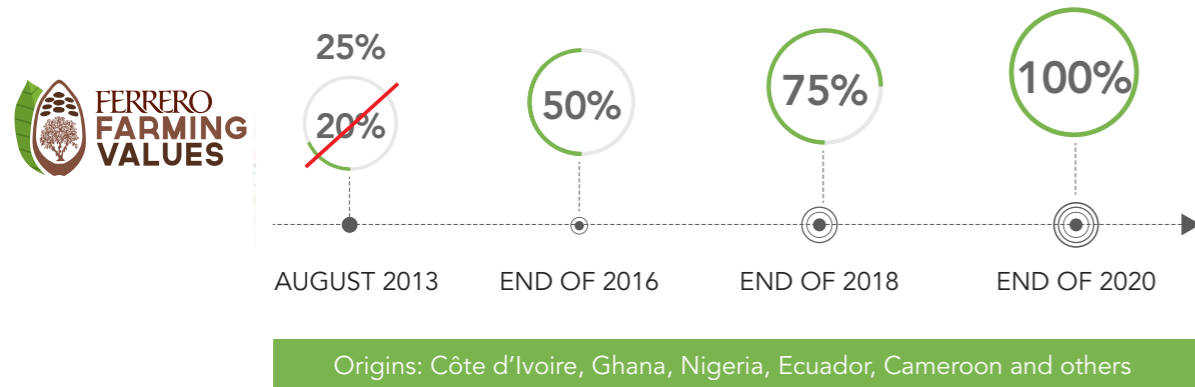
FERRERO AIMS AT SOURCING 100% CERTIFIED AS SUSTAINABLE COCOA BEANS BY END OF 2020.

During FY 2013/2014, the group has reached the objective of sourcing **40% of certified as sustainable cocoa**, well on track within the milestone planned for the reporting period.



1. UTZ Certified Coffee Programme Mission Statement.

SUSTAINABLE COCOA SOURCING ROADMAP



Currently, the Group is sourcing certified as sustainable cocoa beans through farms that are certified by one of its partners UTZ Certified, Rainforest Alliance Certified™ e Fairtrade.



UTZ Certified means sustainable agriculture and better chance for farmers, their families and our planet. UTZ programme let farmers better know cultivation techniques, improve their working conditions and take care of their children and environment. Through UTZ programme farmers can obtain larger harvest, have an higher profit and

create better opportunities, preserving environment and protecting earth's natural resources.



Rainforest Alliance Certified™ farms support an healthy environment, promote well-being of workers and their communities and ensure efficient farming methods. Farm workers benefit from safe working conditions, enjoy dignified housing, medical care and access to schools for their children.

Certification ensures the protection of ecosystems, including wildlife habitat, 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. With the Fairtrade Sourcing Programme, Ferrero has committed in 2013 to buying 20,000 metric tons of cocoa by 2016 on Fairtrade

terms, starting this reporting year. By the end of 2014, Ferrero purchased 4.700 metric tons of Fairtrade cocoa.



Alongside the 2020 goal, **Ferrero constantly collaborates with non-profit and farmer organizations** to address agricultural, social, environmental and business issues in cocoa farming; Ferrero also continues supporting the on-going local projects to ensure sustainable cocoa production, whilst improving cocoa farmers' living conditions and the well-being of their communities.

Update of Ferrero's collaboration with Geotraceability

Ferrero's commitment to traceable cocoa is enhanced by its use of the GeoTraceability **farm mapping system**. In December 2014, 6,086 cocoa farmers (of which 34% women) have been fully mapped and are supplying Ferrero with traceable cocoa translating to 11.337 hectares of land under cocoa production.

In 2014 all the mapping data have been reviewed and cleaned, this resulted in adjustments in number of farmers (smaller than reported in

CSR Report 2013), however number of mapped field and hectares have been adjusted upwards.

The individual smallholder farms producing this cocoa are mapped using handheld GIS devices and a range of farm data is collected, 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 livelihoods for the cocoa farmers who supply their cocoa.

By 2016, 13,000 farmers will be integrated into the GeoTraceability system and will supply fully traceable

and UTZ Certified beans to Ferrero. When the cocoa is produced, it is **bagged and barcoded** at the farming community level for tracing onwards along the supply chain, allowing Ferrero to track their cocoa as it travels from farming community to the factory and **ensuring traceability is maintained throughout.**

GeoTraceability: Farm-level Mapping



Mapping

Using GIS mapping systems, the organization is able to know the exact size and shape of the farms. Moreover, it maps community infrastructure to provide useful information such as distance to schools and water sources.

Data Collection

A series of data is collected on agricultural practices and farm metrics but also on socioeconomic indicators.

Monitoring & Evaluation

The data is then used to monitor indicator improvements in a measurable way and strengthen farmer training programmes.

Ultimately, GeoTraceability's mapping is a key part of a traceability system, allowing to trace cocoa back to a specific community.

Our Partnership with Source Trust in Ghana

Ferrero in partnership with Source Trust is implementing UTZ Certification programme in **3 additional districts – Obuasi, Ashanti Bekwai and Tarkwa.** At June 2015, 3,693 farmers in these districts have been mapped, translating to 6,529 hectares of land under cocoa production.

During FY 2013/2014 season 2 seedling nurseries in Obuasi and Ashanti Bekwai districts produced a total of **31,958 new hybrid cocoa seedlings**, which were subsequently distributed to farmers to assist them in replanting or rehabilitating of at least 30 hectares of aging cocoa farms.

Starting from September 2014 preparations have begun to establish **8 community based seedling nurseries** for the 2014/2015 season. The new community-based seedling nursery model has been designed to address the previously identified issues with the larger district-based nurseries: long travel distance to access planting material, high transportation costs and mechanical damage of seedlings during transportation.

COMMUNITY NURSERIES WILL LESSEN THE TRAVEL DISTANCES TO BE COVERED BY FARMERS AND SHOULD HAVE A POSITIVE INFLUENCE ON THE NUMBER OF SEEDLINGS ACQUIRED BY FARMERS FOR FARM REHABILITATION.

In the second half of 2014, the Government of Ghana committed to distribute a total of 50 million free cocoa seedlings to cocoa farmers. In order to complement Government's efforts, Ferrero dedicated its seedling nurseries for production of plantain using a new rapid method of propagation. This will **ensure that farmers can have sufficient shade material** for their new or rehabilitated farms, as well as a more diversified income from the sale of plantain.



Placing additional attention on Child Labour: Ferrero Cocoa Community Commitment (F3C)

Ferrero continues its long-term partnership with Source Trust to invest in Ghanaian cocoa farming communities in ways that go beyond certification alone.

The Ferrero Cocoa Community Commitment (F3C) aims to **increase the well-being of 8,800 cocoa-farming families** and their children (estimated at 26,400) through a measurable reduction in the "Worst Forms of Child Labour" and a measurable increase in household income. The project partners with the National Programme for the Elimination of the Worst Forms of Child Labour in Cocoa (NPECLC) to establish the **Ghana Child Labour Monitoring System (GCLMS)** in conjunction with Source Trust Ghana's innovative community-based farmer organisation model, in 162 communities.



Working with NPECLC, the F3C programme is aligned to Ghana's 2009 2015 National Plan of Action (NPA) for the Elimination of the "Worst Forms of Child Labour" through **four project elements**:

1. Assist NPECLC to **establish GCLMS in 162 new communities** identified as having prevalent "Worst Forms of Child Labour", while strengthening 14 communities already participating in NPECLC's GCLMS pilot.

2. Support the Ghana Department of Social Welfare's community sensitisation and mobilisation programme to **promote understanding of children's rights**, including the effects and consequences of child labour.

3. Introduce comprehensive livelihoods **training for community-based farmer organisations** to provide as part of a training service to their farmer members. The key training component will focus on

Good Social Practices linked to reducing the "Worst Forms of Child Labour".

4. Establish **8 Village Resource Centers (VRC)** at schools to make teaching and learning more effective.

Designed in consultation with the Government of Ghana, Ferrero's F3C programme goes beyond a mere focus on the compliance of farmers with certification requirements. In fact, it can be considered best

practice as it incorporates the **three recognised pillars of effective sustainability**:

- **Social**: working towards the elimination of the "Worst Forms of Child Labour";

- **Environmental**: helping to improve the agricultural output of cocoa farming with attention to environmental preservation;

- **Economic**: helping to improve the livelihoods and well-being of cocoa-producing communities

Update on progress

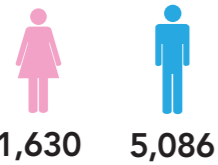
By the end of FY 2013/2014 cocoa season, a total of 2,393 farmers (of which 34% women) had been mapped across three of Ferrero's F3C programme sourcing districts, this translates into 4,808 hectares of mapped fields under cocoa production.

At the end of 2014, **48 Community Child Protection Committees** have been formed in two districts where Ferrero operates, namely New Edubiase A and Asankragwa A districts. The farmers in these communities have been registered and baseline data has been collected from each farmer. Internal Control System offices have been set up in each of the two districts in order to monitor progress of the project.

F3C programme has been expanded in 2014, with the addition of 5 new districts: Samreboi A, Samreboi B, Samreboi C and Samreboi D and New Edubiase B. From April to September 2014, 4,449 new farmers in 167 communities completed their "Year 1" livelihoods training.



6,716 FARMERS TRAINED



From the beginning of the programme, a total of 6,716 farmers (1,630 – women and 5,086 – men) have been trained across the seven F3C districts on good agricultural, social and environmental practices. In order to achieve an **overall programme target of 8,800 farmers**, 1,250 farmers from Manso Amenfi district in Western region of Ghana are to join the programme during

2015, all other districts will be further sensitised to encourage additional farmers to join.

Once the first year of livelihoods training programme had been completed for the five districts and the second year of training programme completed in New Edubiase A and Asankragwa A districts, **all farmers underwent internal inspections** in October 2014. The objective of the inspection was to ensure that all trained farmers were adhering and implementing the good agricultural, social and environmental practices they have been introduced to. The internal inspections were **followed with external UTZ Certification audits** in December 2014 and farmers in all districts were successfully certified under the UTZ Code of Conduct.



DURING INSPECTIONS FARMS WERE FOUND TO BE MUCH CLEANER (WEEDED AND PRUNED) AND AGRO-CHEMICALS CORRECTLY DISPOSED AFTER HANDLING, WHICH SHOULD NOT ONLY HAVE A POSITIVE EFFECT ON COCOA PRODUCTIVITY BUT ALSO ON THE SURROUNDING ENVIRONMENT.

During 2014, **three new Village Resource Centers** have been established to benefit a total of 718 additional Junior High School students every year. These three Centers are added to the already existing two, for a total of five since the beginning of the programme.

The VRC are pre-designed and fully furnished community learning centres that are located at schools which do not have access to information technology facilities, to enable the teaching and learning of information technology to pupils and to offer increased, convenient access to agricultural training for farmers.

The VRC provide an **important educational resource for children**, offering value for them to attend school. The Centres also serve as a platform for delivering training and sensitisation

to cocoa farmers to further raise awareness of the worst forms of child labour and the ways in which farmers should prevent it. Moreover VRC **provide farmers with convenient access to education and research facilities**, which can have long lasting positive effects on crop quality and yields.

The New VRC have been established in the following Junior High Schools:

- Samreboi District Assembly Junior High School in Samreboi A district, benefitting a total of 350 students (105 – girls and 245 – boys);
- Samreboi Catholic Junior High School in Samreboi C district, where 211 students have benefitted (98 – girls and 113 – boys);
- Sikaman Methodist Junior High School in New Edubiase B, where 157 students (70 – girls and 87 – boys) can now receive practical ICT lessons.



PALM FRUIT OIL



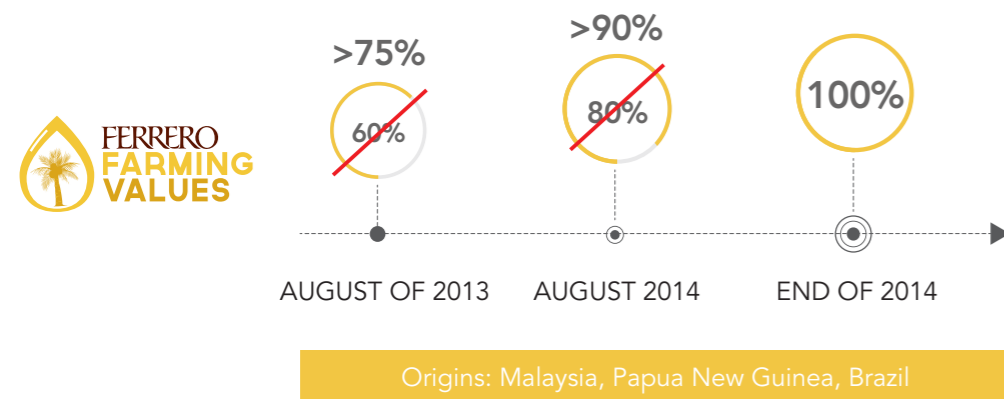
The Ferrero Group sources less than 0.3% of the world's total palm oil production. In FY 2013/2014, approximately 170,000 metric tons of palm fruit oil was sourced out of about 60 million tons of the world

production according to USDA's statistics. Since 2005, Ferrero has been an active member of the Roundtable on Sustainable Palm Oil (RSPO), an international organisation whose focus is making sustainable palm oil sourcing a normal practice. From the beginning, **Ferrero decided to directly source RSPO certified segregated palm oil**: it is segregation that ensures that sustainable palm oil is physically separated from non-sustainable palm oil and enables us to **trace it from the certified sustainable plantations to the production line**.

Therefore, Ferrero activated a robust, publically available, time-bound implementation plan, working extensively with its suppliers within a global responsible palm oil procurement policy. These pioneering and rigorous efforts have enabled the Ferrero Group to finally achieve its goal of 100% sustainable palm oil certified RSPO as segregated.

AS OF JANUARY 2015, FERRERO PRODUCTS ARE PRODUCED WITH ONLY PALM FRUIT OIL THAT IS 100% SUSTAINABLE PALM OIL CERTIFIED RSPO AS SEGREGATED.

SUSTAINABLE PALM FRUIT OIL SOURCING ROADMAP



WWF

“ In achieving 100% segregated certified sustainable palm oil within the context of the Roundtable on Sustainable Palm Oil, Ferrero has demonstrated that it is tackling tropical deforestation in a credible way. ”

Richard Holland, Director of WWF's Market Transformation Initiative.

Why does Ferrero use palm fruit oil?

Palm fruit oil is used in Ferrero products for **three main reasons**:

- it gives the products a unique consistency without the addition of any chemical additives and the hydrogenation process, which produces “trans-fatty acids” that have been recognised by the authorities and the scientific world as particularly harmful to health;
- it enhances the taste of the other ingredients due to its odourless and tasteless characteristic;
- a unit of sustainable palm fruit oil can be produced with significantly less environmental burden than other vegetable oils.



The Ferrero Palm Oil Charter and the partnership with TFT

Ferrero achieved 100% sustainable palm oil certified RSPO as segregated, but **the Group responsibility does not stop at this certification**. The commitment continues in order to:

1. **map back to the single plantation**, because although sustainable and segregated certification provides assurance that the palm oil comes from a certified plantation, it does not allow to trace back to the specific certified plantation;
2. make sure that the palm fruit oil, sourced by Ferrero, is **deforestation-free and produced respecting workers and local communities**, including smallholders.

IN NOVEMBER 2013, THE GROUP ANNOUNCED ITS STRATEGIC PARTNERSHIP WITH THE NON-PROFIT ORGANISATION TFT (FORMERLY THE FOREST TRUST) BY LAUNCHING ITS OWN FERRERO PALM OIL CHARTER.

The Charter is aimed to implement Ferrero's commitment to socially and environmentally responsible palm oil production that is additional to the participated certification schemes. **The Ferrero Palm Oil Charter sets a number of additional criteria**, which are passed down to suppliers, and will include a verification system to monitor the progress and compliance on the ground. In the spirit of becoming the sustainability lighthouse with its palm fruit oil supply chain, Ferrero is collaborating with its suppliers to implement a new approach to avoid deforestation, halt exploitation and to protect areas of High Carbon Stock (HCS).



More specifically, we show below the **10 principles of our Ferrero Palm Oil Charter**, that we are committed to respecting, together with our palm fruit oil suppliers. These principles require that our suppliers:

1. Providing fully traceable oil, while including smallholders.
2. Not clearing High Carbon Stock forests.
3. Not using fire to clear land.
4. Not planting on peat soils.
5. Protecting orang-utans and other endangered species by maintaining High Conservation Value areas.
6. Reporting on the greenhouse gas emissions of their production.
7. Respecting human rights, including the right to Free, Prior, and Informed Consent of indigenous and local communities.
8. Recognizing, respecting and strengthening the rights of workers.
9. Not using Paraquat.
10. Actively fighting corruption.

Greenpeace

"No Deforestation commitments[...] Italian chocolate company Ferrero[...] to cut forest destruction and human rights violations from their supply chains, represent a model for the rest of the industry to follow" said Greenpeace International at the Roundtable on Sustainable Palm Oil (RSPO) General Assembly.

The Independent Singapore

Find out more about the Ferrero Palm Oil Charter at the following links:

- www.ferrero.com/news/group-news/Ferrero-Palm-Oil-Charter
- www.tft-forests.org

The current journey to Ferrero's Charter is one of collaboration and transparency: in fact, consumers are kept informed through **reports publically available every** six months about the progress of the activities carried out with TFT's teams and of the time-bound action plans with our suppliers.

The Power of traceability

TO FERRERO, TRACEABILITY IS CRITICAL TO DRIVE CHANGE AND TO DELIVER STRONG SUSTAINABILITY TARGETS.

It allows the company to assess practices on the ground in order to help suppliers make any improvements needed to meet our Ferrero Palm Oil Charter.

The initial step of developing this tracking system is **mapping the source of production from all palm fruit plantations**. Together with TFT, Ferrero has completed mapping its entire palm fruit oil supply chain, including listing all 37 mills and their 184 supplying plantations in Malaysia, Papua New Guinea and Brazil.

This mapping process enables the Ferrero Group to move on to the next step of **conducting environmental and social assessments of the identified plantation companies**. The assessments aim at better understand

suppliers' sustainability performance and identify any potential environmental and social risks.

Ferrero has started the assessment activities with its four suppliers in Peninsula Malaysia, from where the Group purchases 73% of its total palm oil. In 2014, TFT started visiting mills and plantations, carrying out field assessments and documentation verifications. At the end of each visit, suppliers have been advised of any issue found related to the Charter, and a **time-bound action plan has been produced and discussed** with each grower in a dedicated meeting. Through this constructive dialogue, Ferrero is expecting them to meet the action plan within the timeframe agreed.



TRACEABILITY OF PALM FRUIT OIL SUPPLY CHAIN



Ferrero suppliers

Ferrero's main long-term suppliers helping us reach this ambitious target are:



Ferrero uses its leverage to enforce suppliers implementing the environmental principles and criteria in practice. This is done based on the well-established long-term relationships with suppliers.



Supplier initiative: New Britain Palm Oil's engagement with smallholders and the communities

New Britain Palm Oil (NBPO) is a leading supplier company in palm oil sustainability. They began their commitment in 1969 with a zero-burn policy, joined RSPO in 2004 and are now working beyond the roundtable's standards through the Palm Oil Innovation Group (POIG) Charter.

As part of its RSPO commitment, New Britain Palm Oil is required to ensure that the community really understands the implications and options of leasing their land to their suppliers. Free, prior and informed consent (FPIC) **recognises indigenous people's inherent and prior rights to their lands and resources** and respects their legitimate authority to require that third parties enter into an equal and respectful relationship with them, based on the principle of informed consent. The underlying principles of FPIC ensure that indigenous peoples are informed and consulted on proposed initiatives, and participate meaningfully in discussions on its likely impacts.

Therefore, over the past years NBPO has increased its focus on the integration of smallholders in its sustainability efforts. Significant progress to this end can be demonstrated by the fact that for instance all of NBPO's smallholders are RSPO compliant. As a best practice in the industry, Ferrero's partner NBPO maintain Smallholder Affairs offices to **support smallholders on an ongoing basis, providing advice, assistance in improving practices, and resolving grievances.**



"Implementing FPIC has proven to be one of the most complex issues in our sustainability journey. It is not always easy to determine which individuals are truly representative of the community. It becomes more complex when we have to consider whether the rights of community minorities should supersede those of the majority. There are no easy answers, but we believe that we are learning and continually developing our engagement and consultation".

NBPO

Next steps in 2015

• **Ferrero Palm Oil Charter:** to maintain its active role in the sustainable palm oil market, Ferrero will carry on the journey beyond certification, namely the systematic implementation of the Ferrero Palm Oil Charter on 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.

• **Smallholders inclusion:** the Group strives for continuous innovation in order to ensure suppliers and their smallholders' compliance to the Ferrero Palm Oil Charter and communicate transparently on its progress. In this context, Ferrero

is committed to bring more smallholders into the supply chain to better support the livelihoods of these growers. In particular, the Group is determined to start, together with TFT, the "Rurality" project, that exactly aims to strengthen smallholders in this inclusive process, supporting them in the implementation of a sustainable business and involving them in the supply chain.

• **Palm Oil Innovation Group (POIG):** Ferrero actively supports the POIG, that gathers innovative palm fruit oil manufacturer and environmental associations as WWF, Greenpeace, Rainforest Action Network. POIG aims to endorse innovation in the palm oil production business and to delete, through really ambitious standards, the link among palm oil, deforestation and violation of communities and labor rights.



Sustainability in shea

Shea butter, processed from Shea nuts, 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. Shea nuts fallen from the tree during rainy season are **predominately collected, for Shea butter production, by women living in rural villages**. Apart from being Shea nut collectors, these women also clean, dry, process and store the nuts, making it as a major source of income supporting the livelihood of their families.

The Shea industry has recently experienced a growing market demand for Shea butter. To work towards a sustainable Shea supply chain, Ferrero is currently in discussion with AAK, a Shea supplier, on the support of a **long-term project partnership of sourcing sustainable and traceable Shea in Burkina Faso and bordering countries**. The project aims at empowering women by educating them to treat the Shea in the best possible way from collection to storage; as well as helping them generate more income from producing higher quality Shea kernels and trading directly with women's groups. The project also follows the fair trade principles with women's group, giving them full freedom to choose whom to trade with.



HAZELNUTS

Hazelnut supply chain

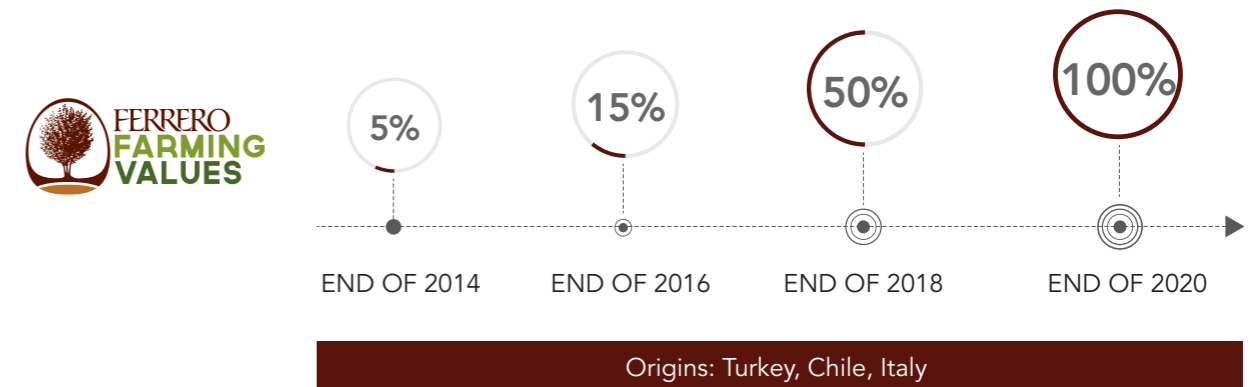


FERRERO, AS ONE OF THE LARGEST HAZELNUTS USERS GLOBALLY, AIMS TO REACH THE GOAL OF 100% TRACEABILITY OF ITS HAZELNUT SUPPLY CHAIN BY 2020.

Traceability in Ferrero's hazelnut supply chain refers to the ability to follow the movement of hazelnut producing stages and trace the origin of hazelnuts 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 2014, Ferrero has already achieved the **full traceability of 5% of its hazelnut 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 demands 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 counter-seasonal supply of excellent quality of hazelnuts worldwide.

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

BEING AMONG THE LARGEST HAZELNUT USERS GLOBALLY, FERRERO COMMITS TO BECOME A LEADER TO INFLUENCE AND DRIVE SUSTAINABLE CHANGES IN THE HAZELNUT PRODUCTION SECTOR. THIS COMMITMENT IS HONORED THROUGH THE IMPLEMENTATION OF THE FERRERO FARMING VALUES HAZELNUT (FFVh) PROGRAMME.

The FFVh programme is planned to be implemented in all hazelnut-sourcing countries, which further breaks down to country-specific projects. To date, **the programme has been implemented in Turkey**, aiming at reaching 100% traceable supply of hazelnuts and improving the conditions of the farmers and workers engaged in the production.



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, also during FY 2013/2014, 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 brought **some positive social impacts** in the Turkish Black Sea region. More importantly, for the very first time, Ferrero has and continues establishing 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 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.

