

# SHARING VALUES TO CREATE VALUE

FERRERO GROUP  
CORPORATE SOCIAL RESPONSIBILITY  
SUMMARY 2017



About this Report	IFC
Letter from our Executive Chairman	1
At a Glance	3
Ferrero's Social Responsibility	6
Materiality Analysis	8
Stakeholder Mapping	9
Our Sustainability Goals	10

## OUR CONSUMERS

Nutrition	14
Innovation	14
Quality	16
Responsible Communications	17
Kinder Surprise Company	17

## OUR PEOPLE AND OUR COMMUNITY

Ferrero People	20
The Ferrero Foundation	21
The Michele Ferrero Entrepreneurial Project	22
Kinder + Sport	23

## OUR VALUE CHAIN

Create	26
Choose	27
Make	32
Store and Deliver	34
You	34

## ABOUT THIS REPORT

This summary report explains the Ferrero Group's corporate responsibility strategy and our global activities during Fiscal Year (FY) 2016/2017 (from September 1st, 2016 to August 31st, 2017). The issues discussed in this summary match those covered in our full report, which were selected via a materiality process, based on their level of importance to our Group and our stakeholders.

This summary report was drafted by Corporate Communications and Sustainability office (email: [csr@ferrero.com](mailto:csr@ferrero.com)).

The full report on which this summary is based was the subject of a limited assurance engagement by PricewaterhouseCoopers.

This summary report is also accessible online at [www.ferrerocsr.com](http://www.ferrerocsr.com), where our current and previous eight full CSR reports are also available. We will continue to publish reports on an annual basis.



Previous reports are available  
online at: [www.ferrerocsr.com](http://www.ferrerocsr.com)

# LETTER FROM OUR EXECUTIVE CHAIRMAN



**Our passion for creating the highest quality products defines our everyday activities all the way back to sourcing the very best raw materials. The ‘very best’ not only in terms of product excellence but also in terms of rigorous criteria in sustainability, which we apply all along our value chain in partnership with a multitude of stakeholders.”**

**Giovanni Ferrero**  
Executive Chairman – Ferrero Group

We are closing a year of great achievements. It is unquestionable that it has been one of the most transformative years of Ferrero’s history: first of all we have introduced a new governance model which has led to the appointment of Mr Civiletti as our new Ferrero CEO in order to secure, under his strong leadership, the achievement of the Group’s Budget and PS3 business targets.

Moreover, we have developed a new strategic planning process to set ambitious and compelling long-term goals, as well as bold medium- to long-term strategies.

The planning cycle we are beginning is equally historic. Whilst we continue to foster our values, leverage our heritage and fully respect our contract of engagement with our stakeholders, we are breaking our legacy: we are migrating from the chocolate confectionery market to the Sweet Packaged Foods (SPF) one. What does not change however, is the *Ferrero way of doing things*.

For us at Ferrero, our commitment, authenticity and devotion to consumers, resulting in the highest quality products, will always drive our actions. It has already delivered outstanding results for the Ferrero Group, as demonstrated by the consolidated turnover of €10.5 billion achieved in FY 2016/17, up 1.5% from the previous year.

Our passion for creating the highest quality products defines our everyday activities all the way back to sourcing the very best raw materials. The ‘very best’ not only in terms of product excellence but also in terms of rigorous criteria in sustainability, which we apply all along our value chain in partnership with a multitude of stakeholders.

Our people and the communities in which we operate are also the focus of our passion and are at the heart of our value sharing system. This system translates into the empowerment of our people that have worked and continue to work for Ferrero and of the communities in our supply chain. This also means the continuity of important initiatives such as the Ferrero Foundation, the Michele Ferrero Entrepreneurial Project and the Kinder+Sport program. I am especially proud that last year this latter program reached an important milestone, spreading the joy of moving to children and young people in 30 countries.

Furthermore, the Ferrero Group has very strong ambitions for the coming years. All of which will be shaped by our absolute respect for the People and the Planet.

This Report is testament to our renewed support for the United Nations Global Compact, the world’s largest corporate sustainability initiative.