Last year, 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 2013/2014, 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 representative 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.



Our farmers

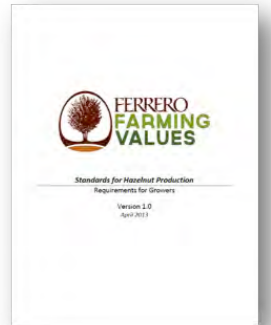
Agriculture is characterised by cycles that guide farmers according to crop calendars and to the observation of the environment. FFVh is developed and shaped based on the agricultural calendar to provide producers with technical assistance and expertise when needed. **Local teams of agricultural technicians have been established** in strategic areas in hazelnut producing regions. The 14 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 practice of hazelnut cultivation. The technology transfer is mediated through model farms establishment that FFVh manages directly throughout 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 our technicians.



In 2013 and 2014, a respective of 1,698 and 3,600 farmers have registered and benefited from the programme, showing great interests in discussing and demonstrating the best way to implement good agricultural practice.

FFV Hazelnut Production Programme:

YEAR	2013	2014
PARTICIPATING FARMERS	1,698	3,600

IN PARALLEL TO THE TECHNICAL TRAINING AND BY RECOGNIZING FARMERS AS KEY PLAYERS IN TACKLING THE SOCIAL ISSUES AND FARMING BUSINESS TRANSFORMATION, FFVH AIMS AT PROMOTING THE TRANSITION TO RESPONSIBLE AGRICULTURE AND BUILDING FARMERS CAPACITY ON UNDERSTANDING THE TURKISH REGULATORY SYSTEM THROUGH SOCIAL DIALOGUES WITH THEM.

These sessions are organised together with **Hayata Destek (Support to Life)**, a local development and human rights NGO. The farming community is invited and actively engaged in the meetings, in which we share needs, concerns, idea and solutions regarding encountered social issues in farming. The dialogue also focuses on helping farmers to understand relevant Turkish laws and regulations related to worker employment. The discussion is guided by the areas included in the production standard, including:

- promoting access to education for all children;

- ensuring appropriate labour conditions for young workers aged between 15 and 17;
- safeguarding the labour rights of young workers operating as family labour;
- ensuring equitable wage standards and transparent payment system;
- limiting working hours to adequately protect personal health and family conditions;
- eliminating social discrimination and harassment at the workplace;
- ensuring adequate working and living conditions for workers; and
- maintaining strict health and safety standards.

Mechanization aims at minimizing operational costs, while increasing productivity. As an essential step in modernizing agriculture, it 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 introduced customised machines to its model farms**. The type of machines hand-built for Turkish hazelnut farming are 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 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 in 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 some specific criteria in the production standard, farmers have turned up in great numbers of utilizing the **11 FFVh drying stations** strategically located throughout the hazelnut-growing regions.



Farmers' families



Farmers' children are the **next generation of farmers**.

TO PREVENT THE LONG-TERM RISKS OF EMPLOYING CHILDREN IN THE FARM, FFVH DEEMS THE IMPORTANCE OF BUILDING THE CAPACITY OF FUTURE FARMERS AND PREPARING THEM TO PRACTICE FARMING RESPONSIBLY.

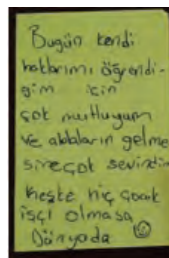
Since 2012, FFVh has established a partnership with NGO Hayatadestek, to raise awareness of good social practices in hazelnut farming community and educate farmers' children with a message to promote children's rights to play and education. A mobilizing team, composed of trained teachers and social workers, is set up. Their mission is to outreach the hazelnut farming communities and give out **educational activities to farmers' children** (aged from 4 to 17) in both Eastern and Western black sea regions. The activities are designed based on the EU's Compasito (www.eycb.coe.int/compasito), which is a manual on human rights education with young people developed by the Council of Europe. The activities are

carried out in the form of games, embedding the information about the UN Convention on the Rights of Child and risks of participating in agricultural activities. The purpose of playing right-based games with children is to establish a culture of human rights and **encourage them to explore their needs, rights and responsibilities**. Since the launch of the project, FFVh has reached 6,842 children in 2013 and 4,947 in 2014. In respective of 2013 and 2014, the project has visited 84 and 98 villages in areas such as Düzce, Sarkarya, Kocaali, İkizce, Perşembe, Ordu, Giresun, Çaybaşı and Trabzon. The project saw great participation from the rural communities with highly positive reactions.

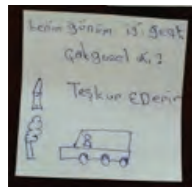
Results for Ferrero-Hayata Destek (Support to Life) partnership:

YEAR	2013	2014
REACHED CHILDREN	6,842	4,947
VILLAGES	84	98

Children's feedback of the Educational Activities



“ I am happy that today I learnt about my rights. I am happy that the elder sisters (STL van activities trainers) came. I wish there will not be any child labour in the world ”



“ My day was good. It was beautiful. Thank you. ”

The institutional and collective engagement

During FY 2013/2014, Ferrero extended its partnership with **Caobisco**, the European chocolate, biscuit & confectionary association, to the Public-Private Partnership (PPP) with the International Labour Organization (ILO) Turkey for a project focusing on the elimination of the “Worst Forms of Child Labour” in seasonal agriculture in hazelnut harvesting. The project provides **counseling service and capacity building activities to**

the seasonal workers families who reside temporarily in the four provisional camp settlements in Ordu, covering Fatsa, Ünye, Uzunisa and Efirli districts. In 2014, 313 families of seasonal workers were reached, which 101 of them were provided with individual counselling and training sessions. Moreover, the project carries out **summer school sessions at the camps for all the children**, providing accelerated education as well

as extra curriculum activities such as outings and excursions in the nature and learning board games. 408 children aged 4-16 was benefited from the educational service, resulting 310 of them withdrawn and prevented from working in the field. Apart from onsite service for the workers and families, 307 hazelnut farmers were reached and sensitised on the issue, they also benefited from the individual counselling and training sessions. Specific focus has also been placed on raising the awareness about the labour situation in both Turkey and Europe.

Results for partnership Ferrero-Caobisco-ILO in Turkey

313

FAMILIES ASSISTED

101

FAMILIES INVOLVED IN INDIVIDUAL COUNSELLING AND TRAINING SESSIONS

408

CHILDREN INVOLVED IN THE SUMMER SCHOOL

After the production of the first documentary- “PİKOLO”, a sequel named **“PİKOLO 2: One Year Older”** was produced and screened in Turkey in December 2014. It mainly focuses on the project implementation process and its activities.

Beyond the hazelnut farming community, **FFVh has also outreached**

the wider society to raise the awareness of protecting children rights and safeguarding their basic interests through a series of communication campaigns. Importantly, two animated clips are produced and broadcasted on local TV channels for two months during the harvest period. One describes the issue of child labour and highlights the importance of children’s rights to play and study; another promotes the FFVh programme and invites the community to engage. In addition, a total of 50 billboards, 80 signs and 200 posters were displayed in May and June 2014 and drew **considerable attention from the nearby community** in both East and West Black Sea regions.

Therefore, **a statistical study on the conditions of seasonal migrant workers** in the Western part of the Black Sea region is initiated and commissioned by FFVh and conducted by the Turkish social cooperative Development Workshop.

Hazelnut cultivation in Turkey is characterised by outmoded agricultural practices and thus heavily dependent on physical labour. During the harvest period, farmers rely primarily on seasonal workers coming from various regions of the country with their families. Seasonal agricultural migration has contributed to a series of social issues, ranging from workers’ working and living conditions to their children engaging in hazardous agricultural activities. **Ferrero acknowledges the current situation, its complexity and historical background.**

The numeric and qualitative results obtained with the study are very significant to better understand the

on-the-ground situation to support the development of the FFVh action plan. The report² was published jointly by Ferrero and Development Workshop in August 2014 in Turkish language and it has been disseminated to local universities, NGOs, local governments and other members of the civil society in Turkey, in order to raise awareness and to foster collective engagement.



Next steps in 2015

- **FFV Hazelnut Production Standard 2.0:** evaluated the standard implementation at farm level through the two-year FFVh project, Ferrero recognises the need to review and upgrade the Hazelnut Production Standard. To enhance its credibility and robustness, the standard will be revised from version 1.0 to 2.0 and updated through a multi-stakeholders consultation process. The process will review standard's contents and ensure that they remain applicable to the dynamic needs of the hazelnut industry.
- **Caobisco-ILO PPP Project Extension in Turkey:** Ferrero continues to support and participate in the extended ILO project on eliminating the worst forms of child labour in seasonal commercial agriculture in hazelnut harvesting in Ordu and the selected provinces of West Black Sea Region. The project will be extended for 3 years covering 3 harvesting seasons in Turkey. It will involve replication, expansion and greater advocacy against child labour in seasonal agriculture, with a five times increased of targets (i.e. children, families, hazelnut farmers and agricultural intermediaries).

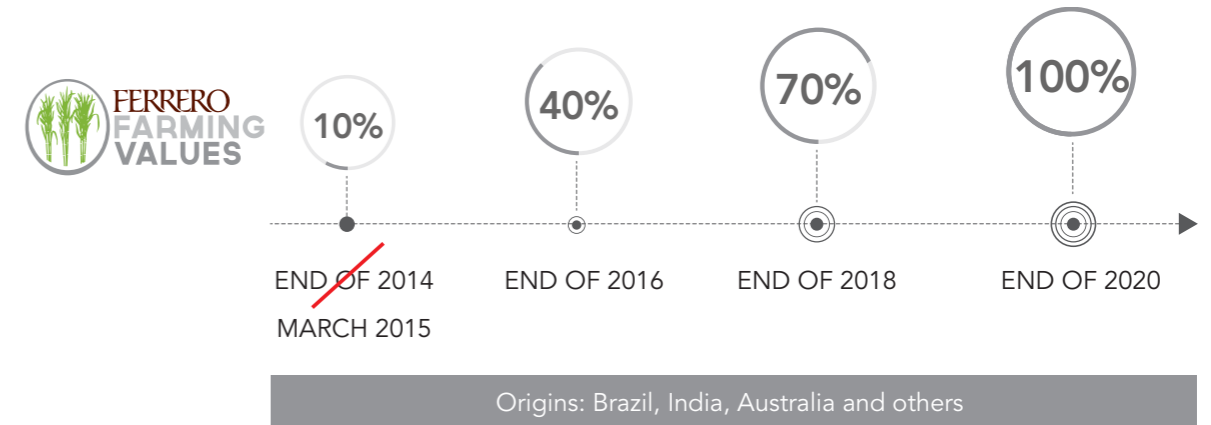
2. The report is available at the following: www.kalkinma-atolyesi.org/tr/programlar/sosyal-kalkinma/mevsimlik-isci-goculfindik-basadinin-oyunculari/.

SUGAR



In 2014, the total volume of sugar purchased by Ferrero can be broken down to approximately **25% refined cane sugar and 75% beet sugar**.

SUSTAINABLE CANE SUGAR SOURCING ROADMAP



Ferrero has maintained and committed to **strong trust-based relations** with numerous agricultural cooperatives and sugar producers. The Group has been collaborating for decades with some suppliers, who extensively provide us with high quality 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, the sugar sourced is **100% non-GMO**.

BY 2020, FERRERO IS COMMITTED TO ACHIEVE ALL REFINED CANE SUGAR FROM SUSTAINABLE SOURCES.

Since 2010, the Group has been a member of "Bonsucro-Better Sugar Cane Initiative" (www.bonsucro.com/), a worldwide recognised organization that promotes sustainabi-

lity 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, Ferrero successfully purchased Bonsucro certified sugar in both Australia and Brazil, which accomplished the first

step to reach the 10% milestone. The start-up phase caused a slight delay and consequently **we reached our 10% goal in March 2015 instead of December 2014.**

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.



Ferrero awarded first “Bonsucro’s Leadership Award 2014”

Sydney, Australia. The Ferrero Group, a strong sustainability advocate, has announced that it is the first Bonsucro member to be awarded the Bonsucro Leadership Award. The Award is for demonstrating leadership, innovation and for inspiring and encouraging Bonsucro members to further increase their involvement in Bonsucro.

“Sustainability is a key priority for us globally. We are proud that during the period of 2013-14 we were recognised as demonstrating leadership and by being the first company to involve its supply chain in the physical shipment of Bonsucro Certified Sugar on a global scale” - stated a Ferrero spokesperson - “We will continue on the successful path we are on with Bonsucro, and we are proud to be recognised with this industry achievement”.

The award was announced at Bonsucro’s Annual Conference in Manila, Philippines on 13 November 2014.



POLICY ON ANIMAL WELFARE IN THE MILK AND EGG CHAINS

Ferrero considers animal welfare an important principle of its social responsibility. In the supply chains of animal origin products, Ferrero has among its objectives the development of a process that ensures **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 freedoms 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 so that the animals in their supply

chains are ensured an adequate supply of water and food and the care necessary 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 long-term relationships developed with its suppliers, Ferrero works to ensure not only compliance with regulations concerning animal welfare but encourages going **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 deep sensitivity on the topic of animal welfare is not yet developed.

3. The five freedoms for the protection of animal welfare are listed by the Farm Animal Welfare Council (1979) based on the Brambell Report.

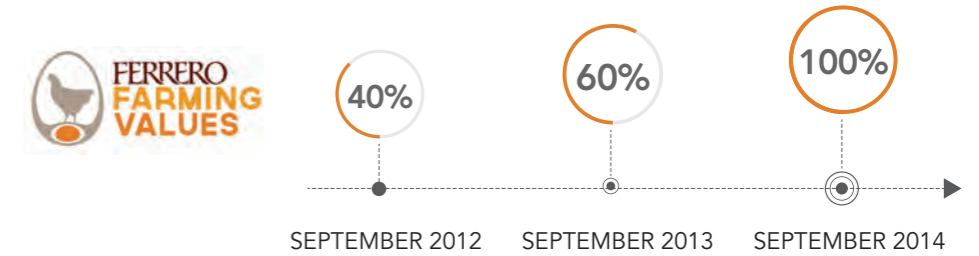
EGGS



Ferrero has 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, to be applied for all EU

plants. With continuous commitments and collaborations with suppliers, in line with its objective, Ferrero has reached in September 2014 the goal of sourcing 100% of total supply of eggs being sourced from hens living in barns in the EU:

EGGS FROM CAGE-FREE BARN HENS ROADMAP



Origins: EU-15 for EU Plants

THANKS TO THE ONGOING COMMITMENT AND TO THE COLLABORATION WITH SUPPLIERS, THE GROUP REACHED, IN SEPTEMBER 2014 AND ALIGNED TO ITS OBJECTIVE, THE GOAL OF 100% OF EGGS FROM BARN HENS FOR ALL THE PLANT OF EU.

In 2013, Ferrero has developed two new manufacturing plants outside Europe, in Turkey and Mexico. The eggs used in these plants make up of an approximate of 5% of Ferrero's global consumption. Although this represents a small quantity, Ferrero is committed to develop a cage-free egg sourcing strategy for these areas, where cage-free eggs supplies are unconventional. Ferrero continues to engage in dialogues 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 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 their "**controlled, short supply chains**" with particular attention to the activities of suppliers linked to sustainability.

Ferrero strictly adheres to national raw milk and dairy products production regulations, and constantly encourages its suppliers towards the best practices of milk production.

Dairy production regulations, covering, as a rule, milk quality parameters (for example the absence of antibiotics), and its classification and composition, may vary from country to country. However, Ferrero 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 control of the entire chain and ensure 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 FREQUENT, DETAILED AUDITS ON SUPPLIERS RELATIVE TO QUALITY PARAMETERS, ENSURING GREATER DETAIL IN THE VARIOUS STAGES OF THE MILK SUPPLY, UP 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 supplied 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 tons of milk during the period from 2013-2015, 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 2014, Ferrero implemented the **"Milk Quality Project"** (MQP) for 10 strategic suppliers in different geographic areas, representing almost 90% of the milk supplied to the Ferrero plants in Europe. The extensive data collected through audits at the milk production stables, have revealed the commitment from suppliers of the different supply chains 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 scores attributed to animal welfare and environmental sustainability indicators allowed for identifying areas of strength in the various sectors and for creating any plans for improvement.



FERRERO'S HAZELNUT AGRICULTURAL COMPANIES

The Ferrero Group is one of the largest users of hazelnuts in the world. In order to meet the growing demand, strengthen its leading position on the hazelnut world market and ensure high quality in the medium-term supply of hazelnuts, Ferrero has implemented a **strategy for the development of new production opportunities**. This initiative is called **Hazelnut Business Development** (HBD).



THE MAIN OBJECTIVE OF HBD IS TO BECOME A RELIABLE PARTNER FOR LOCAL AUTHORITIES, INTERNATIONAL FINANCIAL INSTITUTIONS AND THE PRIVATE SECTOR FOR THE CREATION, DEVELOPMENT AND MANAGEMENT OF NEW LONG-TERM HAZELNUT CULTIVATION PROJECTS.

Ferrero intervention for the development of the hazelnut sector is implemented according to a proven strategy for over a decade in different countries of the world, **with three main factors:**

- **pilot farms:** which are purchased and managed directly by the Ferrero Hazelnuts Business Development (HBD) and have a threefold function:
 1. testing: to test the adaptability of different varieties of hazelnuts to local agricultural-climate conditions and experiment with different agricultural techniques;
 2. demonstrations: to encourage and promote cultivation of hazelnuts among local operators;
 3. productivity: to ensure a significant part of the Ferrero hazelnut crop, while also facilitating sale at market prices.

- **nurseries:** allowing the cultivation of selected varieties of seedlings produced by Ferrero / HBD nurseries, sold to local farmers at a fair price⁴. Besides selling the saplings, Ferrero also provides technical assistance to farmers to cultivate their plantations.



4. The price covers standard direct and structural costs.

- **Research and training:** which allow HBD to collaborate with national and international institutions on various issues relative to technical management of hazel farms. Training and dissemination activities are also implemented for farmers, as part of international projects and in collaboration with local educational institutions.

Ferrero's hazelnut agricultural companies devoted to hazel cultivation are active in:

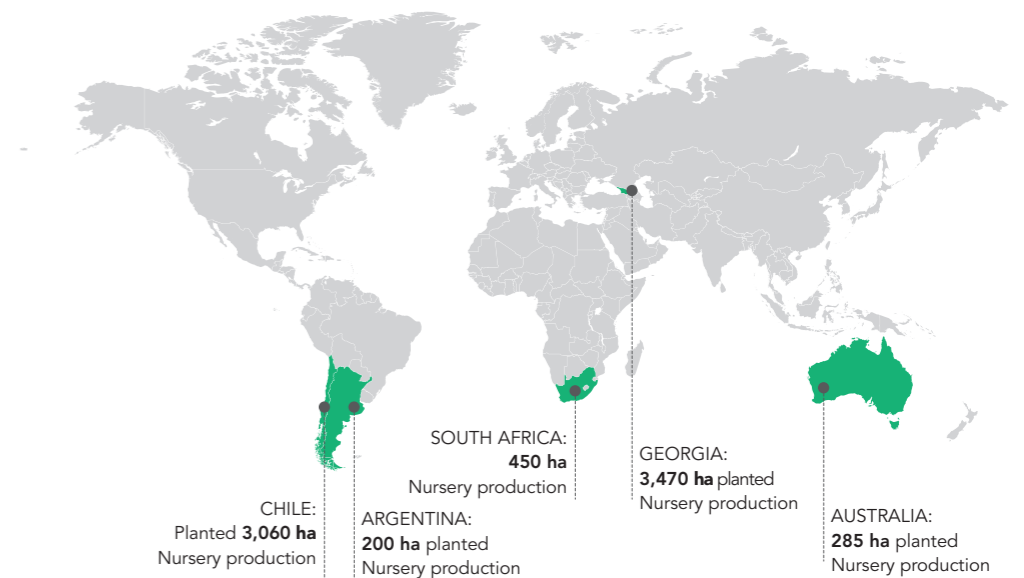
- Chile, since 1991;
- Argentina, since 1994;
- Georgia, since 2007;
- South Africa, since 2009;
- Australia, since 2011.

Ferrero has decided to invest in these crops to have hazelnuts:

- that are of an excellent quality, always fresh, all over the world;
- even during counter-seasonal production relative to the northern hemisphere.

In fact, given that Ferrero products do not use preservatives or flavourings, it has always been a priority of the Group to **have agricultural raw materials of excellent quality, all year round.**

As of 31 August 2014, Ferrero's hazelnut agricultural companies employ 1,864 people, to which 94 outside independent contractors are added⁵, for a total of 1,958 people.



5. Mainly as temporary workers and other direct cooperation relationships, with the exception of service contracts.

In FY 2013/2014, development and consolidation of the hazelnut supply chain in the various countries in which Ferrero's hazelnut agricultural companies operate. As mentioned in previous reports, this strategy aims to ensure **sustainable and lasting supply to Ferrero plants** and promote good agricultural practices in new and traditional hazelnut growing areas.

Hazelnuts' harvests were aligned to expectations, while the general quality of hazelnuts from HBD was significantly superior to the standard quality available on the market.

Also harvests of third party producers, that have decided to follow Ferrero model, were remarkable and almost equal, regarding quantity, to those of Ferrero's hazelnut agricultural companies. Hazelnuts produced

by these third party were sourced through producers' associations endorsed by Ferrero or directly by the Group.

In particular, Chile further increased the Ferrero farm area, reaching approximately 4,000 hectares. In addition, investments continued for **structuring of drying plants for private farmers** and construction of a modern shelling plant has started. Finally, an agreement with local farmers is being finalised for the purchase of hazelnuts at the market price over several years, with the provision of a guaranteed minimum price.

In Georgia, training of small local producers and support associations continued, because this is a fundamental element for improvement of the quality of Georgian hazelnuts and consequently, the income of producers.



The programme will continue for the next five years in partnership with USAID, a US Agency for International Development.

In South Africa and Australia, the development of pilot farms and agricultural research continues, in view of a future launch of hazel tree cultivation.

In addition, in 2013, a company was established in Serbia with the aim of hazel tree cultivation.

The agreement with ISMEA in Italy

In Italy, **an agreement protocol was signed in March 2015 with ISMEA** for development of the hazelnut supply chain in different regions. The protocol has the following purposes:

- **facilitating and enhancing** business development of the hazelnut supply, creating synergies aimed at increasing production through new technology, organizational improvement and cooperation in production processes;
- **engaging and collaborating** with Institutions, sector associations, economic, social and cultural agencies and organizations within areas, promoting synergies between tools of national and local-regional nature;
- **carrying out actions aimed** at promoting sustainable development.



ISMEA is a public economic agency, established by Presidential Decree no. 200 of 31 March 2001 which within its institutional role, performs the function of creating informational, insurance and financial services, and establishing credit and financial guarantees to the benefit of agricultural businesses and correlated businesses, in order to:

1. encourage market information and transparency;
2. facilitate relationships with the banking and insurance systems;
3. encourage development and competitiveness of agricultural businesses (with particular attention to introduction and permanency within the agricultural production market for young people);
4. reducing risks inherent to production and market activities of the agricultural sector.

MINIMISING ENVIRONMENTAL IMPACT

THE FERRERO GROUP PAYS PARTICULAR ATTENTION TO THE PROTECTION OF THE PLANET: FOR THIS REASON, THE GROUP AIMS TO COMBINE A STRONG INTEREST IN GROWTH WITH GREAT CARE FOR THE RELATED ENVIRONMENTAL IMPACT.

The Global Footprint Network¹ emphasizes that the challenge today is to be able to ensure the welfare of all human beings with the natural resources available and within the ecological limits, pursuing sustainable development and preserving our planet for future generations².

As a result, human intervention should not exceed specific limits, in order to maintain a "safe operating space for humanity" beyond which there is the risk of incurring sudden and irreversible environmental changes. This could endanger development and human well-being, as established in the analysis of the nine "planetary boundaries"³.

Even organisations, therefore, like all human activities, have an important role to play in the equilibrium of the

ecosystem, being an integrant part of it. In particular the actors involved in the food chain assume primary responsibility in the implementation and dissemination of sustainable practices, taking into account their direct relationship with the agricultural sector and its significant environmental impacts.

In this context, the Ferrero Group has decided to face the challenge with a project that marks an important new step on the road to sustainability. The skills gained on this road so far, within the context of constant improvement, have led Ferrero to re-elaborate the analysis of the impact of the Group, by extending the boundaries and redefining the indicators and measure parameters, in order to gradually develop a more effective roadmap for environmental sustainability.

1. The Global Footprint Network is an international organisation, founded in 2003, responsible for assessing the environmental impact caused by human activities and the overuse of natural resources, to find solutions for a sustainable future.

2. There are two relevant indicators related to these issues: the United Nations Human Development Index (which measures the quality of life of a country), and the Global Footprint Network's Ecological Footprint (indicator of the extent of environmental exploitation). The combination of these two indicators creates the essential conditions for sustainable human development.

3. The analysis, published in the prestigious journal Nature in 2009, is the outcome of collaboration between various environmental sustainability experts led by Johan Rockström, Director of the Stockholm Resilience Centre.



The FER-Way project

After a first five-year period, ending in FY 2012/2013, whose activities were analysed in the previous report, the Ferrero Group has enhanced its environmental sustainability commitment, improving the central coordination of activities, further structuring the technical cross-functional working group and focusing on the consolidation of data and internal processes.

In FY 2013/2014, the **FER-Way - Ferrero Environmental Responsibility Way** - project started. In line with the Ferrero Group's principles, it develops a long-term approach, for the management of environmental sustainability, based on four actions:



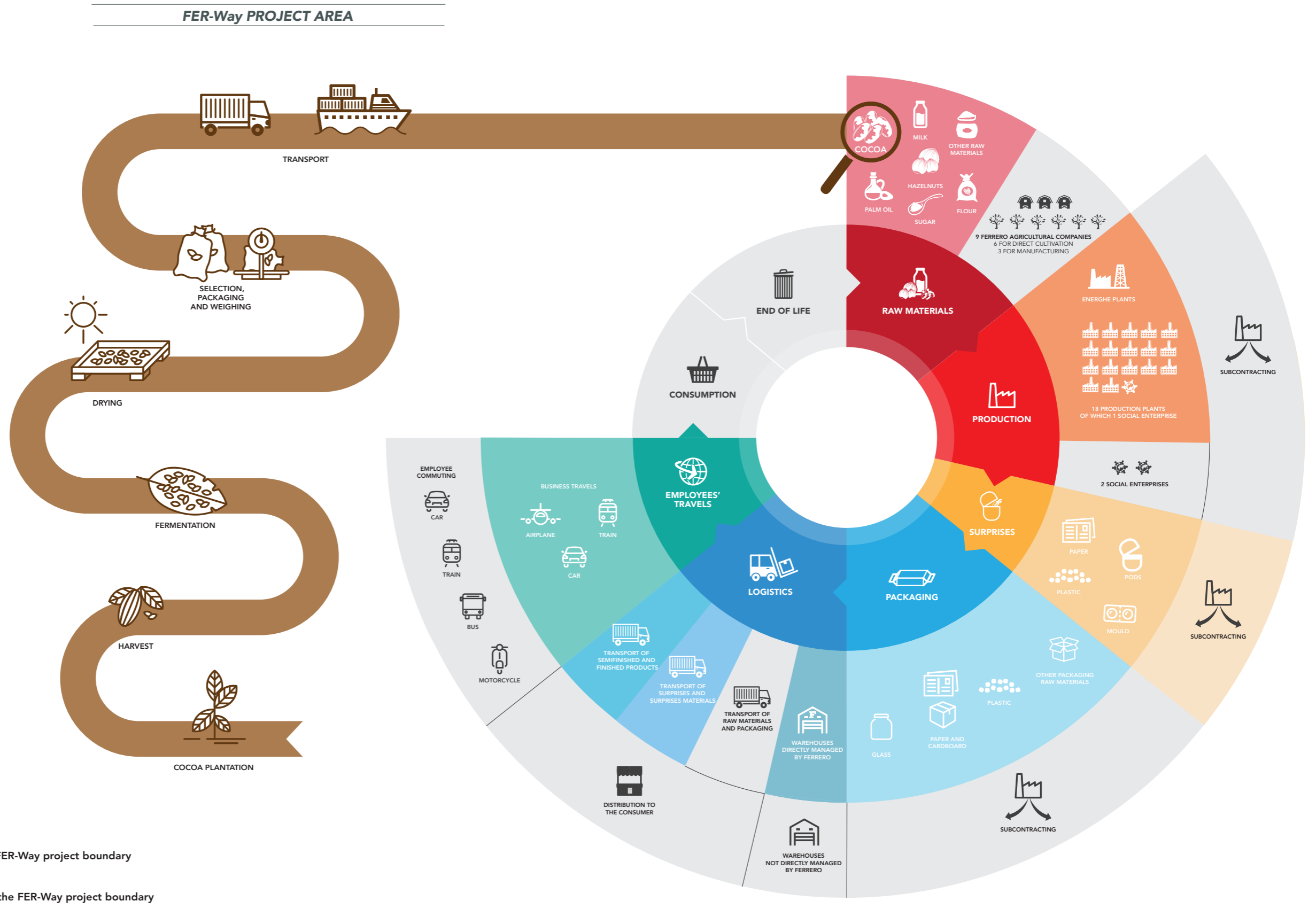
The FER-Way project is based on the **Life Cycle Thinking (LCT)** approach, which analyses the different life stages of the products and their main impact on the environment right from the conception phase, avoiding the shift of negative impacts from one life cycle stage to another and taking into consideration stages that are not under the Group's direct control.

One of the most known and shared methods to integrate this type of approach is **Life Cycle Assessment (LCA)**, which evaluates environmental impact in the different stages of the product's life cycle, from procurement of raw materials to the transformation process, packaging and transport, to consumption and final disposal. Therefore, conducting a product LCA is a complex job, which requires a thorough knowledge of every single process and a huge amount of data.

In the first year, the **FER-Way** project focused on the first action – MEASURE – with the aim to redefine the indicators to measure the Ferrero Group's environmental footprint, through metrics that allow the identification of the risks, opportunities, and the strategic actions to be taken.

In pursuing this goal, the Ferrero Group has identified various entities involved in the production of its products: the company Energhe for power supply, 20 production factories, of which 3 are Ferrero Social Enterprises, the Ferrero agricultural companies for the cultivation and manufacturing of hazelnuts and cherries, 293 warehouses, of which 63 are directly managed by Ferrero and the Kinder Surprise Company dedicated to the creation of the surprises.

The image below represents the various areas of FER-Way project:



As the life cycle of a product is not under the Group's direct control, it is not yet possible to have full coverage of the environmental impact of all the stages. However, aware that its responsibility goes beyond the stages under its direct control, the Group has made a commitment to extend the boundaries of its analysis.

Through the internal platform called SuRe (Sustainable Reporting), the Ferrero Group manages the collection and analysis of data in a controlled environment. Since this year, the two new factories in Mexico and Turkey and the Ferrero Social Enterprise in India – one of the most developed of the Ferrero Social Enterprises – fall within the reporting boundary. Therefore, this report's environmental data reporting boundary includes: the company Energhe, 18 production factories⁴, 63 warehouses directly managed by Ferrero, the production

and transportation of KINDER® surprises, the transportation of semi-finished and finished products, and the business travel of the employees of the Group's main companies⁵.

From FY 2014/2015, the data of all the warehouses not directly managed by the Group, as well as the transportation from the supplier to the factory of the main agricultural raw materials and packaging materials, will also be included.

In addition, **the Ferrero Group has set itself the ambitious goal of conducting a LCA, by August 2018**, of the six main agricultural raw materials: cocoa, palm oil, hazelnuts, sugar, milk and wheat flour. The use of our own specific data instead of information from public database or scientific literature will allow the Group to calculate its impact in a timely manner.



4. The Ferrero Social Enterprises in Cameroon and South Africa are excluded.

5. Italy, Luxembourg, Germany and France.

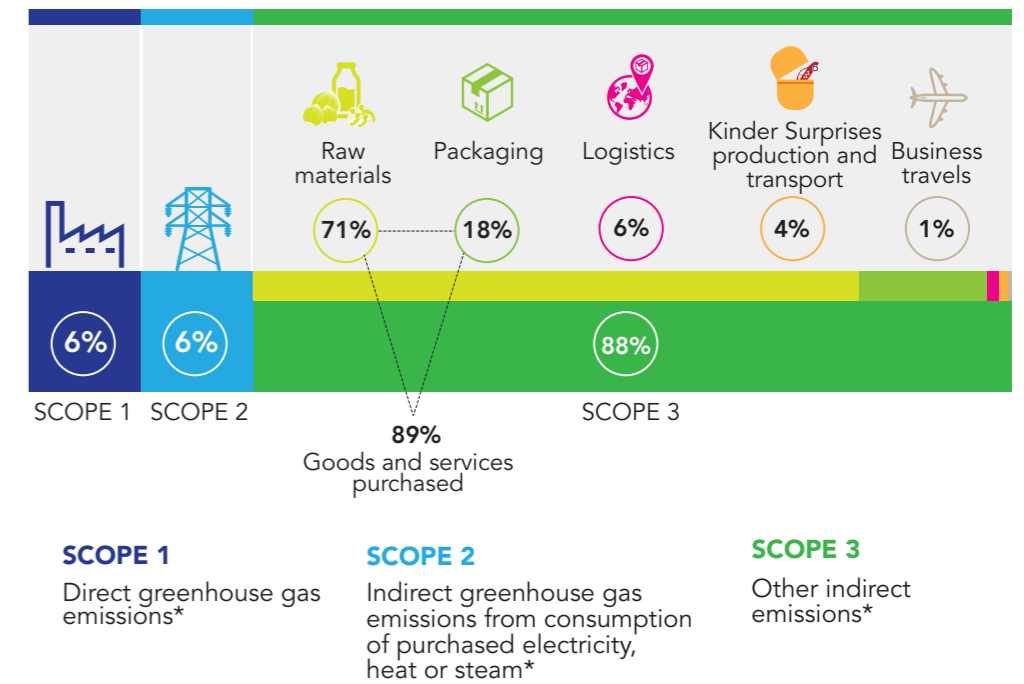
CARBON FOOTPRINT

In order to show the environmental impact through the life cycle of products, while internally evaluating many indicators⁶, the Group has decided to use, in this report, the Carbon Footprint, defined as the "total amount of CO₂ and other greenhouse gases emitted directly and

indirectly by a person, organisation, event or product⁷".

Standardised methodologies, recognised on an international level⁸, were used to assess the Carbon Footprint of Ferrero products.

CONTRIBUTION OF THE VARIOUS SUPPLY CHAIN STAGES TO THE PRODUCTS' CARBON FOOTPRINT



*GHG Protocol, WRI, WBCSD definitions.

The above image shows that most of the environmental footprint of Ferrero products is concentrated within the framework of "Scope 3", that is in operations not directly controlled by the Group.

For Ferrero's type of business, environmental impact is primarily linked to three phases: raw materials production, packaging consumption and manufacturing processes.

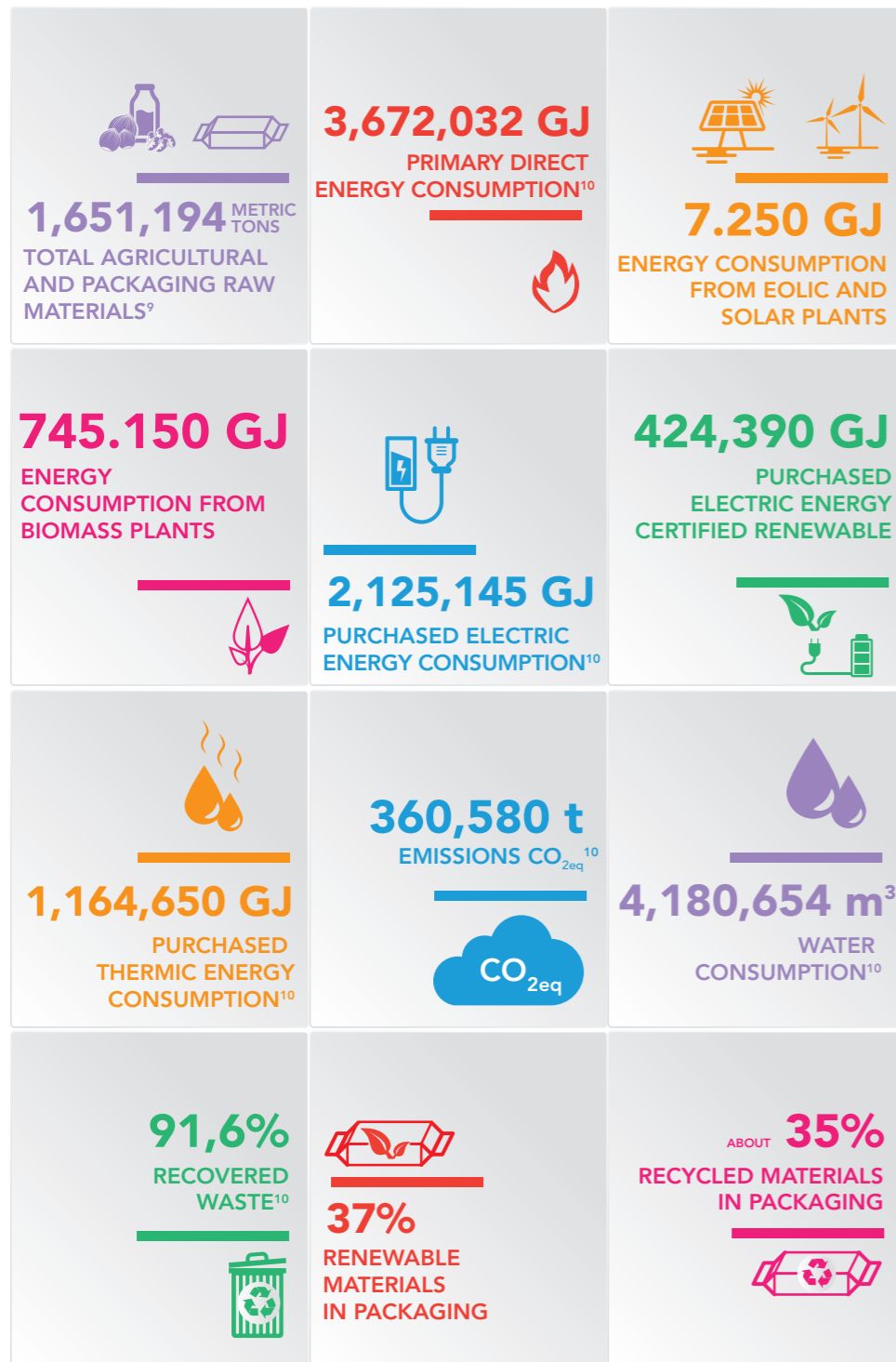
6. The Group is examining the indicators included in the European Commission's directives relating to the environmental footprint of Products (PEF) and Organisations (OEF).

7. Carbon Trust independent experts' definition.

8. The following standards and methods were used to calculate the Carbon Footprint:

- The Corporate Accounting and Reporting Standards – GHG Protocol – developed by the World Resources Institute (WRI) with the World Business Council for Sustainable Development (WBCSD), today the most widespread accounting standards and carbon reporting instrument in the world;
- The Publicly Available Specification PAS 2050:2011, based on the ISO 14044 standard and developed jointly by DEFRA, Carbon Trust and the BSI (British Standards Institute), and focused exclusively on greenhouse gas emissions in the life cycle of a product;
- The ISO 14040 and ISO 14044 standards relating to life-cycle assessment (LCA) with the relevant Principles and Framework, Requirements and Guidelines.

KEY NUMBERS FY 2013/2014



9. Total agricultural raw materials include the quantities of water required in the recipes of Ferrero products.

10. Data relating to the 18 production plants included in the reporting scope of this chapter.

11. The analysis includes the 20 Ferrero plants active as of 31 August 2014. This analysis, carried out for the first time in 2012, has been updated in the beginning of 2015 with the inclusion of the new plants in Mexico and Turkey.

Biodiversity

It's worth pointing out that **the 20 Ferrero factories are not located in protected or high biodiversity areas and have no significant environmental impact on such areas.** The investigation was carried out on the basis of an internal analysis¹¹ and, only for the European areas on the basis of the EEA (European Environment Agency) site. There are cases of protected areas adjacent to Ferrero factories (less than 2 km away). According to available information, Ferrero does not have a significant impact on the biodiversity of such areas.

FACTORY	PROTECTED AREA	TYPE OF AREA	IUCN CAT.	DISTANCE (km)	AREA (ha)
Sant'Angelo dei Lombardi (Italy)	Querceta dell'Incoronata (Nusco)	NATURA 2000 (SCI)	Not Applicable	0,5	1,363
Sant'Angelo dei Lombardi (Italy)	Alta Valle del Fiume Ofanto	NATURA 2000 (SCI)	Not Applicable	2	590.3959
Villers-Écalles (France)	Boucles de la Seine normande Regional Nature Park	Regional Nature Park	V	1,5	80,797
Stadtallendorf (Germany)	Herrenwald östlich Stadtallendorf	NATURA 2000 (SCI)	Not Applicable	1,5	2,706.0628
Stadtallendorf (Germany)	Brückerwald und Hußgeweid	NATURA 2000 (SCI)	Not Applicable	2	407.7080
Stadtallendorf (Germany)	Auenverbund Lahn-Ohm	Landscape Protection Area	V	2	5,915.40
Belsk Duży (Poland)	Modrzewina	Nature Reserve	IV	2	336.95
Brantford (Canada)	Brant Conservation Area	Local Park	Not Applicable	1,5	na



Environmental sustainability projects in the product life cycle

RAW MATERIALS

WE INCREASE OUR KNOWLEDGE OF OUR RAW MATERIALS' SUPPLY CHAINS IN ORDER TO ENSURE THAT HIGH QUALITY IS TIED TO THE DEVELOPMENT AND PROTECTION OF THE TERRITORIES IN WHICH WE OPERATE.



The main raw materials sourced by the Group are cocoa, palm oil, hazelnuts, sugar, milk and wheat flour, and they make up about 90% of the raw materials used.

As already mentioned, in order to have accurate data on the environmental impact of the production of raw materials, the Group aims to carry out, with primary data, LCA of the six main raw materials by August 2018. To date, studies have already begun on Turkish hazelnut plantations, Italian dairies and the main European sugar factories that supply Ferrero.

Ferrero's commitment does not stop with the collection of this data. As described above, using the objectives related to sustainability certifications¹² of some of the raw materials (cocoa, palm oil, coffee and sugar), **relevant environmental issues**, such as biodiversity, land use, waste and discharge management, water and energy use, greenhouse gas emissions **are controlled and managed**.



12. For more information on this subject please refer to the chapter F-ACTS Ferrero: Agricultural Commitment to Sustainability.

13. For more information on this subject, please refer to the "Hazelnuts" paragraph in the chapter F-ACTS Ferrero: Agricultural Commitment to Sustainability.

14. Source: www.arborday.org/programs/hazelnuts/consortium/agriculture.cfm.

Hazelnut

Hazelnuts have always characterised Ferrero products, differentiating them from competitors; in fact, Ferrero is one of the main buyers of hazelnuts in the world.

For this reason, it has always supported the growth and spread of hazelnut cultivation through the sharing of best practices, scientific and technical support, and more recently, of the complete traceability of the supply chain¹³. This is the first step to provide an effective roadmap in terms of environmental sustainability, allowing the identification of the critical points in the hazelnut supply chain.

Within the FFV hazelnut programme, some "best agricultural practices", which contribute to the reduction of the future impact of the supply chain, are noted:

- promote practices for the optimal management of hazelnut production;
- facilitate the fertility of the soil and the retention of water through the use of organic materials;
- improve productivity through the responsible use of fertilisers, Integrated Pest Management (IPM), and correct pruning techniques;
- promote conservation of the environment through the proper use of chemicals and the proper disposal of waste.

To date, however, there is no apparent environmental damage as a consequence of hazelnut cultivation. Indeed, one of the most interesting aspects of its cultivation lies in the potential benefit for the environment¹⁴. In fact, with respect to annual crops, the cultivation of hazelnuts:

- requires low levels of input, and, therefore, is particularly **suited to family farming management;**
- in temperate ecosystems, requires **a lower level of irrigation;**
- reduces and prevents **soil erosion thanks to its branched root system;**
- is classified by USDA and the Natural Resources Conservation Service (NRCS) as a **'riparian buffer zones species'** given that it is considered to be a natural biofilter.
- has a longer period of **complete coverage of the soil;**
- being an arboreal system, **is shelter for wildlife;**
- **creates permanent forest cover** ensuring carbon sequestration for a longer period.

On-going analyses of the environmental impact are in progress, both of the cultivation of hazelnuts in Turkey, to date the main country of origin, and of Ferrero agricultural companies in other areas of the world. The aim is to highlight differences and best practices in order to obtain useful primary and scientific data for the continuous improvement of the supply chain.

Climate change and agricultural activity

Climate change is now recognised as one of the main environmental challenges that the world faces. There is clear scientific evidence that high concentrations of greenhouse gases (GHG) in the atmosphere are intensifying the natural "greenhouse effect", causing the earth's temperature to rise. Climate change will affect various sectors, first among them is the agricultural sector, which is the most exposed due to its direct dependence on climatic conditions. This dependency becomes even more pronounced and obvious in tropical agriculture, where climatic variations can trigger sudden changes in the price of goods or instability in the amounts available, with the consequent risk on supply. This could lead, in the long term, to harmful effects, such as the abandonment of rural areas, with a discontinuous generational presence in the community and the loss of services and infrastructure.

Ferrero, as a part of the confectionery industry, uses mostly raw materials from tropical areas in its recipes. The considerable cost involved in ensuring high quality ingredients, typical of the Ferrero business model, means the Group faces greater financial exposure, mitigated with specific programmes and by working closely with producers in the countries of origin.

PRODUCTION

WE PAY A GREAT DEAL OF ATTENTION TO THE IMPACT THAT OUR PRODUCTION HAS ON THE ENVIRONMENT AND THE CONSUMPTION OF RESOURCES, SUCH AS WATER AND ENERGY, WITH THE OBJECTIVE OF CONTINUOUS IMPROVEMENT.



Infrastructure and equipment planning

The design of the plants and equipment is the first step along the value chain on which action can be taken to reduce consumption and environmental impact.

In fact, the choices made in the design phase determine the efficiency of a plant or the energy class of a building. In this context, the Ferrero Group acts both through constant review of the technical specifications, in which the guidelines are drawn up for the realisation of the equipment, and through the identification of a reference model for new office buildings.

This model, as already stated in the previous report, was used for the new office building in Alba during 2014 and is in compliance with the requirements of ITACA protocol (ESIt® quality trademark – Sustainable Construction Italy). The building's ITACA certification at the beginning in early 2015, with an overall assessment highlighting much better environmental performances than the Italian construction standards, also achieving the highest performance class (Class A).

The design of the building included the installation of automatic and manual systems allowing the users to adapt the system operation, in accordance to the Group policy, to user's preference.

As an example, a summary of the

main features realised within the complex follows:

- automatic management of lighting, sensitive to sunlight and to the presence of personnel;
- management of malfunctions of the individual plants through automatic alerts to managers;
- automatic management of the motorization of the blinds, according to the season and time of the day¹⁵, with consequent energy savings, both in terms of lighting and in terms of regulation of the indoor temperature.

The linear building has bicycle racks available for more than 20% of the occupants¹⁶, with the objective of encouraging the use of alternative and more ecological means of transport to reach the workplace.



15. Calculation of the daylight factor was carried out for each area of the building in accordance with that reported in Annex C of the UNI EN 15193 regulation.

16. The number was established in consideration of the maximum potential occupancy of the building.

ESIt® AND THE ITACA PROTOCOL

ESIt® (Sustainable Construction Italy) is an important Italian initiative that has allowed us to constitute a unique point of reference for the assessment of environmental quality and energy efficiency in buildings, promoted by:

- **iiSBE Italia** (International Initiative for a Sustainable Built Environment) which introduced and tested SBTool¹⁷ in the Italian context, taking advantage of the most advanced research developed and applied by the iiSBE international network and GBC (Green Building Challenge) in over 25 nations on various continents;
- **ITC-CNR** (Construction Technologies Institute of the National Research Council), which contextualised the SBTool® on a national level and developed the ITACA National Protocol;

in agreement with:

- **ITACA** (Institute of Innovation and Transparency of Contracts and Environmental Compatibility), federal association that, in 2002, adopted the SBTool® for the development of the ITACA Protocol, instrument for the assessment of sustainability of buildings approved in 2004 by the Conference of Regions and Autonomous Provinces.

ESIt® officially began certification of the ITACA Protocol 2011 on a national level with the main objective of promoting awareness and the value of highly sustainable buildings.

ESIt®'s reference standards attribute a rating that reflects the specific peculiarities and variations of the Italian territory and is linked on an international level with the SBA (Sustainable Building Alliance).

In particular, the criteria followed in the new ITACA Protocol 2011 are grouped into the following macro-categories:

- Site quality** (reuse of the territory, presence of infrastructure networks, sustainable mobility).
- Resources consumption** (energy, materials, water, use of renewable resources).
- Environmental loads** (CO₂ emissions, waste water management, heat island effect).
- Indoor environmental quality** (thermohygrometric comfort, visual, acoustic, ventilation, electromagnetic pollution).
- Service Quality** (security and management of plants and common areas, use of the building and automation).

17. Software designed to assess the environmental performance and sustainability of buildings.

With a focus on continuous improvement the Ferrero Group undertakes to implement a structured system to sample check the most important projects annually (with a value exceeding EUR 5 million and of different types: equipment plants, buildings). By 2018 the verification

system will be realized progressively and, by FY 2014/2015, three projects per year will be examined according to the system. The Units involved in design and construction will thus be able to continuously improve choices to be taken to achieve ever greater environmental benefits.

Production processes

Ferrero products come from 20 factories, of which 3 are Ferrero Social Enterprises.

The Ferrero Group undertakes to reduce the environmental impact of its manufacturing processes and has, as a consequence, set itself the goal of obtaining ISO 14001 certification for all the Group's factories.

This voluntary standard requires the company to implement an "Environmental Management System" based on continuous improvement and prevention. The System foresees, in addition, the definition of environmental objectives and implementation of a plan for achieving them.

At the end of 2014, the Brandtford factory in Canada also attained this certification, making the total number of certified factories thirteen, covering more than 92% of the Group production. By 2017, the entire production of the remaining factories will be certified, thus including the factories in Russia (Vladimir), Brazil (Poços de Caldas), the two new factories in Mexico (San José) and Turkey (Manisa) and, by 2020, the factories of the three Ferrero Social Enterprises.

The environmental management system adopted by the Group, certified

by an external body in accordance with the ISO 14001 standard, permits the monitoring and management of the environmental aspects of the manufacturing plants and the reduction of the impact.

With reference to Group certification, as shown in the previous reports, the **P.I.X.A. (Program of Internal eXchange of Auditors)** programme has been extended, with the aim of fostering communication, integration, and the exchange of know-how and best practices within the Group. The programme allows for the participation in the internal environmental audits of technicians coming from factories different from the one under verification or by the central functions that deal with environmental sustainability. In this second year of application, the 14 audits carried out saw the participation of 18 cross auditors.

With a view to continuous improvement of the collection and analysis of environmental data related to factories, the **C.A.M.E.D. (Collection, Analysis and Management of Environmental Data)** project continues.

It completed its first phase in 2013 with the creation of a software package dedicated to the collection of environmental data. In 2014, the second phase of the project on common reporting was completed, with the inclusion of the data collection on the new factories at Manisa in Turkey, San José Iturbide, in Mexico, and the Ferrero Social Enterprise in Baramati, India.

The following paragraphs describe water consumption, waste production, energy consumption and emissions of CO₂ related to 18 production plants in Europe, America, Asia and Oceania representing almost 99% of production.

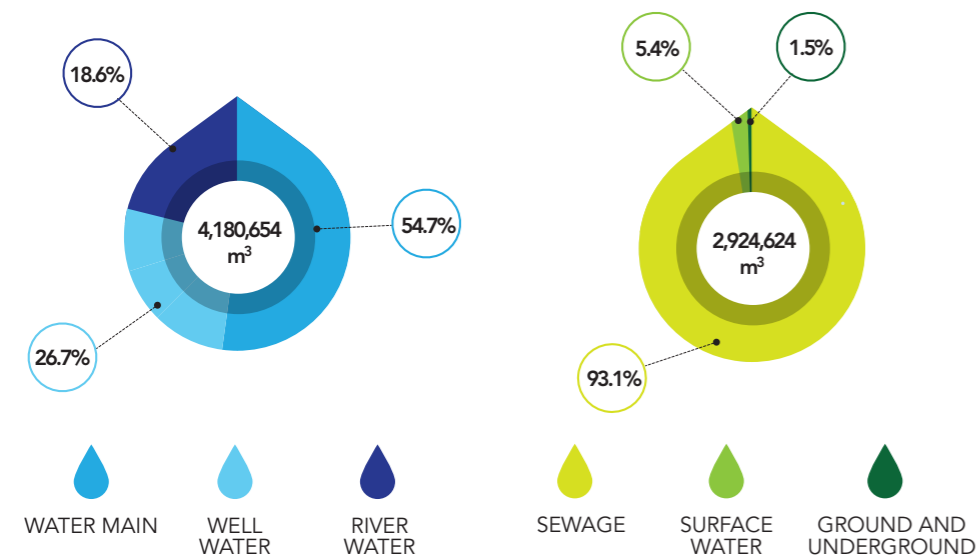
Given the aforementioned enlargement and the changes¹⁸ to the perimeter, unlike the previous reports, the absolute data of previous years are not reported. Nevertheless, to highlight the evolution of the Group, the variations obtained with respect to the previous year will be given, calculated on a like-for-like basis¹⁹.

Water

In the Group's productive processes water is employed for various purposes:

- use in the product;
- industrial and technological use;
- civil use.

FY 2013/2014 WATER CONSUMPTION FY 2013/2014 WASTE WATER



18. Despite the previous report, the data of the factories in Mexico and Turkey and the Ferrero Social Enterprise in India were included. The production of tea sub contracts, included in previous reports, were not taken into account in the reporting this year, since they were not within the Group's perimeter.

19. To make the data comparable, the same scope of analysis has been considered: in FY 2012/2013 data tea sub contracts processes were not taken into consideration and the new factories in Mexico and Turkey and the Ferrero Social Enterprise in India were not considered in the data for FY 2013/2014.

DESPITE THE ACHIEVEMENT OF THE OBJECTIVE OF REDUCTION OF WATER CONSUMPTION PER UNIT OF PRODUCT BY 20% COMPARED TO 2009, REACHED WELL BEFORE THE DATE INITIALLY SET FOR 2020, THE GROUP'S COMMITMENT HAS BEEN STEPPED UP, LEADING TO A REDUCTION OF 5.9% IN THE INDEX OF WATER CONSUMPTION PER TONNE PRODUCED COMPARED TO THE PREVIOUS YEAR.

Different techniques are used to reduce water consumption and, as in the past, efforts have been concentrated on interventions on the improvement of cooling systems, the elimination of losses from distribution networks, the optimisation of existing equipment and the application of well-established water-saving techniques, such as Cleaning In Place (CIP), the installation of automatic taps and the adoption of cooling systems with water recirculation (e.g. cooling towers).

The source of water with drawals is chosen, where permitted by the law and by the hydrogeological characteristics of the site, with the criteria of minimising our impact on the environment and on other users.

The water discharges, which are constantly monitored and free of toxic and hazardous substances, are sent mainly to external treatment plants,

taking local conditions into consideration and resulting in benefits for both the environment and the actors involved. In fact, the composition of waste waters from our factories often facilitates the treatment process of external plants. In addition, the outsourcing of treatment eliminates or reduces the use of chemical substances within the factory, improving hygiene.

The improvement in the quality of water discharges is pursued through various local projects such as: the training of cleaning staff in the use of detergents, the installation of automatic dispensers, and the selection of environmentally friendly products. In addition, analysis of processes are in progress in order to implement, where possible, interventions to reduce the amount of sewage or to find alternative solutions for production processes or cleaning.



Waste

In line with the Group policy of reduction in waste and better management of the production chain, and consistent with European Union guidelines on increasing the amount of waste recovered, the two main actions of the Group factories related to waste refer to the reduction in their production in absolute value and the recovery index.

FY 2013/2014 REDUCTION IN WASTE AND RECOVERY INDEX



68,576 metric tons

Recovery index



91.6%

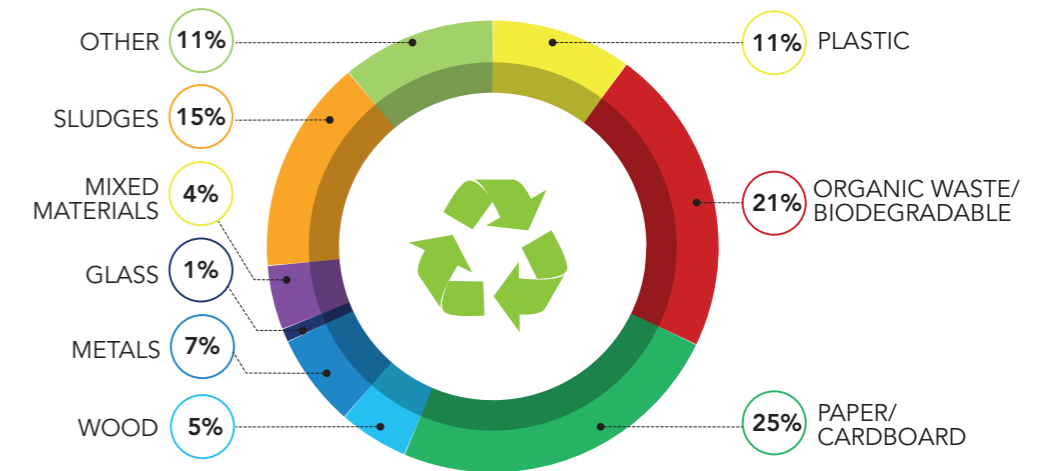
The Group's waste production compared with the previous year, increased by 7.2%, mainly due to the reclassification of one material as waste instead of a byproduct. However, on a like-for-like basis, **11 factories have improved the waste production index per tonne produced**. The waste index, on a like-for-like basis, shows a further improvement of 1.8%, compared with FY 2012/2013.

Prevention activities are continuously developed especially through staff awareness, the improvement of production and packaging lines' efficiency and the destination of food scraps to animal feed transformation companies.



The distribution by weight of the different types of waste recovered is shown in the following figure:

FY 2013/2014 TYPE OF WASTES RECOVERED BY WEIGHT



Hazardous wastes represent the 1.11% of the total, and are generated exclusively by the activities of laboratory analysis and control (chemical, physical, microbiological), and maintenance.

In the year under review, **there were no significant spills or accidents** in any of the 18 factories considered.

Energy

The consumption of energy necessary for the realisation of the related products and services can be divided into:

- **direct energy**, the source of primary energy purchased by the Group for internal use (including natural gas, biomass and other fuels in lower percentages);
- **indirect energy**, the intermediate energy purchased and consumed (electricity, steam)²⁰.



20. The Albapower plant, a partnership between Ferrero and the local public utilities company, is considered as an external body for the purposes of the Group analysis. Therefore, the data in this chapter include only the consumption of the Alba plant among the consumption of indirect energy.

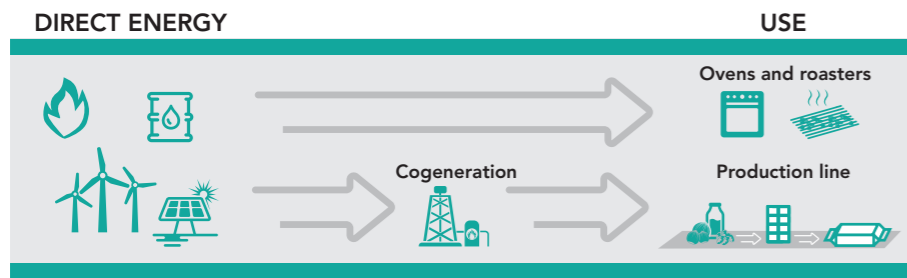
DIRECT ENERGY

The sources of primary energy purchased by the Group for internal use are utilized for the production of energy in CHPs or in boiler house and for ovens and roasters in production plants.

In FY 2013/2014, the consumption of primary direct energy was equal to 3,672,032 GJ.

In addition to the above, energy from renewable sources was used: 7,250 GJ electric power from wind and solar power plants, and 745,150 GJ from biomass plants.

On a like-for-like basis, the primary energy consumption per unit produced was reduced by 0.6% compared with the previous year.

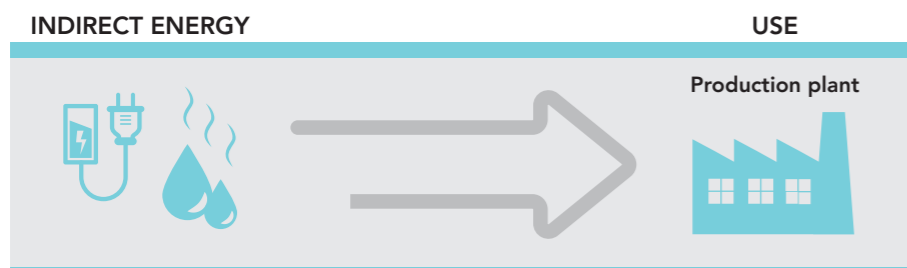


INDIRECT ENERGY

The indirect energy used for the needs of the production plants of the Group is made up of intermediate energy (electricity and heat) purchased.

In FY 2013/2014, 1,164,650 GJ of thermal (steam and hot water) energy were purchased²¹ and 2,125,145 GJ of electricity, in addition to 424,390 GJ of electricity from certificated renewable sources for the Stadtallendorf factory in Germany.

On a like-for-like basis, the energy consumption of indirect heat per unit produced is 3.5% less compared with the previous year, and consumption of indirect electricity per unit produced is 7% less.



21. The value refers to the factories Alba in Italy and Manisa in Turkey.

The setting up of the installations of high efficiency cogeneration and renewable source plants, together with the energy-efficiency measures in the factories, has further **improved the energy and environmental performance of the Ferrero Group in terms of reduction of energy consumption and CO₂ emissions.** These reductions, expressed in absolute values, are even more significant when one considers the continual growth in annual volumes of production.

Given the particular significance of CO₂ emissions associated with the use of energy and resource consumption, **the Group has set itself the goal of achieving the Group multi-site ISO 50001 certification by 2020.** This is a voluntary standard based on the implementation of energy policies, composed of specific and measurable goals and actions to achieve them, all with the aim of continuous improvement. As announced in the previous report, the factories in Stadtallendorf (Germany) and Villers-Écalles (France) have already achieved the ISO 50001 certification; the goal is to extend it progressively to the remaining 15 factories, as already done for the Group ISO 14001 certification. We are also considering whether to extend it to the three Ferrero Social Enterprises. In line with the Group's objective, even the Energhe²² energy generation sites will be included in the ISO 50001 and ISO 14001 certification objective by 2020.

The certification path involves the implementation of energy audits, which are useful for the provision of information on the company's energy model. The audits will be useful in implementing a global energy action plan, which is compatible with the local constraints of existing and future factories and aimed at reducing emissions by 2020.

Ferrero's approach to energy is developed along 3 lines:

1. self-production;
2. renewable energy;
3. energy efficiency.

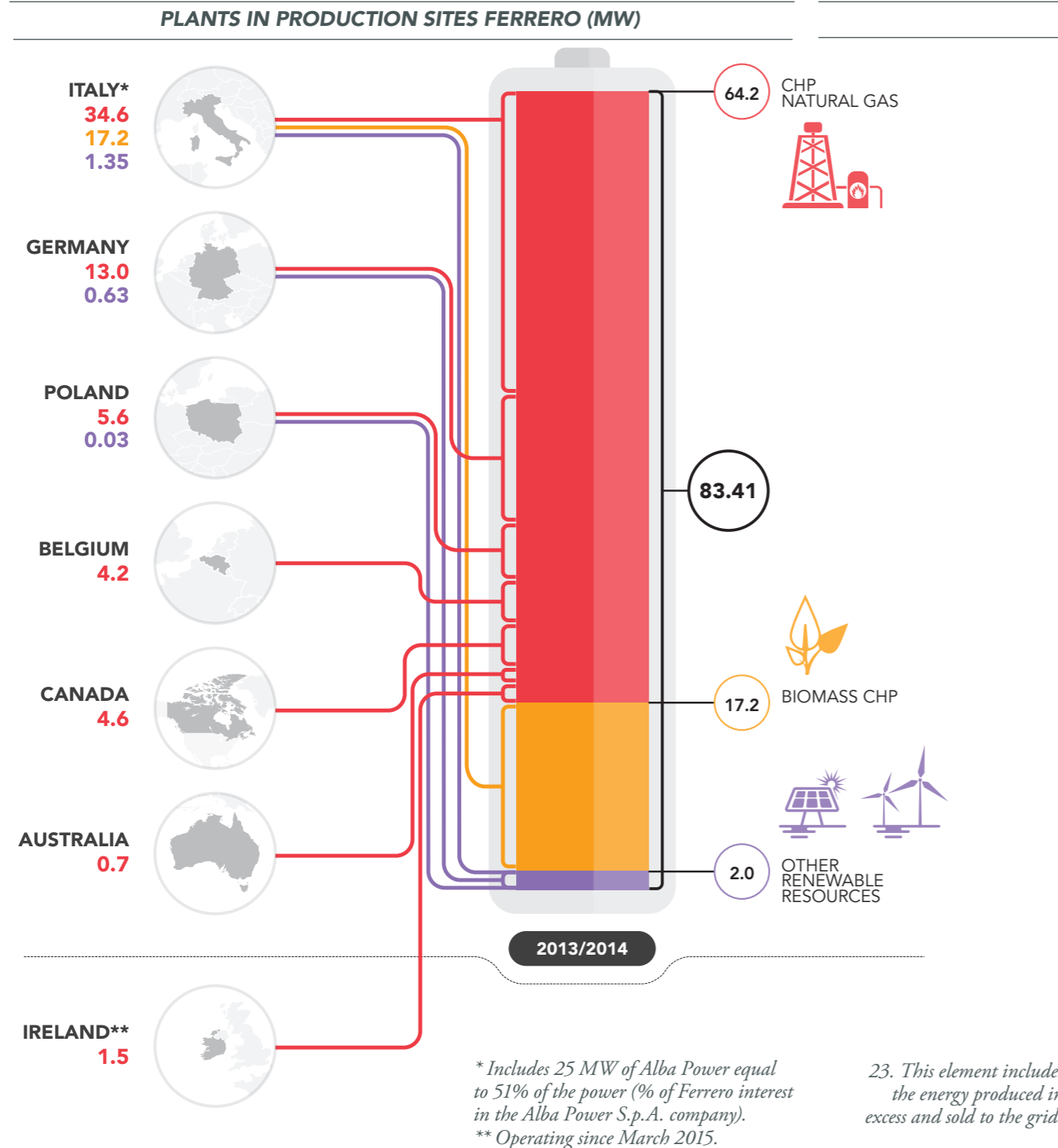


22. Energhe SpA is the Ferrero Group company with the objective to maximize the efficiency of production, management and use of energy.

1. SELF-PRODUCTION

From 2007, the Group has gone from three to eleven, exclusively high efficiency, cogeneration plants. In FY 2013/2014, 55% of the overall electricity needs of the factories was self-produced²³.

The following graph shows the self-production capacity of electric power in MW, divided by country and by source, of the factories currently operating, or under construction, on the date of publication of this report.



In March 2015 at the Ferrero factory in Cork, Ireland, a new high efficiency 1.50 MW gas cogeneration plant began production.

In addition, the Ferrero Group continues to assess the feasibility of introducing other plants at the remaining production sites in Mexico, Brazil and Russia. However, it should be noted the suspension of the wind power project in Poland, 2.5 MW_e, was due to the drawn out authorisation process.

COGENERATION

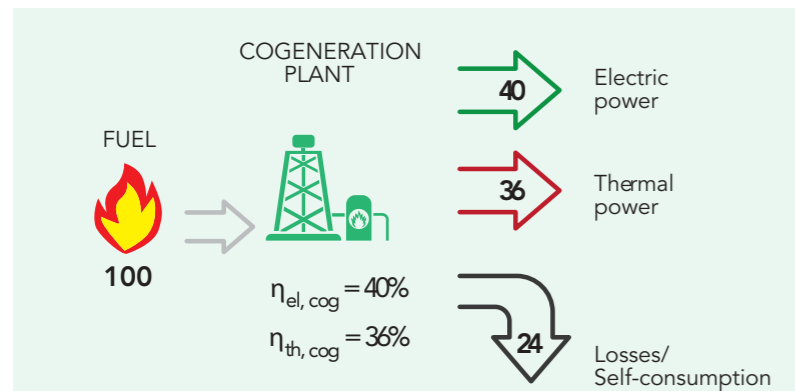
Cogeneration (CHP - Combined Heat and Power) is the combined process of production of electricity and heat from the combustion of a primary fossil fuel (mainly natural gas) or renewable source. Typically, the type and size of plants are chosen in accordance with the characteristics of the production plants and the local regulations of the countries in which they are located. The use of a CHP system in a factory has advantages compared to the power produced by large thermoelectric plants because it **permits recovery and use on site, directly in the production process, of the heat produced in the generation of electricity.**

The opposite happens in the case of large thermoelectric power plants, where it is not possible to exploit this procedure precisely because of the large quantities involved and the dissipation of energy caused by distribution over long distances.

In the case of CHP, on the other hand, the point of production of the energy is near the area of consumption. This permits the use of heat from the generation of electricity for many different purposes, such as heating dwellings, or use in industrial processes, in which heat is used, for example, in the form of steam or hot water.

The CHP process, therefore, has the purpose of recovering thermal energy induced by combustion, producing both electricity and heat. For the same energy produced, the fuel consumed in a cogeneration process is over 22% less than the fuel consumed by two separate electricity and heat generation systems. This permits **clear advantages both on a financial level, due to the lower cost of fuel, and on an environmental level, thanks to the reduction of CO₂ emissions and pollutants.**

COGENERATION PRODUCTION

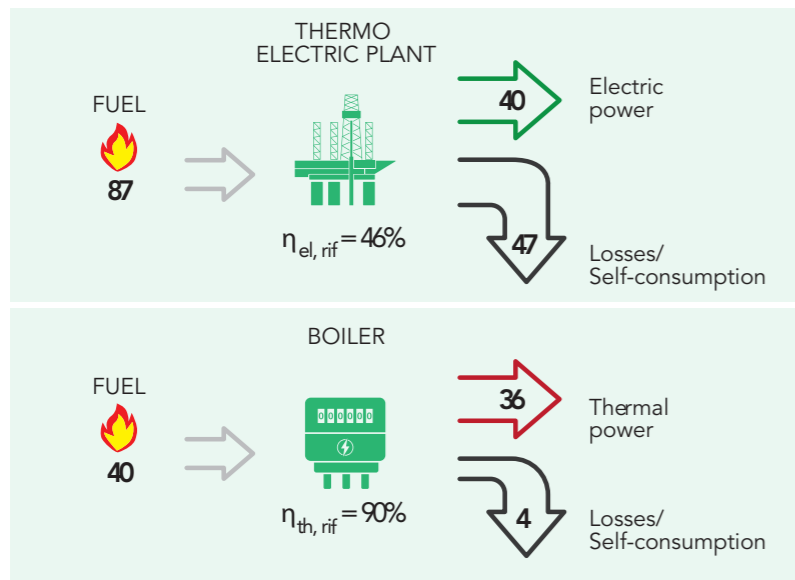


BENEFITS OF COGENERATION:

- less waste in electric power distribution;
- joint production of the thermal and electric carriers;
- possible combination with remote heating;
- less dependence on fossil fuels.

Source Albatpower

SEPARATE PRODUCTION



Source Enea

CHP has opened the door to **CCHP (trigeneration)**: power plants that produce electricity, heat and cooling.

2. RENEWABLE ENERGY

In FY 2013/2014, more than 22% of the installed self-produced power came from renewable sources.

Poland, excluding Russia and Turkey) 18% of which (rather than 25%) came from renewable sources.

3. ENERGY EFFICIENCY

In this context, research in the field of energy production from biomass plant liquid, not in competition with the food sector (microalgae), is also continuing. The development of generation projects related to renewable energy have become particularly ambitious due to the new direction of energy policies in some EU countries, the uncertainties in authorisation processes and the sensitivity of some local communities to the impact on landscape.

Reducing energy usage and managing energy use efficiently are, today, absolutely essential actions in contributing to the sustainability of human activities, because they allow the preservation of raw materials and the reduction of greenhouse gas emissions. For this reason, in our productive activities we aim for a continuous reduction in consumption and a rational use of energy, adopting best practices and identifying specific improvements.

These factors have had a strong impact on the Ferrero Group's progress on reaching objectives for FY 2013/2014. Therefore, with respect to these objectives, the following results are noted:

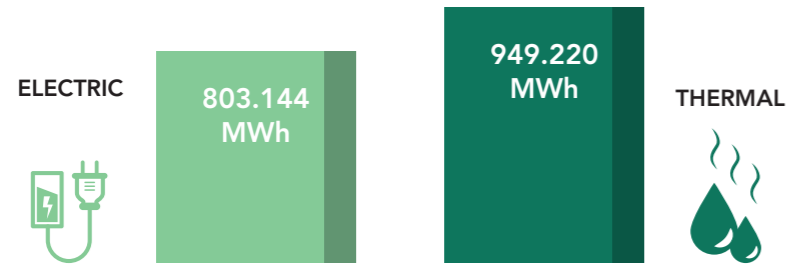
- 83.41 MW (rather than 85 MW) of installed self-produced power, of which more than 22% (rather than 25%) came from renewable sources;
- 70% (rather than 75%) of self-produced electric power compared to the energy consumed by all the Group's factories in Europe (Belgium, France, Germany, Ireland, Italy,

Strengthened by the advanced objective achievement in FY 2011/2012, referring to the 5% improvement in the factories' indicators of energy consumption, the Ferrero Group's commitment has been further intensified. With respect to the previous year, and on a like-for-like basis, consumption of electric and thermal energy per tonne produced has improved respectively by 1.7% and 3.2%.

The consumption of electric and thermal energy of 18 production plants follows.



FY 2013/2014 ELECTRIC AND THERMAL ENERGY CONSUMPTION



In particular, the Group has reinforced its commitment to energy savings and energy efficiency through specific activities started in FY 2013/2014, including the “Green Weekend” project, as well as the constant and continuous overseeing of the factories by personnel employed to manage energy and the achievement of the objective of completing the energy check-up in 15 factories, originally set for 2020.

The following table provides some examples of best energy practices:

ACTION	EXAMPLES OF ENVIRONMENTAL BENEFITS
Green weekend Shutting down the equipments on the basis of a predefined check-list (example: turn power off on the switchboards; close compressed air shut-off valves, vacuum, hot water) at the weekend	Expected annual savings in a large factory 1,500,000 kWh of electricity and 4,000,000 kWh thermal energy
Lighting <ul style="list-style-type: none"> • Insertion of PIR sensors and twilight sensors in factories • Replacement of fluorescent lights with LED lights 	Expected annual electric power savings in a large factory: over 200,000 kWh Annual savings of electric power expected to be approximately 800,000 kWh , of which 42,000 kWh from interventions already made
Distribution of refrigerant fluids <ul style="list-style-type: none"> • Centralising the production of cold; • Optimisation of the flow to users 	Expected annual electric power savings in a large factory: over 2,000,000 kWh
Thermal energy Rationalisation of utilities and the steam distribution network	Expected annual thermal power savings in a large factory: 7,300,000 kWh in the face of an increase in electricity consumption of about 400,000 kWh
Electricity Replacement and control using a VFD of two 100 kW pumps for technological fluids	Expected annual electric power savings in a large factory: approximately 870,000 kWh

The Group undertakes to define, in the next report, a new medium- to long-term target aimed at the improvement of energy efficiency, expressed through an indicator developed according to the new GRI-G4 guidelines. The target could be developed taking into account the outcome of the upcoming Paris Conference on Climate Change (COP21 - United Nations Climate Change Conference).

The new factory in Turkey

The Manisa factory in Turkey, opened during 2013, is aligning itself with the high environmental standards of the other factories of the Group. Some examples of activities carried out for the reduction of energy consumption in the course of FY 2013/2014 follow:

- centralisation of light switches to simplify turning them off for the weekend;
- adjustments to the air conditioning and heat pump systems to automate the Green Weekend actions.

According to Turkish legislation, the Manisa plant is considered to be a “Green Plant” and as such is exempt from the following obligations:

- “Environmental Impact Assessment Report”, thanks to a low consumption of raw materials and to the absence of direct discharge of waste water into the natural environment;
- “Environmental Permission”, thanks to the high percentage of waste recycling (90% of total waste), low power consumption (less than 2 MW of power for heating) and the low values of the analytical parameters of the waste water analysis;
- “Emission Permission”, thanks to the use of natural gas and steam, sources of energy considered to have low emission impacts;
- “Noise and Odour Permission”, thanks to low levels of odour and noise emissions.

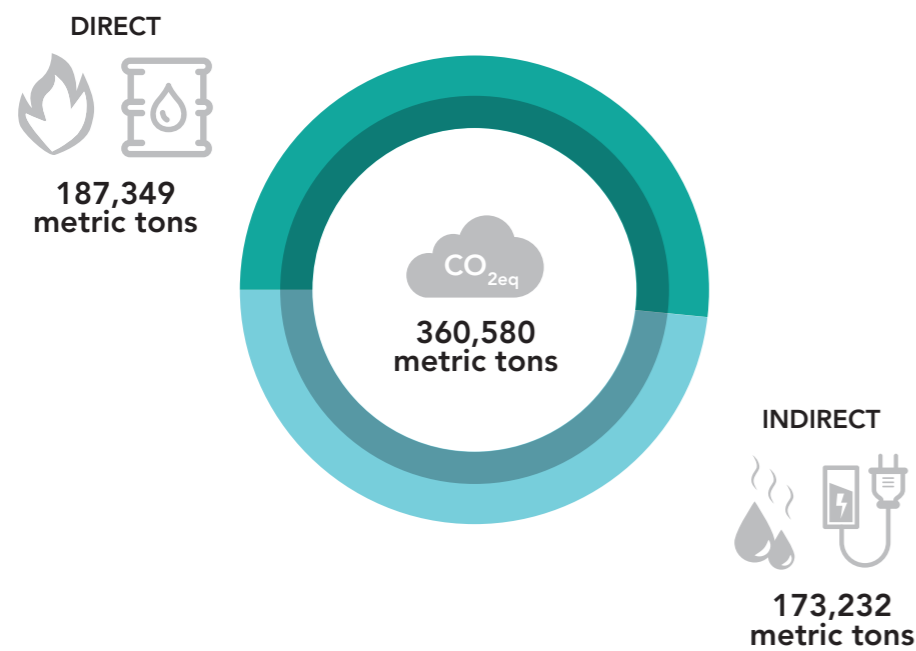


Emissions

CO₂ EMISSIONS

The following chart shows the direct and indirect emissions²⁴ of the production plants in FY 2013/2014.

FY 2013/2014 CO_{2eq} EMISSIONS



CO_{2eq} emissions from production activities are equal to around 360,580 metric tons in FY 2013/2014²⁵.

The Ferrero Group confirms the reduction target of 40% of CO₂ emissions, arising from productive activities, by 2020 compared to 2007. The absolute value is not comparable to those reported in previous reports as it excludes the tea job accounts and the reporting boundary of the new factories in Mexico and Turkey

and the Ferrero Social Enterprise in India. On a like-for-like basis, the absolute value of emissions was reduced by 4%, while, per unit produced, they decreased by 5% compared to the previous year.

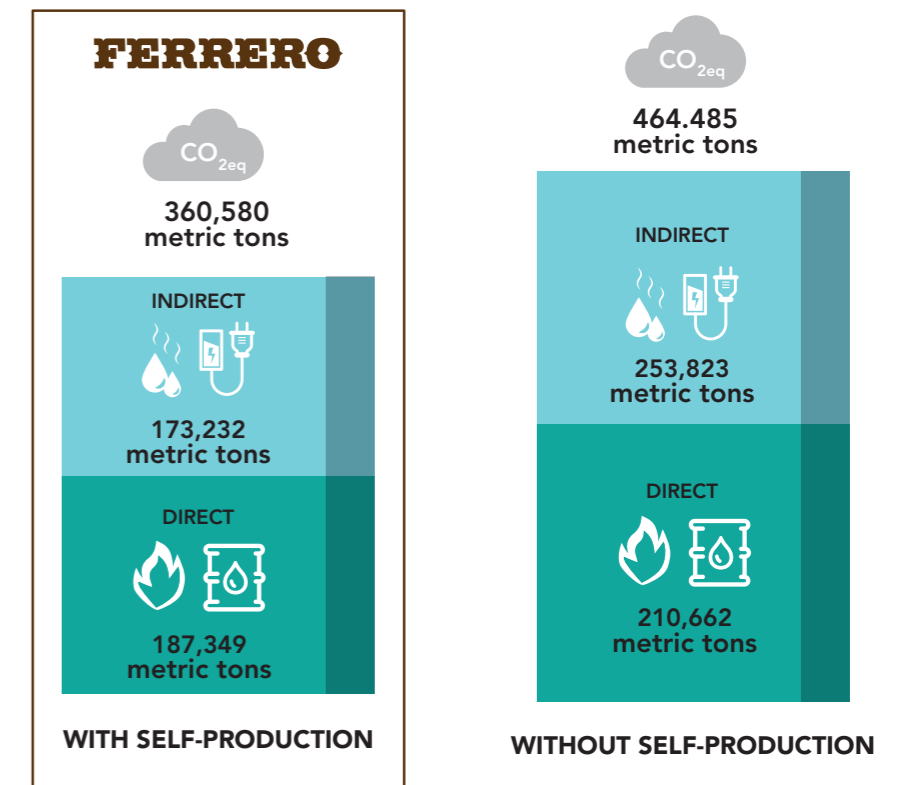
The following chart compares the Group's actual emissions of CO₂ with the potential emissions that would have been generated without self-production of energy.

24. The coefficients used in the calculations of the indicators made were derived from the following sources:

- Emission coefficients from IEA (International Energy Agency) source.
- Emission coefficients for Italy from the National Inventory UNFCCC (United Nations Framework Convention on Climate Change).

25. Self-production from renewable sources and the supply of market electricity to the Stadtlendorf factory – 100% certified renewable source – do not contribute to greenhouse gas emissions. The emissions associated with thermal energy at the Manisa factory in Turkey, and the factory in Alba (Italy) were – by convention – associated with electricity, deriving from a district heating plant.

FY 2013/2014 CO_{2eq} EMISSIONS WITH/WITHOUT SELF-PRODUCTION



REFRIGERANT GAS EMISSIONS

FY 2013/2014 REFRIGERANT GAS EMISSIONS



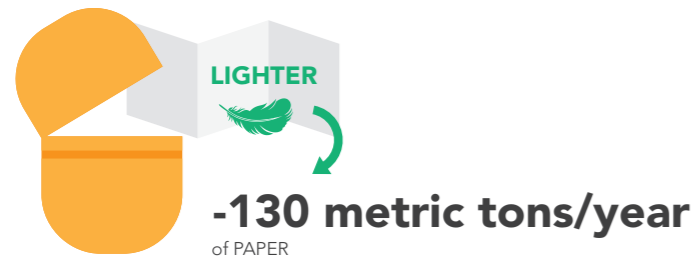
The data for factories show an increase in two indicators related to the fugitive emissions of gases used in refrigeration systems: ODP (Ozone Depletion Potential, that is, the potential destruction of the atmospheric ozone due to the introduction of a substance in the air, expressed in terms of R11 equivalent, gas with

ODP equal to 1) and a GWP (Global Warming Potential, that is, the contribution to the greenhouse effect provided by a refrigerant gas released into the atmosphere, expressed as CO₂ equivalent). Nevertheless, the losses of refrigerant gases are not significant and consequently, their impact is relative.

THE PRODUCTION OF KINDER® TOYS

The Ferrero Group, through the work of a dedicated division, the Kinder Surprise Company, pays particular attention to the design and production of the small toys in some Ferrero products (KINDER SURPRISE, KINDER JOY and KINDER GRAN SORPRESA).

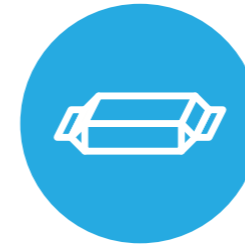
For several years, the data related to production and transportation of surprises has been collected to evaluate the environmental impact and make the most appropriate choices regarding its reduction.



Among the initiatives for environmental improvement there is the **reduction of the weight of the legal information leaflet in paper** in every surprise. This action has led to a decrease of about 130²⁶ metric tons in the annual consumption of paper.



26. Estimated number on production volumes for FY 2013/2014, the subject of this report.



PACKAGING

THE FERRERO GROUP DESIGNS THE PACKAGING OF ITS PRODUCTS WITH THE AIM OF PROTECTING AND CONSERVING ORGANOLEPTIC QUALITIES AND SAFETY, AND MINIMISING THE ENVIRONMENTAL IMPACT, TRYING TO FIND THE RIGHT BALANCE BETWEEN THESE VARIOUS FACTORS. THUS THE MOTTO «THE PACKAGING IS THE DOSE²⁷».

This commitment is expressed through the so-called “three dimensions of packaging”:

1. Choice of materials
2. Eco design
3. Education

Choice of materials



For a correct design of packaging, the selection of appropriate materials is essential. Ferrero packaging is designed to protect the quality and freshness of the product.

27. Dose defines the total of the ingredients in the final product, with all its specificities and organoleptic characteristics.

28. List of the materials used by weight in descending order.

29. This percentage is an estimate of the recycled content as compared with the Group's total packaging materials. For paper and cardboard the data comes from a calculation based on the composition of the materials purchased. While for glass and aluminium the data comes from a survey of suppliers and takes into account the different factories the materials come from. Therefore it is linked to the efficiency of collection and recycling of the countries where the suppliers of packaging operate and are located.

The packaging, which can be seen on the shelves of the supermarket, is the result of a long, standardized process, ensuring its suitability for the consumer: from marketing design to technical interpretation, to guarantee the excellence in the protection of the product and food safety, by various testing and quality control stages.

Packaging is created with various categories of materials including glass, paper and cardboard, plastic and aluminium²⁸. Again in FY 2013/2014, glass was, by weight, the most commonly used material at more than 160,000 metric tons, followed by cellulose components (paper and cardboard) at around 140,000 metric tons. Whilst trying to increase the use of recycled materials, where technically possible, without affecting

the quality and safety of the packaged product, the Group, during FY 2013/2014, recycled approximately 35%²⁹ in weight.

By the end of 2014, 93% of the primary virgin packaging paper and cardboard of our products came from a certified sustainable supply chain. In particular, all the cardboard used in Ferrero product packaging came from a certified sustainable

supply chain. In order to reach the goal of sourcing 100% virgin paper and cardboard from a certified sustainable supply chain, originally set for 2014, the Group has extended the deadline, exclusively for paper, to 2017.

Moreover Ferrero commits to use materials from renewable sources, with the aim of increasing by 10% packaging materials from renewable sources by 2020 (compared to 2009).

In FY 2013/2014, several national and regional projects were concluded, such as:

- **NAMATECH** for the development of nanostructured materials and technologies for intelligent monitoring of the quality and safety of packaging;
- **ECOFOOD**, for the increase in value of by-products;
- **ECOPAPER**, for the promotion in the use of by-products; the project, which aims to assess the feasibility of using Ferrero hazelnut shell and cocoa waste for the production of secondary packaging, will end in 2015 with technical, quality and performance tests;
- **BIOPACK**, for the production of innovative plastics from renewable sources feasible for food packaging; the project, started in 2011, ended in 2014 and saw Ferrero's involvement in working groups on technical tests and supporting LCA analysis.

Prior and future knowledge of polymers from renewable sources has been confirmed as an R&D topic, whose technical and other characteristics need to be explored.

Eco design

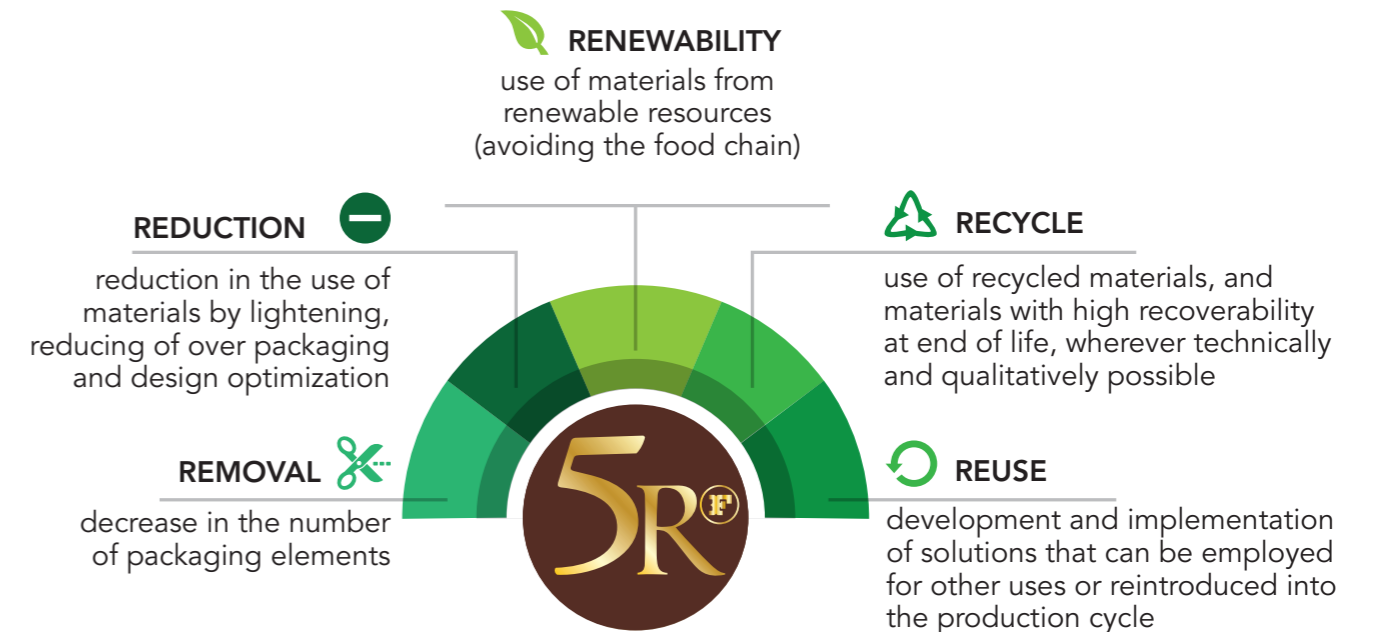


In the design and development of packaging, Ferrero adopts the so-called 5R STRATEGY, with the aim to optimise the key variables that influence the overall environmental profile of the packaging.

See below, some of FY 2013/2014 projects³⁰ where the application of the 5R strategy can be seen:

- **"Removal"** - The KINDER JOY thermoforming equipment. The new equipment for the production of the KINDER JOY packaging, present in some factories in India and Ecuador, have been optimised, according to Ferrero specifications, to reduce waste during the thermoforming process of the two shells: the result is a 12% reduction in waste, equal to 111 metric tons/year. These improvements are being evaluated for implementation in other factories.

30. The values shown are an estimate calculated on annual budgeted volumes.



- **"Reduction"** - The secondary packaging of KINDER SURPRISE. To reduce the consumption of resources, attention has been focused on the secondary PET packaging of the KINDER SURPRISE produced in Italy, through two operations on the reduction of the thickness and weight of the thermoformed plastic trays, and the paper display. In FY 2013/2014, thanks to these activities in FY 2013/2014 it was possible to save 7% of the plastic and lighten the display by approximately 10%.

- **"Recycle"** - The SPE (Scraps of the Packaging Evolution) project³¹. Collaboration activities in the factories continue to reap the benefits: from the production waste of the Alba Estathè lines, recovered raw materials have been used to produce trays for internal handling in the factory. In FY 2013/2014, 180 metric tons of trays were made, of which 70% came from plastic recycled from the production lines, for a total of 126 metric tons of recycled materials.

Through regular "Scorecard Meetings", the dialogue with suppliers on environmental issues continues, with positive effects in terms of collaborations and shared initiatives. In keeping with the goal of improving the eco-profile of the different brands and products, the Group has started a dialogue with the leading suppliers of packaging materials in order to share environmental data to carry out more in-depth analysis on the environmental impact of the supply chain.

31. The SPE (Scraps of the Packaging Evolution) project has been activated in the main European factories to develop feasibility analyses for the full utilisation of packaging waste of Ferrero production sites with the objective of implementing actions that will enable us to replace virgin materials in Ferrero packaging and equipment with recycled materials.

Ecopaper loop project

The Ecopaper loop - Ecodesign for the Enhancement of Central Europe Paper Based Products Recycling Loop, promoted by the European Union in the "Supporting Environmentally Friendly Technologies and Activities" field, is a project led by the Innovhub - *Stazioni Sperimentali per l'Industria*, Paper Research Division, lasting 28 months (September 2012 - December 2014).

Objectives of the project are to ensure the quality of the raw materials for the paper industry, minimise the impact on the environment (with the development of a laboratory method for the evaluation of the recyclability of paper-based packaging) and provide tools for improving the recyclability of paper products, as well as collection for recycling in central Europe.

The Group participated in the European project through the provision of samples of Ferrero packaging, helping to test and develop the method defined in the project. The results were used **to create a unique and communal method at a European level to create a database that is representative of the actual situation of the products on the market.** Designers will use the results in the ecodesign phases of cardboard packaging.

Education



From a professional point of view, the Group is currently focused on raising the awareness of the sales staff on environmental sustainability.

An example is the collaboration between the Central Packaging Unit and the Business Unit France, through the "Grille d'analyse RSE" project, to develop a simplified tool useful to indicate, for each brand, the main environmental impacts related to the use of packaging or raw materials of the products. The purpose is to spread, in a simple way, basic knowledge on environmental sustainability to increase the awareness and perception of the sales force.

Also the behaviour of the consumer in the end-of-life phase of packaging plays an essential role. This is influenced by the design and the national economic system, but above all by the consumers' habits and knowledge of separated waste collection.



LOGISTICS

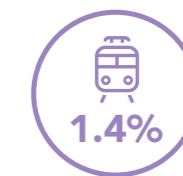
DEEPENING KNOWLEDGE OF THE LOGISTICS OF OUR PRODUCTS, SO THAT ITS MANAGEMENT INCREASINGLY TAKES ENVIRONMENTAL IMPACT INTO CONSIDERATION.

With the aim of strengthening our commitment in this area and continuously improving, Ferrero launched, in FY 2012/2013, the project **LODICO (LOGistics Data Improvement COllection)**. Its aim is to optimise the data collection regarding the quality and representativeness of logistics and to better define the boundaries of the system. The project has already led to the establishment of some simple rules, which will permit

the mapping and calculation of the annual impact of logistics ensuring comparability over time despite the intrinsic variability of its management.

The project also has the purpose of providing the basis for the definition of new environmental KPI³³ of logistics that will assist the Group in the definition of a strategy in the medium/long term.

TRANSPORT OF SEMI-FINISHED AND FINISHED PRODUCTS BY TYPE FY 2013/2014



32. In some EU countries the national language translation of all label information is mandatory.

33. Key Performance Indicators - Indicatori di performance.

In the course of FY 2013/2014, through the construction of simplified computational models, the project has extended the collection of environmental data, also to warehouses not directly managed by the Group, and to the transportation of the main raw materials and packaging. The data is still in the consolidation phase and will therefore be included in the analysis of the Group's environmental impact on the next report.

The environmental improvement activities of the Group's logistics are based on three pillars:

Reduction in mileage and increasing capacity utilisation.



The first phase of the optimisation of European connections has allowed, as already stated in the previous report, the reduction of kilometers travelled between the factories and the storage sites in some European countries.

For the second phase of the project, the expectation of a further reduction in mileage in relation to the quantities has been confirmed.

Selection of means of transportation with a lower environmental impact.



To reduce the impacts resulting from road transport, in FY 2013/2014 the transport of semi-finished products between Italy and other European factories was accomplished, for some routes, by train, with a saving of 297 metric tons of CO_{2eq}.

Energy savings in directly managed warehouses.



In the Balvano finished product warehouse, in Italy, significant energy savings were achieved through the automatic shut-down of the air conditioning system below 19.5°-21.0° with a consequent reduction in consumption of approximately 532,416 kWh/year, equivalent to approximately 283 metric tons/year of CO_{2eq}.

The Ferrero Group has set itself the target of reducing greenhouse gas emissions, resulting from transportation and storage of goods, by 30% (compared to 2009) by 2020.

In FY 2013/2014, emissions from transportation and storage of goods were estimated at about 260,331 metric tons of CO_{2eq}. This data is not comparable

to that reported in previous report because it excludes transportation of agricultural raw materials and packaging³⁴. On a like-for-like basis, the emissions in absolute value have increased by 4% compared to FY 2012/2013, but are stable if compared to metric tons sold.

In addition, the Group has set itself the target of achieving ISO 14001 certification for all of the directly managed storage sites by 2020. As of 31 August 2014, around 50% of storage sites managed by Ferrero are ISO 14001 certified. For the remaining warehouses managed directly by the Group, the definition of the completion plan is in progress.

BUSINESS TRAVELS

The internal analysis of emissions resulting from employee business travel of the Group's main companies continues.

With reference to the offices in France, Germany³⁵, Italy and Luxembourg, for FY 2013/2014, employees' business trips by train and plane were taken into account, to which were added, compared to the previous report, car rentals for Italy and Luxembourg.

For the year under review about 30,100 metric tons of CO_{2eq} were estimated, of which 97.1% derived from trips by air, 1.7% from car trips and 1.2% from train trips. The travel agencies with which the Group works provided the emissions data used for the calculations; where they were not available GHG Protocol emission factors were used³⁶.



34. For further information, please refer to the first paragraph: The FER-Way project.

35 Regarding business trips business trips by train only the Ferrero O.H.G.m.b.H. trips were taken into consideration.

36. For the estimation of CO₂ emissions resulting from business trips of employees of the Italian and Luxembourg companies, and only Ferrero O.H.G.m.b.H. (Germany) train trips, GHG Protocol Tool emission factors were used for mobile combustion version 2.5.

In the course of FY 2013/2014, through an agreement between Ferrero and the Italian Ministry for the Environment and the Protection of Land and Sea, the Group started a project to calculate the Carbon Footprint of the factory in Alba, aimed at the reduction of greenhouse gas emissions.

Within the context of the project a voluntary questionnaire collecting data on employee commuting between home and work was carried out, with the prospect of possible future extensions of the survey to other factories.

Focus

KINDER SURPRISE



KINDER JOY



KINDER SURPRISE AND KINDER JOY

The magic of KINDER® products with surprise toys

KINDER SURPRISE, along with KINDER CHOCOLATE, has always been a cornerstone of the KINDER® range, a range that has been creating products that are invented for kids and approved by mums since 1968. They use all the goodness and healthy qualities of milk in products presented in kid-sized portions.



Together with KINDER JOY, KINDER SURPRISE makes up the range of products with surprise toys and it represents the idea of "joy creator" that the KINDER® range embodies, according to the vision:

GENERATE DAILY AND ACCESSIBLE MOMENTS OF INTENSE EMOTION AND BONDING BETWEEN PARENTS AND CHILDREN.

KINDER SURPRISE



Invented in 1974, KINDER SURPRISE is the brainchild of Michele Ferrero, who wanted to give children the excitement of an everyday Easter, and it is based on a simple intention:

“To make children and parents happy, with a product that does not stop at nourishment, but that contains also the emotion of a surprise and the entertainment of play.”

This mixture of tangible and intangible factors arose with the creation of KINDER SURPRISE, the egg made of delicious KINDER CHOCOLATE (with +MILK and -COCOA) that encloses a small toy to stimulate children's crea-

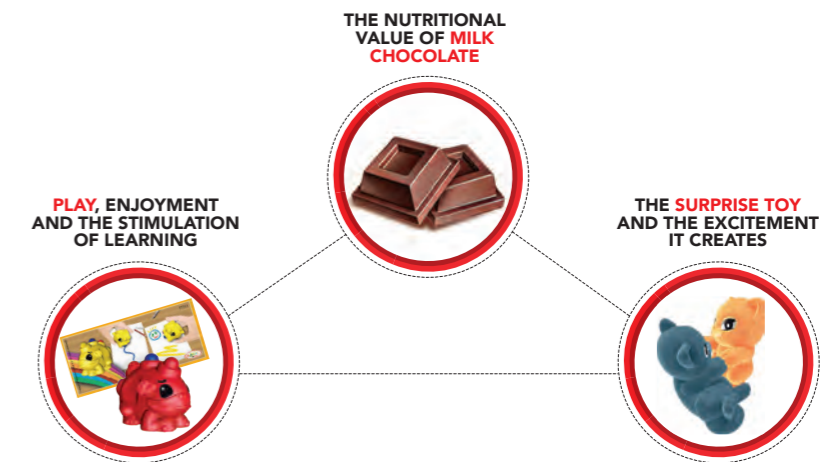
tivity and imagination.

Generation after generation, **KINDER® has won the trust of parents, who loved KINDER SURPRISE as children and now choose it for their own kids.**

To give a KINDER SURPRISE is to give the excitement of the surprise, and the toy itself is an opportunity for children to play with their parents or other children.

Having been appreciated over the years, today, 40 years on, KINDER SURPRISE is still a mainstay of millions of families around the world, bringing the same sense of excitement every time one is opened.

KINDER SURPRISE was immediately successful worldwide, thanks to its ability to encompass this philosophy and provide three key elements in a single item and experience:



In FY 2013/2014, KINDER SURPRISE was sold in over 70 countries and each day over 4 million chocolate eggs are eaten.

Since the product was created in 1974, over 35 billion KINDER SURPRISES have been sold. Over time, other products have been developed to help celebrate important events such as Christmas and Easter, for example the KINDER GRAN SORPRESA (created in 1989) and the hollow chocolate figures in the shape of Father Christmas and the Easter Bunny embracing a KINDER SURPRISE (since 2013).



KINDER JOY

KINDER JOY was created so that children in hotter countries around the world, or in temperate countries during the hotter months of the year, could share the excitement of an egg with a surprise.

An exclusive egg-shaped product made up of two halves: one containing the magic of the surprise, the other half containing delicious milk and cocoa cream with crispy wafer balls filled with cocoa cream, which can be enjoyed using the handy and hygienic spoon supplied.

KINDER JOY was developed to deliver high standards of quality in climate conditions that are particularly prejudicial to traditional chocolate, such as the high temperatures and severe humidity encountered in tropical areas or in temperate areas during summer.

In FY 2013/2014, it was sold in over 100 countries around the world, and over 3.5 billion KINDER JOY have been sold since being introduced in 2001.



Fundamental principles for manufacturing KINDER® products with surprise

KINDER SURPRISE and KINDER JOY, unique products made with carefully selected and blended ingredients, contain constantly changing, innovative surprise toys, which are also carefully conceived and developed.



KINDER SURPRISE is currently produced in 7 plants:

- Alba (Italy), Stadtallendorf (Germany), Belsk (Poland), Arlon (Belgium), Vladimir (Russia), La Pastora (Argentina) and San José Iturbide (Mexico).

KINDER JOY is currently produced in 5 plants:

- Belsk Duży (Poland), Baramati (India), Walkerville (South Africa), Quito (Ecuador) and Yaoundé (Cameroon).

All the ingredients used in KINDER SURPRISE and KINDER JOY are carefully selected and managed from production until they reach Ferrero plants. Clear standards and quality, transport, storage and freshness controls are applied until the ingredients reach Ferrero plants and are used.

Standards for KINDER® products are rigorous, guaranteeing high quality and upholding the Group's policies on good agricultural practices.

COCOA

The cocoa used for KINDER SURPRISE and KINDER JOY is carefully sourced from West Africa (mainly from Cote d'Ivoire and Ghana). A portion of the cocoa used in KINDER SURPRISE is also sourced from Ecuador.



To achieve the level of quality and the unmistakable taste of chocolate and cocoa creams that make its products stand out, KINDER® pays careful attention to the blend of cocoa beans it uses. **Up to 30 quality criteria are applied when the cocoa beans are selected and then processed** at Ferrero plants in Italy and Germany.

At this stage the beans are toasted and processed to make cocoa paste, cocoa butter and cocoa powder. The cocoa paste is skilfully blended with sugar, milk powder and cocoa butter to make KINDER® chocolate.

The resulting chocolate is used in Ferrero plants in Italy and Germany and sent to KINDER SURPRISE production plants in Belgium and Poland. Some distant and newly built plants, in Mexico and Russia for example, also source supplies from

chocolate producers that must respect Ferrero's extremely rigorous criteria for cocoa supplies and follow strict technical specifications when producing the chocolate.

Finally, Ferrero's plant in Argentina produces its own KINDER SURPRISE chocolate using cocoa paste coming straight from the factory in Alba.

Ferrero's cocoa powder is also used to make the cocoa creams in KINDER JOY.

CONSTANTLY STRIVING FOR IMPROVEMENT, THE FERRERO GROUP HAS SET ITSELF THE OBJECTIVE OF USING 100% CERTIFIED AS SUSTAINABLE COCOA BEANS BY 2020. PROGRESS ON THIS GOAL IN AUGUST 2014 WAS 40%.

For more information about Ferrero's commitment to using sustainable cocoa, please see the chapter "F-ACTS: Ferrero Agricultural Commitment to Sustainability" of this report.

MILK

Milk is an essential ingredient for KINDER® and this is particularly true for KINDER SURPRISE where it represents almost one third (32%) of the weight of all the ingredients and for KINDER JOY where milk makes up 18%, for both the international version with hazelnuts and the version produced in the Group's Indian plant using wheat germ.

The milk used is carefully sourced from a small number of milk and dairy partners. The majority of suppliers for the plants in Italy, Poland, Germany, Belgium, South Africa and Cameroon are based in Europe; local suppliers are used for plants in Argentina, Mexico and India; local, Swiss and European suppliers supply the Russian plant and local and Colombian milk is used for the plant in Ecuador. The Group sources milk from approximately 30 dairies world-

wide: long-standing partners **carefully selected for their reliability and ability to constantly provide supplies that meet its requirements in terms of quality, taste, food safety and, of course, freshness.** KINDER® has built up a special relationship with these dairies, involving them in continuous improvement programmes with the aim of continuing to improve the quality of milk in the long term.



The milk used in KINDER® eggs with toy surprises is produced with the utmost care:

- the liquid milk is **pasteurised and dehydrated within 48 hours** of arriving in the dairy and then distributed to Ferrero plants;
- in addition to the controls carried out by each dairy partner, on delivery to Ferrero factories the milk is subjected to **4 types of testing**: visual, chemical and physical, microbiological and organoleptic;
- furthermore, **freshness of milk powder is also assured by Ferrero shelf life** (the maximum time between the production of the raw material and our use in the production cycle), that is significantly shorter than the expiry standards adopted by other international producers (a principle that, furthermore, can be extended to the majority of our raw materials).

FATS

KINDER SURPRISE has two layers: one of pure milk chocolate in which the only fat element is cocoa butter and the other, the milk layer, where palm oil and shea butter are added to the fats that naturally occur in milk. For KINDER JOY, palm oil is used in the cream, sunflower oil in the meringue and shea butter in the coating on the wafer balls. This is replaced with sal oil (*Shorea robusta*), locally produced and similar in terms of quality and features, in those made at the plant in India.

The careful combination of the fats used in these products helps the ingredients bind together better, creates a delicious blend of flavours and helps achieve the perfect balance between consistency and taste, giving KINDER

SURPRISE and KINDER JOY their iconic qualities. Fats are selected using the strictest quality criteria to ensure they stand up better to oxidative processes to achieve a more stable taste and consistency throughout the product's life.

The Group uses palm oil as it is instrumental in achieving a creamy consistency, thereby avoiding the use of hydrogenated fats. Palm oil is less susceptible to the effects of oxidation and does not change the taste or flavour of other ingredients over time, allowing the organoleptic properties of the other ingredients to shine through. Ferrero uses palm oil that mainly comes from: Malaysia (chiefly from the Malay Peninsula), Papua New Guinea and Brazil.

SINCE JANUARY 2015, KINDER HAS BEEN USING 100% SUSTAINABLE PALM OIL CERTIFIED RSPO AS SEGREGATED.

Shea butter and sal oil are both extracted from the seeds of wild plants, typical of local vegetation. Shea trees are originally from the savannah of Sub-Saharan Africa, while sal trees grow in Indian forests. The fruits are har-

vested by the local populations, and the seeds are separated and processed locally or by the Group's suppliers (European or Indian) to make a food-grade butter, similar to cocoa butter. These raw materials are used in KINDER SURPRISE and KINDER JOY to ensure the consistency and softness of the products. Sub-Saharan Africa, while sal trees grow in Indian forests. The fruit is harvested by the local populations, sent to Europe and processed by the Group's suppliers (European or Indian) to make a food-grade butter, similar to cocoa butter. These raw materials are used in KINDER SURPRISE and KINDER JOY to ensure the consistency and softness of the products.

The Forest Minister of Madhya Pradesh honours Ferrero Trading for contribution in tribal welfare

Ferrero sources its sal oil in India. In the state of Madhya Pradesh in particular, sal is harvested in the local natural forests. In 2011, the Forest Minister of Madhya Pradesh honoured Ferrero Trading for its commitment to supporting the economy of the tribes that harvest sal.

The Hitavada, Thursday 15 September, 2011, Bhopal

SUGAR

KINDER® sources its sugar solely from producers that use non-GMO (Genetically Modified Organism) sugar beet; it also sources cane sugar from outside of Europe. As part of its commitment to constant improvement, KINDER® **has set itself the objective of sourcing all its refined cane sugar from sustainable sources by 2020.** The intermediary goal of 40% is scheduled for the end of 2016 and 70% in 2018.



CEREALS

KINDER JOY uses cereals in its crispy wafer balls. **The wheat flour is carefully selected to guarantee a crispy wafer.**

In addition to flour, the recipe of the KINDER JOY produced in the Indian plant uses **wheat germ**. The germ is the best part of the grain, it is sourced and toasted at Ferrero plants to bring out its delicate flavour that can be detected in the filling of the wafer balls. In the Indian recipe, in addition, extract of pure barley malt sourced in Europe is added to the cocoa cream, to lend it an aftertaste of toasted cereals.



HAZELNUTS

The KINDER JOY recipe for every country uses hazelnuts in the dark cocoa cream and in the wafer balls filling.



KINDER® sources its hazelnuts mainly from Turkey, Italy and Chile and from Ferrero's directly-owned farms. Only select whole, raw, untoasted hazelnuts are delivered to plants. **The roasting follows a careful and rigorous process that aims to preserve as much taste and flavour as possible.** To ensure these qualities shine through in the product, the hazelnuts are used in the recipe in the form of hazelnut paste immediately after toasting and grinding.

For more information about Ferrero's commitment on sourcing hazelnuts and Ferrero's hazelnut farms, please see the chapter "F-ACTS: Ferrero Agricultural Commitment to Sustainability" of this report.

OTHER INGREDIENTS

KINDER SURPRISE and KINDER JOY use small amounts of other ingredients. In particular, Ferrero makes use of the natural thickening properties of soya or sunflower lecithin to ensure the chocolate and creams are always of the same consistency and creaminess.

The soya lecithin used is 100% non-GMO and from an IP (Identity Preserved) supply chain, which guarantees the traceability and segregation of non-GMO varieties. A sprinkling of vanillin, the most popular flavouring in the world, provides roundness and complements the tastes and flavours, raising agents are used to make the KINDER JOY wafers and finally a pinch of salt is added. As for all KINDER® products, KINDER SURPRISE and KINDER JOY don't use preservatives, colourings, hydrogenated fats or GMO ingredients.

These rules have been broken down into six points, the "Golden Rules", and have been printed on the dividing film inside KINDER JOY in India since 2014.

A CULTURE OF TASTE TESTS AND QUALITY

A "taste test culture" has developed within each of the production sites. A panel of experts tests the raw materials upon their delivery. Similarly, semi-finished and finished goods are tasted every two and a half hours (three tests per shift) on the production lines.

IN FY 2013/2014, ALMOST 80,000 TASTE TESTS WERE CARRIED OUT ON KINDER SURPRISE AND KINDER JOY WORLDWIDE.

In addition, in FY 2013/2014, the following in-production tests were carried out on KINDER SURPRISE and KINDER JOY:

- over 90,000 tests¹ on raw materials and over 48,000 on semi-finished goods (Kinder milk chocolate and filling);
- more than 4,700 tests² on primary packaging, in addition to the controls carried out on secondary packaging;
- over 10 million tests on the finished goods, including controls carried out on the production line (weight, composition and visual defects) and tests in the lab for chemical, physical and microbiological parameters.

Finally, freshness remains a constant priority. KINDER® pays close attention to this aspect, notably through its **specialist team tasked with carrying out tests on Kinder Surprise and Kinder Joy in shops.**

For KINDER SURPRISE, given how sensitive the product is to heat, in order to ensure maximum freshness for the consumer, monthly sales are painstakingly planned over the summer period in temperate areas and replaced with KINDER JOY in all points of sale - the egg with toy surprise suitable for summer. In some hot countries, to guarantee the quality and freshness of KINDER® products, KINDER JOY is sold year round instead of KINDER SURPRISE.

The KINDER® range has always offered products in individual portions, perfect for parents who want to add a tasty treat as part of a balanced diet. This is true of KINDER SURPRISE and KINDER JOY: unique and tasty products in 20 g portions. The nutritional information is presented clearly and

visibly on packs in line with local legislation.

As for all its other products, Ferrero defines and applies strict traceability, safety and quality criteria for KINDER SURPRISE and KINDER JOY. The Ferrero plants that produce KINDER SURPRISE and KINDER JOY are equipped with quality systems that are certified by independent external bodies, except the plant in Yaoundé, which is scheduled to obtain its ISO 9001:2008 certification by the end of 2016 as set out in the chapter "The advanced standards of Ferrero's production plants" of this CSR report.

All the plants where KINDER SURPRISE and KINDER JOY are produced use raw materials and ingredients carefully sourced upstream from suppliers that are assessed at Group level using a universal set of criteria. During the goods-in acceptance process, all plants apply a control plan that is defined centrally by the Group's Quality Department using specific risk analysis criteria. Finally, as part of the production activities, a careful risk analysis is carried out using specific HACCP plans drawn up in line with centrally-defined guidelines to ensure the maximum safety of the products.

Complaints received in FY 2013/2014 are in the amount of 0.787 every 100,000 KINDER SURPRISE sold, whereas they are in the amount of 0.051 every 100,000 KINDER JOY sold.

For more information about Ferrero's commitment on providing nutritional information, please see the "Consumers" chapter of this report.

1. This includes chemical, physical and microbiological tests.

2. This includes organoleptic and defectiveness controls.

Furthermore, advertising and marketing of KINDER SURPRISE and KINDER JOY complies with the self-regulation guidelines established for the entire range of Ferrero products, as set out in the chapter of this report mentioned above.

REDUCING ENVIRONMENTAL IMPACT

At the end of 2013, 6 of the 11 plants that produce KINDER SURPRISE and KINDER JOY had already achieved **ISO 14001 certification for their environmental management system.** By 2017, all plants involved in the industrial production of KINDER® products will have this certification, meaning that the plant in Vladimir in Russia and the new plant in San José Iturbide in Mexico will obtain certification. The 3 Social Enterprise plants of Baramati, Walkerville and Yaoundé will also be certified by 2020.

In view of the impact of CO₂ emissions from using energy and consuming resources, the Group has decided to extend ISO 50001 certification, currently adopted on a local basis by the plants in Stadtallendorf and Villers-Écalles, a Group-wide certification.

Please refer to the chapter "Minimising Environmental Impact" of this CSR report for details of the Group's environmental objectives.

PACKAGING

Since 2010, a new wrapper has been progressively introduced: **this wrapper, instead of wrapping around the whole egg, is divided into two halves (front and back).** This is the new industry quality standard and fulfils the following objectives:

1. use the front of the egg to provide consumers with information about promotions or show images relevant to particular times of year;



2. ensure the ingredients and warnings relating to the toy surprises on the back are easier to read.



Today this type of wrapper accounts for around 90% of the total volume used.

For KINDER JOY, on the other hand, the innovative pack is opened with a small and handy tab, splitting the pack to reveal two halves of the egg.

The half that contains the product is made of a 100% food-grade plastic which is sealed with a film and hermetically protects the product **guaranteeing quality and freshness until the expiry date**. The packaging also contains a handy spoon making it easy to eat the product away from home without any hygiene concerns. The other half of the egg contains the surprise. This is also sealed with a film, which serves to build up the suspense of discovering the surprise.

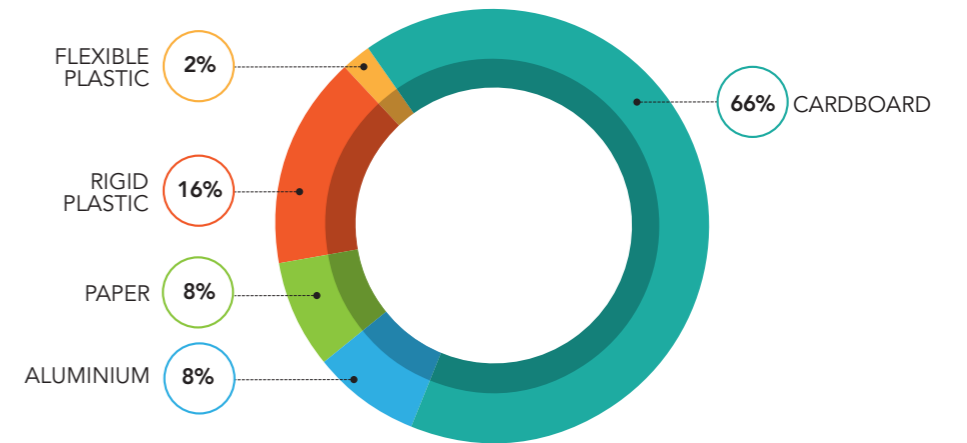
FINDING THE RIGHT BALANCE BETWEEN MAINTAINING QUALITY, PROTECTING THE FOOD, FOOD SAFETY AND RESPECTING THE ENVIRONMENT IS A DAILY CONSIDERATION FOR FERRERO.

KINDER SURPRISE and KINDER JOY packaging comes in a number of different units of sale - individual items and multi-packs, etc. - all with the same function and the primary goal of guaranteeing perfect quality and the utmost freshness of the product over time.

The charts below show the materials used for the two KINDER® products at global level.

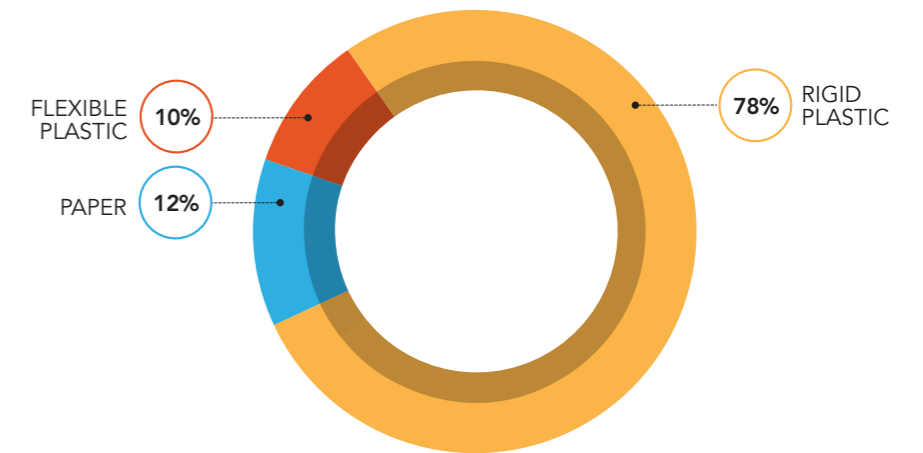


KINDER SURPRISE PACKAGING AT GLOBAL LEVEL FOR FY 2013/2014



*% breakdown by weight of materials used.

KINDER JOY PACKAGING AT GLOBAL LEVEL FOR FY 2013/2014*



*% breakdown by weight of materials used.

Paper and cardboard are the two most used materials for the KINDER SURPRISE packaging while for KINDER JOY it is plastic: KINDER SURPRISE also uses plastic, generally used as a secondary material in trays and sales material and aluminium, which the wrapper around the egg is made of.

As the main focus is ensuring product excellence, it is not yet possible to use recycled material in primary packaging that comes in contact with the product. However, recycled material is, however, used wherever possible where it does not come into direct contact with the product, such as the cellulose elements of the secondary packaging. Thanks to this, **the percentage of the recycled material is about 11% of all the material used.**

Eco design

Ferrero constantly strives to reduce the impact its packaging has, applying the **5R STRATEGY**³ during the packaging development and design phases, **with the aim of optimising the principle variables that impact on the overall environmental profile of its packaging.**

Over the years, a number of good practices have been introduced for packaging design, in line with Group guidelines.

Below are a few examples⁴ from FY 2013/2014:

- **"Recycling" - unused KINDER JOY secondary packaging trays.**

Waste that can be leveraged from some Kinder Joy production lines is reused by Ferrero in packaging, creating a virtuous circle. The waste is sent to a Ferrero supplier where it is transformed into granules of secondary materials and then used to produce the brown display feets of Ferrero Rocher, which are made of 95% regenerated material (the remaining 5% is colour). In the past calendar year, approximately 70 metric tons of these granules were produced and the benefits are twofold: during FY 2013/2014 refuse produced by

plants was reduced and use of virgin non-renewable materials was reduced by 40 metric tons; the remaining granules were used in FY 2014/2015.

- **"Reduction" - the KINDER JOY thermoformers.**

The new KINDER JOY production systems used by plants in India and Ecuador have been improved in line with Ferrero specifications to reduce wastage during the process of forming the two halves of the KINDER JOY, causing a reduction in wastage of 12%, equivalent to 111 t/year. These improvements are currently being assessed with a view to rolling them out to the other plants.

- **"Reduction" - the secondary packaging of KINDER SURPRISE.**

With the aim of consuming fewer resources, the Group turned its attention to the PET secondary packaging of KINDER SURPRISE made in Italy using a dual approach, reducing both the thickness and weight of the thermoformed plastic trays and of the paper display unit. In FY 2013/2014, these changes led to reduce plastic consumption by 7% and realize a new paper display, around 10% lighter.

3. Please refer to the chapter "Minimising Environmental Impact" of this CSR report for details of the guidelines.

4. The numbers shown are an estimate calculated using forecast annual volumes.

KINDER® surprise toys never cease to delight

THE VALUE OF PLAY

Play and recreation have a very important role in children's development and meet fundamental needs to support their psychological, affective and emotional growth. Play

is the lens through which children observe and experiment with their own world and the world of others, helping them develop and grow.

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 is why, over 40 years ago, KINDER® started to combine some of its products designed for children with small toy surprises, aware of the huge value of play for their lives and development.

In order to meet this challenge in the best possible way, Kinder Surprise Company was set up in 2013, a division of the Ferrero Group aimed at developing and creating small KINDER® toys. Its vision perfectly encapsulates its role and goals:

CREATE THE MOST WONDERFUL PLAYING EXPERIENCES IN A SURPRISINGLY SMALL FORMAT THAT GENERATES GREAT EMOTIONS.

This requires absolute care and attention from the company throughout the entire supply chain, from design to marketing the end product.

PLAY: KINDER'S® VIEW

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

1. improving the child's ability;
2. variety;
3. a 360° experience;
4. universality.

1. Improving the child's ability

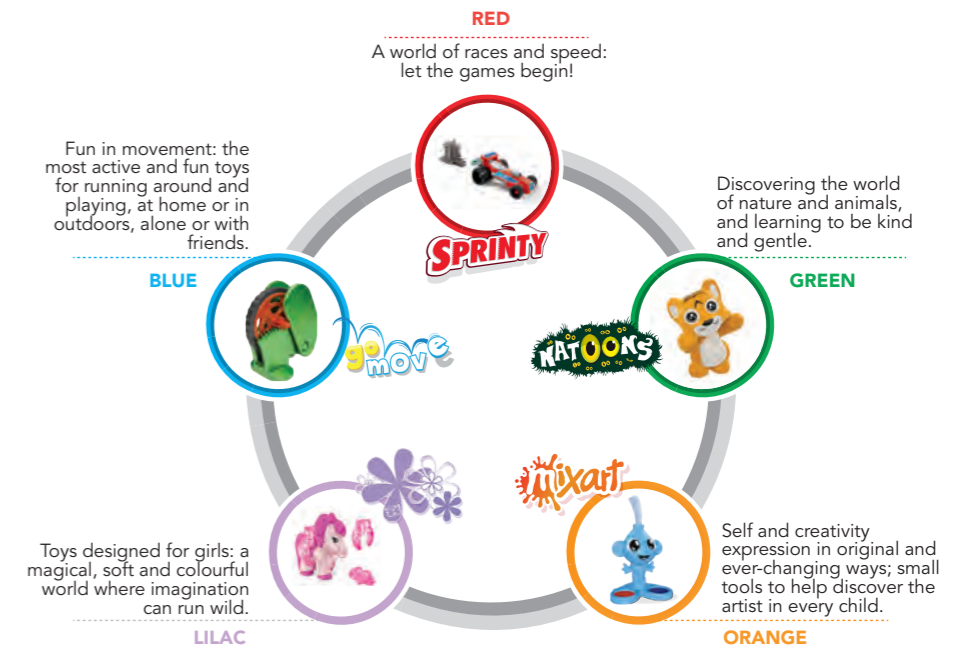
KINDER® toys are designed to encourage the development of some specific attitudes of the child's. More specifically:

COGNITIVE DEVELOPMENT	The process of assembling the toys stimulates logical thinking and putting actions into a sequence, developing problem-solving skills and curiosity.
EMOTIONAL DEVELOPMENT	The satisfaction achieved from reaching a goal (assembling the toy) and from 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 socialise 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: five play categories

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

The surprise toys fall into five categories, which together represent a wide and balanced assortment of toys, with the added benefit of surprises designed specifically for girls and boys.



3. A 360° experience

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

SURPRISES THAT HELP EMOTIONAL AND RELATIONAL DEVELOPMENT



A LEAFLET FULL OF EDUCATIONAL CONTENT



AND A WORLD THAT OPENS EVEN WIDER THANKS TO THE TAG



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.

THE TRUST PACT WITH THE CONSUMER

For the Ferrero Group **focus on the consumer 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.

Care for the consumer has always been the premise and basis for the Group's corporate policy.

Research

Putting these principles into practice, year after year, Ferrero increased the number of studies focused on consumers: qualitative, quantitative and behavioural studies and active play sessions, all with the aim of getting to know consumers better and finding out their needs and wishes.

Even in the different design phases of the toys, Ferrero carries out tests with parents and children to confirm the relevance of a particular toy and refine the design.

Each year, the range is completely overhauled and over 100 new toys are developed to **guarantee maximum variety at the highest quality standards and to deliver new and different play experiences.**

Safety

Kinder Surprise Company has implemented an **internal code for the design and production of KINDER® surprise toys**. This internal code indicates that KINDER® toys must not only comply with the standards of all the countries in which they are sold, but must also comply with more stringent rules.

In short, the internal code for the design and production of KINDER® toys sets out:

- standards for the toys;
- very strict voluntary policies and rules aimed at guaranteeing the extremely high safety standards of KINDER® toys.

Adherence to compulsory regulations

The internal code requires that all KINDER® toys comply with the compulsory regulations directly applicable to toys and to the international and national standards for toys to which the compulsory regulations refer:

COMPULSORY NORMS IN FULL COMPLIANCE:

- Directive 2009/48/EC on toy safety;
- the European standard on toy safety (EN 71);
- the international standard on toy safety (ISO 8124);
- MERCOSUR standards on toys produced internationally;
- 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.

Beyond legislation: a rigorous internal policy

The internal code contains **a very strict voluntary policy and rules that guarantee the extremely high standards of KINDER® toys**, foreseeing that small toys must comply with rules that are stricter than those defined in the regulations of the various countries in which they are sold:

- KINDER® does not use certain toys or elements, for example, magnets, tattoos, stress balls, weapons toy or toys featuring weapons, soap bubbles and toys with erasers;
- certain components of the toys are subject to particular attention and caution, for example the suction cups, which must never detach from the toy;
- some regulations applicable to toys have been interpreted in stricter terms.

Voluntary rules: guidelines

Designing KINDER® surprise toys

In designing its surprise toys, Kinder Surprise Company observes guidelines to prevent children from harming themselves if they use the toys in an improper way.

These guidelines translate into specific precautions related to the morphology of the toys and are applied in full or in part depending on the toy and its design.

These precautions are:

- no spherical or ovoid parts;
- holes in parts;
- no very small parts;
- three-dimensionality and articulation of the toys and their parts;
- pre-assembly of the smallest parts;
- no brown parts that could be confused with chocolate.



KINDER® toy prototype approval process

The approval process for KINDER® surprise toy prototypes is a rigorous and thorough procedure carried out by qualified industry experts:

- **In-house development:** KINDER® surprise toys are developed entirely by Kinder Surprise Company.

- **Psychological research:** psychologists study how children interact with KINDER® toys and are involved in the design phase to ensure each toy has playful elements that enhance children's motor and cognitive development.

- **Age grading evaluation:** Kinder Surprise Company invites psychologists and international bodies to examine KINDER® toys to ensure they comply with the age grading guidelines for toys issued by the European Committee for Standardization.

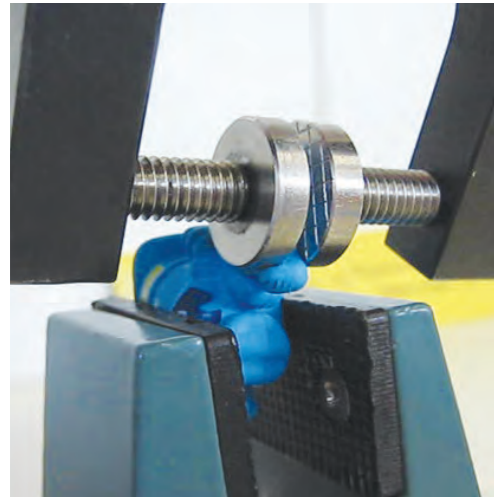
- **Medical check:** Kinder Surprise Company submits all prototypes of KINDER® toys to the prior approval of an ENT medical specialist (ear, nose and throat specialist). Sometimes the specialists suggest modifications, which Kinder Surprise Company always implements. A KINDER® toy prototype will not go into production without the full approval of the specialist doctor.

- **Safety Assessment:** : Kinder Surprise Company carries out an extended preventive safety assessment for each KINDER® toy during the design phase. This assessment consists of checking whether the surprise toys may present additional risks, including in the event of improper use by the child. This refers to risks not covered by the technical specifications, which are not always sufficient, in certain cases, to guarantee the safety of the surprise toy.

Whenever the rigorous prototype approval procedure highlights the existence of a risk, even a minimal risk, the toy is immediately modified.

By respecting a requirement defined in the 2009/48/EC Toy Safety Directive, which introduced compulsory "Safety Assessments" for toys, Kinder Surprise Company shows how responsible and thorough its approach is.

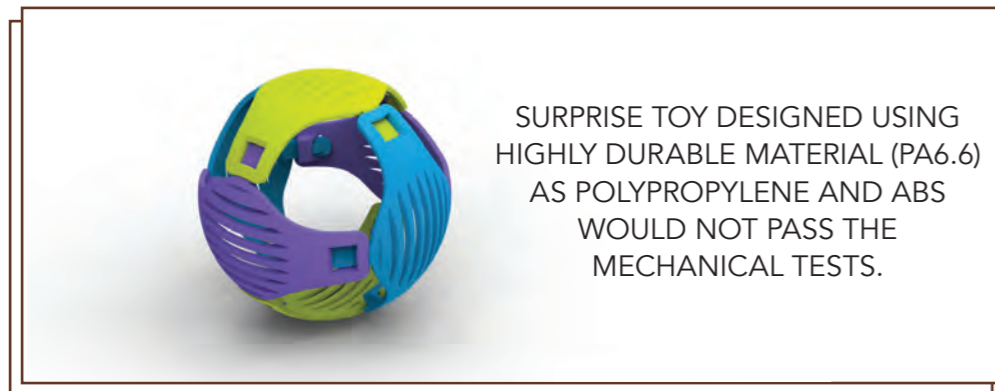




In order to meet this extremely high safety threshold, Kinder Surprise Company imposes on its toys requirements that are stricter than those defined by the EN 71 standard on toy safety, especially in relation to chemical composition, with particular reference to the migration of heavy metals (the limit for which set by the internal code is lower than that deemed acceptable by the EN 71 standard, which is already very strict).

In relation to mechanical requirements, here too those applied by Kinder Surprise Company to its toys are more rigorous than the international standard on toy safety, ISO 8124. A toy only passes the abuse tests required by the standard (drop test, torque test and traction test which simulate the behaviour of children at play), only if the test does not cause the break of the toy or any of its parts; whereas the international standard allows the toy to break, as long as the broken parts are not sharp.

The application of the code therefore guarantees the toy and all its parts are robust.



SURPRISE TOY DESIGNED USING HIGHLY DURABLE MATERIAL (PA6.6) AS POLYPROPYLENE AND ABS WOULD NOT PASS THE MECHANICAL TESTS.

Such durability can only be achieved by using selected materials with a high level of resistance that enables them to pass the abuse tests.

Further rigorous testing carried out by Kinder Surprise Company on a voluntary basis includes:

- the cross cut test, to evaluate pain peel off;
- saliva- and sweat-resistance tests to ensure that no paint or dye is transferred from coloured toys to the mouth, mucus membranes or skin.

The KINDER SURPRISE capsule



The design of the new single-piece capsule that contains the toy is even safer than the previous capsule which was made up of two pieces.

The two parts of the single-piece capsule are connected by a strong and durable plastic hinge, joining the two halves so they do not detach and cannot be swallowed.

To ensure the strength and durability of the plastic, **the single-piece capsule production process is constantly subjected to targeted tests.** The safety of the single-piece capsule has been

certified by a qualified team of internationally-renowned doctors.

The material used to make the capsule complies with international food contact regulations. The Ferrero Group introduced the single-piece capsule in 2007.

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.

Guarantee of a global standard

Kinder Surprise Company guarantees full compliance with the "Internal code for the design and production of toys" throughout the entire production cycle of KINDER® surprise toys. Therefore, all KINDER® toys on the market comply with the requirements of the internal code, regardless of where they are manufactured and which market they are destined for.

It is therefore **a global approach to the theme of safety that takes its inspiration from the strictest international safety and quality control standards, often setting the bar even higher than those standards.**

The measures in place for this purpose can be summed up into:

- a select number of manufacturers, approved and monitored by Kinder Surprise Company;
- compliance of these manufacturers with Kinder Surprise Company's production specifications;

- an internal Green List, updated approximately once a year, which enables the safest choice of materials to use in manufacturing the surprise toys;
- Kinder Surprise Company involvement in and monitoring of procurement of raw materials.

Controls / quality

Kinder Surprise Company's quality department carries out ongoing quality controls during the entire toy manufacture process, using very precise guidelines inspired by the most progressive industry practices.

Kinder Surprise Company voluntarily adheres to audit programmes by notified bodies to ensure compliance with the requirements of different quality labels "Giocattoli Sicuri" in Italy, "Marque NF" in France, "Calidad Comprobada" in Spain and "SP Mark" in Sweden).

Depending on the quality label, these programmes include:

- periodical audits of Ferrero's quality system for toys;
- gathering samples from the market and Ferrero warehouses so that, in addition to Ferrero Quality Assurance, independent third-parties can verify with relevant tests the consistent quality of KINDER® surprise toys across the whole production process.

Certifications

Kinder Surprise Company toys are certified by six **European organisations, "notified" to the European Commission and authorised by national authorities** and, where required, by non-European organisations through local certifications.



PRODUCTION: GROWING ALONGSIDE LOCAL COMMUNITIES

KINDER® surprise toys are mainly produced in Europe, China and India. This geographical decentralisation, far from the usual production locations, **has created a large number of jobs in emerging countries.**

Ferrero Group's relations with emerging countries are inspired to 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, particularly in emerging countries.

Continuous growth of know-how

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 manual painting has been replaced with an innovative printing system.
- This innovation will reduce the use of paints and solvents during production and released into the environment.



Ethical, social and environmental requirements for suppliers

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 allows 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 informed 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 must undergo a careful and prior audit aimed at verifying that they respect the fundamental rights set out in the Code of Ethics.
 - Child labour 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 programme to assess the level of implementation of the Code of Conduct, appointing two third-party bodies (SGS and UL) to inspect all KINDER® toy manufacturers on an annual basis to ensure the ethical requirements are applied and complied with, as these are core values for the Group.

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 CONTENTS OF THIS CODE. IN ADDITION, ANY CASE OF CHILD LABOR OCCURRED: NEVER, IN NO CASE AND FOR NO REASON.

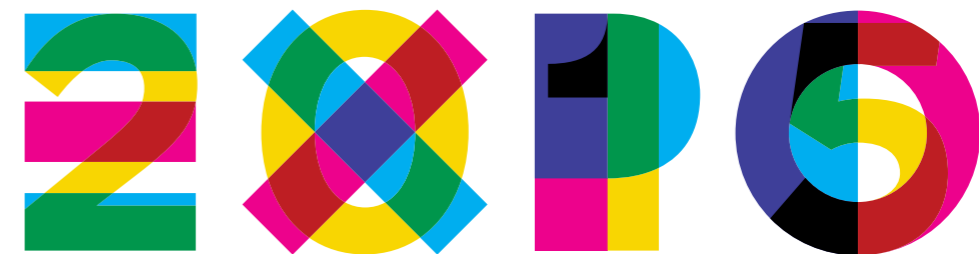
All this is highly reassuring with regard to compliance with working conditions by KINDER® toy suppliers and allows Ferrero to honour specific commitments made to certain of its licensors, which are particularly sensitive to ethical issues.

Focus

Expo Milano 2015



Official Partner



MILANO 2015

FEEDING THE PLANET
ENERGY FOR LIFE

EXPO MILANO 2015

The Ferrero Group shares its values at Expo Milano 2015, in order to create value

The Ferrero Group is participating in Expo Milano 2015 as the 'Confectionery Specialties Official Partner', telling a story of initiatives and projects of social responsibility in the field of innovation and care for people and the environment.

The Ferrero Group strongly believes in the importance of 'Sharing Values to Create Value' and Expo Milano 2015 is a vital opportunity to increase the awareness of all stakeholders – institutions, civil society and the world of business – on subjects that are highly relevant to our future and for the planet.

During the Universal Exhibition, Ferrero is taking the opportunity to illustrate its commitment to: highest quality; innovative products; transparent communication; care and attention of the people who have created and are creating the story of the Group; support to local communities; the promotion of an active lifestyle for young people; the adoption of sustainable agricultural practices and the protection of the environment.



The Ferrero Group presents itself to Expo visitors in a number of different ways:

- With the **Search for Balance Hall**, organised in collaboration with Expo and located in Pavilion Zero, at the main entrance and the first stage of the United Nations' Expo itinerary.
- With an area dedicated to the **Kinder+Sport** project, managed in collaboration with the Italian Ministry of Education, Universities and Research (MIUR – *Ministero dell'Educazione, dell'Università e della Ricerca Italiano*) and with the Italian National Olympic Committee (CONI – Comitato Olimpico Nazionale Italiano), where children and their families can

experience the joy of moving.

- With 7 multimedia towers, each one dedicated to a specific topic: **Excellence and Sustainability of Raw Materials, Ferrero Foundation, Ferrero Social Enterprises, KINDER®, NUTELLA®, Tic Tac®, and Ferrero Rocher.**

- With the **NUTELLA® Concept Bar**, realised in collaboration with Eat-aly, who shares a passion for high-quality food, inspired by a rich inheritance based on family traditions.

Moreover, Ferrero's presence at Expo is characterised by a multitude of both local and international events organised by the Group during the 184 days of the Exhibition.

THE FERRERO GROUP'S INSTALLATIONS AT EXPO MILANO 2015 WILL CONTINUE TO CREATE VALUE EVEN AFTER THE UNIVERSAL EXHIBITION FINISHES, THROUGH 'RESTITUTION'. PART OF THE INSTALLATIONS WILL IN FACT BE REASSEMBLED TO BECOME A PAEDIATRIC SICKBAY FOR THE CHILDREN OF FERRERO COLLABORATORS AND FOR THE CHILDREN OF THE COMMUNITY WHERE OUR FERRERO SOCIAL ENTERPRISE OPERATES, IN SOUTH AFRICA. FERRERO IS EVALUATING THE POSSIBLE REUSE OF SOME INSTALLATIONS IN ORDER TO SUPPORT SOME EDUCATIONAL ACTIVITIES IN CAMEROON.

1. The Search for Balance Hall in Pavilion Zero at the entrance of the Exhibition

Ferrero is an Expo partner in the set up of the last room of Pavilion Zero, at the main Expo entrance and the first stage of the United Nations' Expo itinerary. In this pavilion, Expo narrates the story of human civilisation's development and its relationship with nature and food production.

It is a journey through nutritional culture, the variety of food and tools used to produce it, as well as conservation methods and the impact that the food industry has on the environment. In the Search for Balance Hall the search for equilibrium provides

an **optimistic glimpse of the prospects of an ethical interaction between man and the environment.** This is precisely the contribution that Ferrero wants to make.

"Nullus locus sine genio" (no place is without its genius) is Servio's affirmation in his commentary on Aeneid, Virgil's Latin poem. Servio explains how all ecosystems are the result of the interaction between its identity and those who have lived there, thus enriching the customs and traditions. The twelve videos projected in the pavilion are examples of perfect

equilibrium between the environment and human and industrial development. Eight of the videos were shot by Ferrero and show crops of raw materials that the Group uses in its products.

2. The Kinder+Sport Area

The Kinder+Sport area, located at the centre of the Universal Exhibition, represents the fulcrum of Ferrero's participation in Expo. In this space of about 3,600 m², children and their parents can live the joy of moving through different paths:

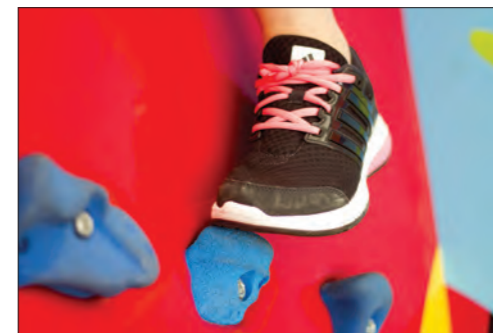
- Inspiring Space: the entrance area, illustrating the project and its values, designed to help people understand the importance of active living acquired at an early age.

- The Joy of Moving Garden, an innovative educational installation dedicated to physical activity where children learn to be autonomous and acquire new motor-skills playing with machines designed and developed in collaboration with the University of Rome 'Foro Italico', with CONI and

the Ministry of Education. All the machines are designed to enhance children's motor skills, facilitating cognitive function and the acquisition of life skills. This innovative programme is intended to give children (tomorrow's citizens) skills to face life's daily challenges.

- The Active Arena, is a space where children and parents can take part in recreational active games developed by a Scientific Committee to enhance useful life skills. This area also hosts institutional events such as exhibitions and sports matches.

Our partner organizations share with Kinder+Sport the objective of **promoting physical exercise as an essential part of every day life**. The aim of Kinder+Sport is to encourage



as many children as possible worldwide to pursue a healthy and active lifestyle.

Lastly, the "**Manifesto Joy of Moving**" sets out the values of physical activity for the younger generations; fundamental values from a physical, social and educational point of view. Throughout Expo's 6-month run, the feedback of the most important stakeholders on the Manifesto will be gathered. The result of this collective reflection will lead to the definition and launch of a long-term programme.

3. The Ferrero Towers

The Ferrero Towers were conceived to **tell, in the most interactive way, the story of Ferrero's social responsibility** and of some of its global brands such as NUTELLA®, KINDER®, Ferrero Rocher and Tic Tac®. The Towers were designed to promote interaction with the visitor: messages are communicated through external screens, videos shown in the Towers and 'information wells'.

The decorative golden panels are inscribed with the names of Ferrero employees from all over the world. It is a way to thank all those who, with their daily efforts, contribute to the success of Ferrero. In addition, on the top of each tower there are hazelnut trees representing a tribute to nature that generously produces fruits.

Some of the features of each Tower are:

- **Excellence and Sustainability in the Raw Materials Tower**



The Tower was designed to **tell the story of excellence and sustainability** of the raw materials, which, for Ferrero, means high quality, maximum freshness and care for the social and environmental aspects of procurement in accordance with the high Ferrero standards. The Tower presents the example of the hazelnut, the distinctive nut and raw material which, as always, gives Ferrero products their unique flavour. Exceptional raw materials require as well sustainable agricultural practices and the promotion of economic and social development of the areas they come from. This is demonstrated by the example of shea butter, which is

extracted from trees grown in Africa, providing an important source of nourishment and income for local communities, thereby representing livelihood and social enhancement, especially for women.

MADE WITH CARE is written largely on the installation and represents Ferrero's approach to business and creating products; an approach that rotates around the concept of care and attention placed on all stages of the value chain, from the selection of raw materials to production and the analysis of the economic and social impact.

- **The Foundation Tower**

This Tower gives the global public the opportunity to discover the unique experience of the Piera, Pietro and Giovanni Ferrero Foundation, summed up by the motto: **"Work, Create, Donate"**. Since 1983, the Foundation has been created to offer men and women who have spent

twenty-five or more years of their working life with Ferrero, the opportunity of staying in touch, to be active and creative and to contribute to the local community. The Ferrero Foundation offers different types of activities, **fostering a new active perspective on retirement**, and

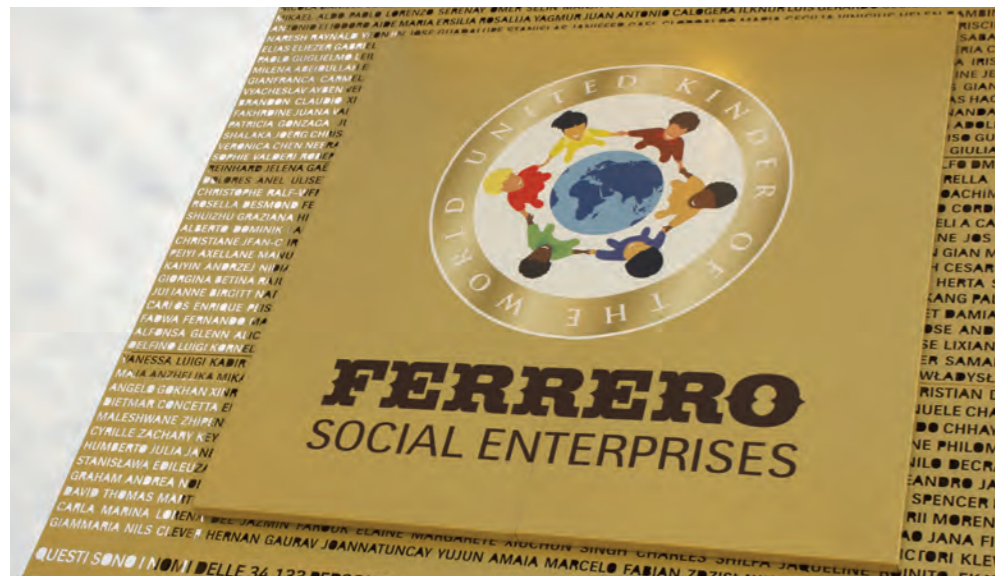


improving the quality of life of the elderly, encouraging relationships, commitment, solidarity and entertainment. The Ferrero Foundation is located in Alba, in a modern building capable of accommodating the needs of approximately 3,500 retired employees and their spouses, offering them the chance to meet others, spaces for entertainment, workshops, a library, a multi-purpose auditorium, a gymnasium and exhibition spaces. In addition, for the children of employees there is a modern crèche, where Ferrero elderly offer their help, demonstrating how two generations, of grandparents and grandchildren, can interact in a constructive way.



• The 'Ferrero Social Enterprises' Tower

This Tower presents the main activities of the Ferrero Social Enterprises, fully-fledged businesses with the objective of making a profit, but which also



operate with a strong social spirit.

The mission of Ferrero Social Enterprises is based on **two principles**:

- The creation of new job opportunities;
- The development of social and humanitarian projects and initiatives.

The Tower's multimedia devices guide the visitor through some of the exceptional experiences which Ferrero promotes in India, South Africa and Cameroon. For the development of **social and humanitarian projects and initiatives**, Ferrero Social Enterprises provide for the creation of a Social Fund calculated on the basis of the volumes produced annually by the factories. To date, the social and humanitarian initiatives have provided for the restoration and refurbishment of public schools and kindergartens, support for paediatric services and aid for homeless children, and seminars for adolescents to raise awareness on the prevention of communicable diseases.



• The KINDER® Tower

KINDER® believes that laughter and joy are the basic ingredients for a child's growth; for this reason the KINDER® Tower is focused on children and their families, with the aim of providing them with **moments of joy and happiness**. Visitors will discover how Ferrero creates and produces the surprises, which have the aim of providing the most wonderful playing experiences in a small format, but nevertheless capable of generating great emotions.



• The NUTELLA® Tower

NUTELLA® is a symbol of **positive energy and optimism**. And this is the objective of the Tower at Expo. First of all, visitors discover why NUTELLA® is so good. In fact, the tower reveals some of the secrets of the simple but unique recipe, which has made this product so popular among its fans over the years. Fans who can share happy moments in a fun and entertaining way at Expo too.



• The Ferrero Rocher Tower



Through this Tower, Ferrero shares with Expo's public the "golden experience" that Ferrero Rocher represents. In fact, Ferrero Rocher means "speciality", which comes from the quality and experience of the Ferrero tradition of confectionery art: a great sensory experience, combined with high quality ingredients. Ferrero Rocher **also evokes festivities and celebrations, of giving to and sharing with people dear to us**. In the multimedia Tower visitors discover the peculiarities of Ferrero Rocher and everyone is invited to spend time savouring and sharing the "golden pleasures" of life.

• The Tic Tac® Tower

Tic Tac® is more than a simple sweet, it is a **way to spend time together and share carefree moments**. It was created in 1969, the year of Woodstock and the first man on the moon. It is no coincidence that Tic Tac® was created in that year. It is a truly revolutionary product that invented a whole new product category. Tic Tac® was an instant success as a fresh, low-calorie sweet, perceived as unique thanks to its three levels of flavours (vanilla on the outside, sweet mint on the inside and a soul of strong mint).

Inside the Tower visitors can enjoy carefree moments, experiencing Tic Tac® emotions and entertaining videos.



4. The NUTELLA® Concept Bar

The concept is 'You are NUTELLA®: thousands of photos and names written everywhere tell the NUTELLA® story'.

The NUTELLA® Concept Bar is a special spot where the visitor can taste a number of recipes made with NUTELLA®, buy delicious snacks such as Nutella B-ready, exclusive trademark items, a special pack and the 'NUTELLA® World' book. In addition, only at the Expo NUTELLA® Concept Bar, it is possible to print customised labels with names in eight different languages (Italian, English, French, German, Spanish, Russian, Chinese, and Arabic) or with short messages in English.





The Ferrero Group is a registered Organizational Stakeholder of GRI and supports the mission of GRI to empower decision makers everywhere, through its sustainability standards and multi-stakeholder network, to take action towards a more sustainable economy and world.

Starting from the end of 2014, GRI updated what was formerly known as the Application Level Check (ALC) into the GRI Application Level Service. While the name of this service and the associated icon has changed, the methodology and provision of this service remain the same.

The Application Level Service confirms that the report contains the required set and number of disclosures to meet the reporting organization's self-declared Application Level.

When the GRI Application Level Service is successfully completed, GRI now provides an organizational mark, instead of the statement included in the previous CSR reports, which serves as formal confirmation that the report of a particular organization has undergone and successfully completed the GRI service in a particular month and year.

As for the previous three CSR reports, GRI has confirmed that also this report was prepared according to the GRI G3.1 Guidelines, at Application Level A+. The organizational mark is included on the first page of the GRI Content Index.



GRI-G3.1 Indicators

The following is a summary of the main contents of the Corporate Social Responsibility Report 2014, according to the scheme of "Sustainability Reporting Guidelines" (version 3.1, 2011) integrated with "Food Processing Sector Supplement" (FPSS) and with reference to "OECD Guidelines for Multinationals Enterprises Principles" and ISO 26000. For each indicator there are: a summary of the content, the page reference of the report and the level of coverage: **T** = Total, **P** = Partial, **NC** = No Coverage, **NA** = Not Applicable (considering the type of activity or location of the business departments).

	GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators	OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
PROFILE DISCLOSURE					
1. Strategy and Analysis					
1.1	Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	n.a	6.2 Organizational governance	T	8-9
1.2	Description of key impacts, risks, and opportunities	n.a	6.2 Organizational governance	T	8-9; 12-13; 22-23; 25; 29; 120-123; 150-153; 189-192; 194-199; 202-204; 223; 227; 235; 241; 245; 248-249; 253; 260-261
2. Organizational Profile					
2.1	Name of the organization	n.a	n.a.	T	22
2.2	Primary brands, products, and/or services	n.a	n.a.	T	18
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	n.a	6.2 Organizational governance	T	20-23
2.4	Location of organization's headquarters	n.a	n.a.	T	22
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	n.a	n.a.	T	20-21
2.6	Nature of ownership and legal form	n.a	n.a.	T	22
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries)	n.a	n.a.	T	20
2.8	Scale of the reporting organization (number of employees; number of operations; net sale)	n.a	n.a.	T	19-21; 80-82
2.9	Significant changes during the reporting period regarding size, structure, or ownership	n.a	n.a.	T	5; 20-22
2.10	Awards received in the reporting period	n.a	n.a.	T	30-35; 183; 238
3. Report Parameters					
Report profile					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	n.a	n.a.	T	4
3.2	Date of most recent previous report (if any)	n.a	n.a.	T	5
3.3	Reporting cycle (annual, biennial, etc.)	n.a	n.a.	T	5
3.4	Contact point for questions regarding the report or its contents	n.a	n.a.	T	4

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
Report scope and boundary					
3.5	Process for defining report content	n.a	n.a.	T	4-5; 14-15
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	n.a	n.a.	T	4-5; 20-21; 208
3.7	State any specific limitations on the scope or boundary of the report. If boundary and scope do not address the full range of material economic, environmental, and social impacts of the organization, state the strategy and projected timeline for providing complete coverage	n.a	n.a.	T	5; 80; 105; 121; 125; 198; 200; 208; 211; 228-229
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	n.a	n.a.	T	5
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols	n.a	n.a.	T	13; 21; 29; 44; 57-58; 80; 82; 88-91; 97; 107-108; 123; 141; 199-201; 205; 208; 211-212; 214; 220; 222-223; 225; 228-229; 240-244
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	n.a	n.a.	T	5; 208
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	n.a	n.a.	T	5; 24; 80; 82; 95-96; 195-199; 201; 208; 212; 220; 228-229
GRI content index					
3.12	Table identifying the location of the Standard Disclosures in the report	n.a	n.a.	T	273-285
Assurance					
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	n.a	7.5.3 Verification	T	5; 286-287
4. Governance, Commitment, and Engagement					
Governance					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	n.a	6.2 Organizational governance	T	22-23
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	n.a	6.2 Organizational governance	T	22
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members. State how the organization defines 'independent' and 'non-executive'. This element applies only for organizations that have unitary board structures. See the glossary for a definition of 'independent'	n.a	6.2 Organizational governance	T	22

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	n.a	6.2 Organizational governance	T	22-23
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	n.a	6.2 Organizational governance	T	22
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	n.a	6.2 Organizational governance	T	22
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	n.a	6.2 Organizational governance	T	22
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	n.a	6.2 Organizational governance	T	8-11; 28; 41-43; 48; 64-65; 74; 77-78; 120-122; 132-134; 150-152; 164; 173; 187-190; 195-197; 246; 248-250; 256 www.ferrero.com/it/responsabilita-sociale/codice-di-condotta; www.ferrero.com/it/responsabilita-sociale/codice-etico/eccellenza-affidabilita
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	n.a	6.2 Organizational governance	T	12-15; 22-23; 28-29; 56; 150-153; 194-195
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	n.a	6.2 Organizational governance	T	22
Commitments to external initiatives					
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	n.a	6.2 Organizational governance	T	28-29; 41-43; 148-152; 194-197; 202-203; 204-205; 207; 213-214; 241
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	n.a	6.2 Organizational governance	T	4; 28-29; 52-53; 56; 61; 152-154; 162; 181; 184; www.ferrero.com/it/responsabilita-sociale/codice-di-condotta
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; or views membership as strategic	n.a	6.2 Organizational governance	T	26-27

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
Stakeholder engagement					
4.14	List of stakeholder groups engaged by the organization	n.a	6.2 Organizational governance	T	14
4.15	Basis for identification and selection of stakeholders with whom to engage	n.a	6.2 Organizational governance	T	4-5; 14-15
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	n.a	6.2 Organizational governance	T	14-15; 28-29; 92-93; 132-134; 143-145; 150-153; 163-168; 174-176; 178-180; 224-226; 260-261
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	n.a	6.2 Organizational governance	T	14-15; 28-29; 40; 43-46; 48; 150-153; 163; 165; 172-175; 178-180; 194; 202-203
SOURCING PERFORMANCE INDICATORS					
DMA SC	Management and verification policies and system	n.a		T	8-9; 12-15; 28-29; 40; 46; 150-153; 181-182; 184; 189-193; 199; 211-214; 216-221 www.ferrero.com/it/responsabilita-sociale/codice-di-condotta
FP1	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	T	12-13; 28-29; 150-153; 249; 253-257
FP2	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	T	12-13; 28-29; 150-153; 162-166; 171-174; 181-182; 185
ECONOMIC PERFORMANCE INDICATORS					
DMA EC	Management and verification policies and system	V. Employment and Industrial Relations XI. Taxation	6.2 Organizational governance 6.8 Community involvement and development	T	8-9; 12-13; 19-21; 24-25; 28-29; 64-67; 69-73; 88; 91; 120-125; 132-134; 141; 153-159; 162-166; 168-169; 171-175; 204
Economic performance					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	V. Employment and Industrial Relations XI. Taxation	6.8 Community involvement and development 6.8.3 Community involvement 6.8.7 Wealth and income creation 6.8.9 Social investment	T	24
EC2	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 action	T	204
EC3	Coverage of the organization's defined benefit plan obligations	V. Employment and Industrial Relations XI. Taxation	n.a.	T	94
EC4	Significant financial assistance received from government	V. Employment and Industrial Relations XI. Taxation	n.a.	T	25

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
Market presence					
EC5	Range of 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 6.4.4 Conditions of work and social protection 6.8 Community involvement and development	T	88-89
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	n.a.	6.6.6 Promoting social responsibility in the value chain 6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.7 Wealth and income creation	T	29; 123-127
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	n.a.	6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.7 Wealth and income creation	T	91
Indirect economic impacts					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	n.a.	6.3.9 Economic, social and cultural rights 6.8 Community involvement and development 6.8.3 Community involvement 6.8.4 Education and culture 6.8.5 Employment creation and skills development 6.8.6 Technology development and access 6.8.7 Wealth and income creation 6.8.9 Social investment	T	29; 64-67; 69-72; 74-79; 127-130; 132-135; 138-141; 143-145
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	n.a.	6.3.9 Economic, social and cultural rights 6.6.6 Promoting social responsibility in the value chain 6.6.7 Respect for property rights 6.7.8 Access to essential services 6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.6 Technology development and access 6.8.7 Wealth and income creation 6.8.9 Social investment	P	29; 64-67; 69-72; 74-79; 127-131; 143-145; 202-204
ENVIRONMENTAL PERFORMANCE INDICATORS					
DMA EN	Management and verification policies and system	VI. Environment	6.2 Organizational governance 6.5 The Environment	T	8-9; 12-13; 20-21; 28-29; 40; 150-153; 194; 199; 202-205; 207-208 www.ferrero.com/it/responsabilita-sociale/codice-di-condotta
Materials					
EN1	Materials used by weight or volume	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	21; 153; 162; 200; 223-225

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
EN2	Percentage of materials used that are recycled input materials	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	200; 223-225
Energy					
EN3	Direct energy consumption by primary energy source	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	200; 212
EN4	Indirect energy consumption by primary source	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	200; 212; 217-218
EN5	Energy saved due to conservation and efficiency improvements	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	211-214; 216-219; 227-229
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	211-214; 216-219; 227-229
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	211-214; 216-219; 227-229
Water					
EN8	Total water withdrawal by source	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	200; 208
EN9	Water sources significantly affected by withdrawal of water	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	208
EN10	Percentage and total volume of water recycled and reused	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	208-209
Biodiversity					
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	VI. Environment	6.5 The Environment 6.5.6 Protection of the environment & biodiversity, and restoration of natural habitats	T	201
EN12	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 The Environment 6.5.6 Protection of the environment & biodiversity, and restoration of natural habitats	T	201
Emissions, effluents and waste					
EN16	Total direct and indirect greenhouse gas emissions by weight	VI. Environment	6.5 The Environment 6.5.5 Climate change mitigation and action	T	199-200; 220-221
EN17	Other relevant indirect greenhouse gas emissions by weight	VI. Environment	6.5 The Environment 6.5.5 Climate change mitigation and action	T	199; 229
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	VI. Environment	6.5 The Environment 6.5.5 Climate change mitigation and action	T	199; 220-221; 228-229
EN19	Emissions of ozone-depleting substances by weight	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	221
EN20	NO, SO, and other significant air emissions by type and weight	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	NA	Ferrero doesn't produce other significant air emissions
EN21	Total water discharge by quality and destination	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	208
EN22	Total weight of waste by type and disposal method	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	210-211
EN23	Total number and volume of significant spills	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	211

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
Products and services					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use 6.6.6 Promoting social responsibility in the value chain 6.7.5 Sustainable consumption	T	217-218; 225-226
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution 6.5.4 Sustainable resource use 6.7.5 Sustainable consumption	T	223
Compliance					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	VI. Environment	6.5 The Environment	T	25
Transports					
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use 6.6.6 Promoting social responsibility in the value chain	T	227-229
SOCIAL PERFORMANCE INDICATORS					
Labor Practices and Decent Work					
DMA LA	Management and verification policies and system	V. Employment and Industrial Relations	6.2 Organizational governance 6.4 Labour Practices 6.3.10 Fundamental principles and rights at work	T	8-9; 22-23; 80-110 www.ferrero.com/it/ responsabilita-sociale/ codice-di-condotta; www.ferrero.com/it/ responsabilita-sociale/ codice-etico/eccellen- za-affidabilita
Employment					
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	V. Employment and Industrial Relations	6.4 Labour Practices 6.4.3 Employment and employment relationships	T	80-83
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	V. Employment and Industrial Relations	6.4 Labour Practices 6.4.3 Employment and employment relationships	T	86-87
LA15	Return to work and retention rates after parental leave, by gender	V. Employment and Industrial Relations	6.4 Labour Practices 6.4.4 Conditions of work and social protection	NC	87 We are going to develop our data collection process by 2014/2015
Labor/management relations					
LA4	Percentage of employees covered by collective bargaining agreements	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 6.3.10 Fundamental principles and rights at work	T	93
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	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	T	92

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
FP3	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	T	92
Health and safety					
LA7	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 Labour Practices 6.4.6 Health and safety at work	P	95-97 We are going to develop our data collection process by 2014/2015
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	V. Employment and Industrial Relations VI. Environment	6.4 Labour Practices 6.4.6 Health and safety at work 6.8 Community involvement and development 6.8.3 Community involvement 6.8.4 Education and culture 6.8.8 Health	T	66-67; 99; 107
Training and education					
LA10	Average hours of training per year per employee by gender, and by employee category	V. Employment and Industrial Relations VI. Environment	6.4 Labour Practices 6.4.7 Human development and training in the workplace	P	103-104; 107 We are going to develop our data collection process by 2014/2015
LA11	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 Labour Practices 6.4.7 Human development and training in the workplace 6.8.5 Employment creation and skills development	T	100-104; 106-107
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	V. Employment and Industrial Relations VI. Environment	6.4 Labour Practices 6.4.7 Human development and training in the workplace	T	106
Diversity and equal opportunity					
LA13	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	6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4 Labour Practices 6.4.3 Employment and employment relationships	T	82; 84-85
Equal remuneration for women and men					
LA14	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 Labour Practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection	P	88-90 We are going to develop our data collection process by 2014/2015
Human Rights					
DMA HR	Management and verification policies and system	IV. Human Rights	6.2 Organizational governance 6.3 Human Rights 6.3.3 Due Diligence 6.3.4 Human rights risk situations 6.3.6 Resolving grievances 6.6.6 Promoting social responsibility in the value chain	T	8-9; 25; 28-29; 40; 88-90; 92-93; 100-105; 150-153 www.ferrero.com/it/responsabilita-sociale/codice-di-condotta ; www.ferrero.com/it/responsabilita-sociale/codice-etico/eccellenza-affidabilita

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
Investments and procurement practices					
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	IV. Human Rights	6.3 Human Rights 6.3.3 Due diligence 6.3.5 Avoidance of complicity 6.6.6 Promoting social responsibility in the value chain	T	28-29; 40; 100-153; 156-161;
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	IV. Human Rights	6.3 Human Rights 6.3.3 Due diligence 6.3.5 Avoidance of complicity 6.4.3 Employment and employment relationships 6.6.6 Promoting social responsibility in the value chain	T	28-29; 40; 100-153; 156-161; 174-180
Non-discrimination					
HR4	Total number of incidents of discrimination and corrective actions taken	IV. Human Rights V. Employment and Industrial Relations	6.3 Human Rights 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	T	25
Freedom of association and collective bargaining					
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	IV. Human Rights V. Employment and Industrial Relations	6.3 Human Rights 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 6.4.3 Employment and employment relationships 6.4.5 Social dialogue	T	28-29; 40; 92-93; 150-153
Child labor					
HR6	Operations and significant 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 Human Rights 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	T	28-29; 40; 150-153; 156-161; 174-180
Prevention of forced and compulsory labor					
HR7	Operations and significant 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 Human Rights 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	T	28-29; 40; 150-153; 156-161; 174-180
Assessment					
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	IV. Human Rights	6.3 Human Rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity	T	28-29; 40; 150-153; 156-161; 174-180

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
Remediation					
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	IV. Human Rights	6.3 Human Rights 6.3.6 Resolving grievances	T	25
Society Performance Indicators					
DMA SO	Management and verification policies and system	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.2 Organizational governance 6.6 Fair Operating Practices 6.8 Community involvement and development	T	8-9; 12-13; 25; 28-29; 40-43; 56; 62-65; 120-123; 132-135; 153-155; 157-161; 164-170; 172-174; 214-216 www.ferrero.com/it/responsabilita-sociale/codice-di-condotta
Local communities					
S01 (FPSS)	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.3.9 Economic, social and cultural rights 6.8 Community involvement and development 6.8.3 Community involvement 6.8.9 Social Investment	T	25; 40; 62-63; 65-70; 117; 127-131; 136-141; 156-161; 169-170; 180; 213-215
S01 (G3.1)	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 6.8 Community involvement and development 6.8.3 Community involvement 6.8.9 Social Investment	T	29; 40; 62-66; 68-71; 120-123; 132-134; 153-157; 159-161; 164-170; 172-174; 214-216
S09	Operations with significant potential or actual 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 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.8 Community involvement and development	T	29
S010	Prevention and mitigation measures implemented in operations with significant potential or actual 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 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.8 Community involvement and development	T	29
Healthy and affordable food					
FP4	Nature, scope and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	IV. Human Rights V. Employment and Industrial Relations VI. Environment	6.8.8 Health	T	41-43; 62-63; 132-134
Corruption					
S02	Percentage and total number of business units analyzed for risks related to corruption	VII. Combating Bribery, Bribe Solicitation and Extortion	6.6 Fair Operating Practices 6.6.3 Anti-corruption	T	25
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	VII. Combating Bribery, Bribe Solicitation and Extortion	6.6 Fair Operating Practices 6.6.3 Anti-corruption	P	25 We are going to develop our data collection process by 2014/2015

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
S04	Actions taken in response to incidents of corruption	VII. Combating Bribery, Bribe Solicitation and Extortion	6.6 Fair Operating Practices 6.6.3 Anti-corruption	T	25
Public policy					
S05	Public policy positions and participation in public policy development and lobbying	VII. Combating Bribery, Bribe Solicitation and Extortion	6.6 Fair Operating Practices 6.6.4 Responsible political involvement 6.8.3 Community involvement	T	26-27; 41-43; 56; 150-153; 162; 164-166; 171-174
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	VII. Combating Bribery, Bribe Solicitation and Extortion	6.6 Fair Operating Practices 6.6.4 Responsible political involvement 6.8.3 Community involvement	T	Ferrero does not allow behaviors that, directly or indirectly, offer, promise, give or demand a bribe or other undue improper advantage, with the intention of corruption, to public officials, civil servants, members of their families, and business partners Ferrero does not allow contributions to political parties and or to candidates for public office
Compliance					
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	X. Competition XI. Taxation	6.6 Fair Operating Practices 6.6.3 Anti-Corruption 6.6.7 Respect for property rights 6.8.7 Wealth and income creation	T	25
Products Responsibility Performance Indicators					
DMA PR	Management and verification policies and system	VI. Environment VIII. Consumer Interests	6.2 Organizational governance 6.6 Fair Operating Practices 6.7 Consumer Issues	T	25; 28-29; 40-43; 48; 56; 223-227
Customer health and safety					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	VI. Environment VIII. Consumer Interests	6.3.9 Economic, social and cultural rights 6.6.6 Promoting social responsibility in the value chain 6.7 Consumer Issues 6.7.4 Protecting consumers' health & safety 6.7.5 Sustainable consumption	T	28-29; 40-43; 48-49 www.ferrero.com/it/responsabilita-sociale/codice-di-condotta
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	VI. Environment VIII. Consumer Interests	6.3.9 Economic, social and cultural rights 6.6.6 Promoting social responsibility in the value chain 6.7 Consumer Issues 6.7.4 Protecting consumers' health & safety 6.7.5 Sustainable consumption	T	25; 54
FP5	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 & safety	T	51-53

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
FP6	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	T	41-46
FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives	VI. Environment VIII. Consumer Interests	6.7.5 Sustainable consumption	T	41-46
Product and service labelling					
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	VIII. Consumer Interests	6.7 Consumer Issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices 6.7.4 Protecting consumers' health & safety 6.7.5 Sustainable consumption 6.7.6 Consumer service, support and complaint and dispute resolution 6.7.9 Education and awareness	T	59; 223-227
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	VIII. Consumer Interests	6.7.5 Sustainable consumption	T	59
Marketing communication					
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	VIII. Consumer Interests	6.7 Consumer Issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices 6.7.6 Consumer service, support and complaint and dispute resolution 6.7.9 Education and awareness	T	56
PR7	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	6.7 Consumer Issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices 6.7.6 Consumer service, support and complaint and dispute resolution 6.7.9 Education and awareness	T	57-59
Compliance					
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	VIII. Consumer Interests	6.7 Consumer Issues 6.7.6 Consumer service, support and complaint and dispute resolution	T	25
ANIMAL WELFARE PERFORMANCE INDICATORS					
DMA AW	Management and verification policies and system	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	T	28-29; 40; 184 www.ferrero.com/it/ responsabilita-sociale/ codice-di-condotta
Breeding and genetics					
FP9	Percentage and total of animals raised and/or processed, by species and breed type	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	NA	Ferrero doesn't roast or process animals

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) and Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
Animal husbandry					
FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	NA	Ferrero doesn't roast or process animals
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	NA	Ferrero doesn't roast or process animals
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	n.a.	4.4 Ethical behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	NA	Ferrero doesn't roast or process animals
Transportation, handling, and slaughter					
FP13	Total number of incidents of 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 behavior 6.5.6 Protection of the environment, biodiversity and restoration of natural habitats 6.7.5 Sustainable consumption	NA	Ferrero doesn't roast or process animals

**INDEPENDENT AUDITORS' REPORT
ON THE CORPORATE SOCIAL RESPONSIBILITY REPORT**

To the Board of Directors
of Ferrero International S.A.

1. We have reviewed the corporate social responsibility report (the "sustainability report") of the Ferrero Group (the "Group") as of August 31st, 2014. The Directors of Ferrero International S.A. are responsible for the preparation of the sustainability report in accordance with the "Sustainability Reporting Guidelines" (version 3.1, 2011) and "Food Processing Sector Supplement" both issued by GRI – Global Reporting Initiative, as set out in the paragraph "About this report". The Directors are also responsible for the definition of the Group's objectives regarding the sustainability performance and the reporting of the achieved results. The Directors are also responsible for the identification of stakeholders and of significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes with reference to data and information presented in the sustainability report. Our responsibility is to issue this report based on our review.
2. We conducted our work in accordance with the criteria for review engagements established by the "International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. That standard requires the compliance with ethical principles ("Code of Ethics for Professional Accountants" issued by the International Ethics Standards Board for Accountants - IESBA), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatements. A limited assurance engagement on the sustainability report consists of making inquiries, primary with persons responsible for the preparation of the information included in the sustainability report, analysing the sustainability report and applying other evidence gathering procedures, as appropriate. The performed procedures are summarized as follows:
 - comparing the economic and financial information and data included in the paragraph "The Group" of the sustainability report with those included in the Group's consolidated financial statements as of August 31st, 2014, on which Deloitte Audit Société à responsabilité limitée issued the auditor's report dated February 25th, 2015;
 - analysing how the processes underlying the generation, recording and management of quantitative data included in the sustainability report operate. In particular, we have performed the following procedures:
 - interviews and discussions with the management of Ferrero Group, to gather information on the information, 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 of the qualitative information included in the sustainability report and its overall consistency in relation to the guidelines referred to in paragraph 1 of this review report, in particular with reference to the sustainability strategy and policies and the determination of significant aspects for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of persons involved, through analysis of the minutes of the meetings or any other available information about the significant features identified in the stakeholder involvement process;
- obtaining the representation letter signed by the legal representative of Ferrero International S.A. on the compliance of the sustainability report with the guidelines referred to in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in an audit.

For the data and information relating to the sustainability report of the prior year presented for comparative purposes, reference should be made to our review report dated July 30th, 2014.

3. Based on the procedures performed, nothing has come to our attention that causes us to believe that the sustainability report of the Ferrero Group as of August 31st 2014 is not prepared, in all material respects, in accordance with the "Sustainability Reporting Guidelines" (version 3.1, 2011) and "Food Processing Sector Supplement" both issued by GRI – Global Reporting Initiative, as set out in the paragraph "About this report".

Milan, July 31st, 2015

DELOITTE ERS – ENTERPRISE RISK SERVICES S.r.l.

Franco Amelio
Partner
Sustainability Services

This report has been translated into the English language solely for the convenience of international readers.

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