Finally, I would like to thank each and every Ferrero employee, or Ferrerians as we call ourselves, for their continued support, commitment and active participation in our unique journey.

A handwritten signature in black ink, appearing to read 'G. Ferrero', written in a cursive style.

**Giovanni Ferrero**  
Executive Chairman – Ferrero Group

# FERRERO AT A GLANCE

Our approach to corporate social responsibility is largely focused on offering consumers around the world innovative products of the highest quality and freshness, made using carefully selected raw materials.

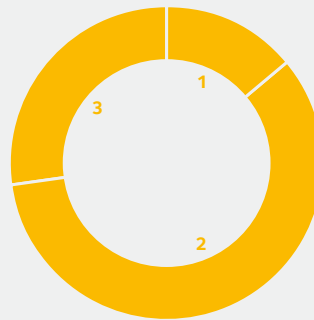
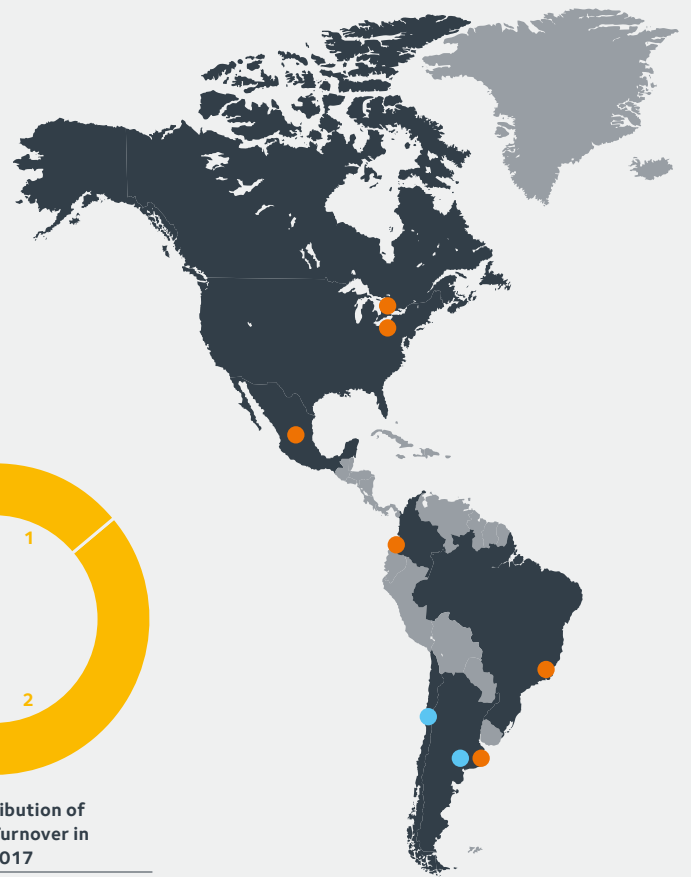
## OUR PRESENCE IN THE WORLD

Our products are present and sold, directly or through authorized retailers, in more than **170** countries. Our Group is present in **55** countries and territories:

Argentina	Kazakhstan
Australia	Luxembourg
Austria	Malaysia
Belgium	Mexico
Brazil	Monaco
Bulgaria	Netherlands
Cameroon	Norway
Canada	Poland
Chile	Portugal
China	Puerto Rico
Colombia	Romania
Croatia	Russia
Czech Republic	Serbia
Denmark	Singapore
Ecuador	Slovakia
Finland	South Africa
France	South Korea
Georgia	Spain
Germany	Sri Lanka
Greece	Sweden
Hong Kong	Switzerland
Hungary	Taiwan
India	Turkey
Indonesia	UAE
Ireland	Ukraine
Israel	United Kingdom
Italy	United States
Japan	



For more information visit:  
[www.ferreroocr.com](http://www.ferreroocr.com)



**Geographical Distribution of Consolidated Net Turnover in Fiscal Year 2016/2017**

1. Italy	14%
2. Rest of Europe	59%
3. Outside of Europe	27%

## KEY NUMBERS

**Total Production** (Tonnes)

**+0.9%**

**2016/17** 1,277,126

2015/16 1,265,950

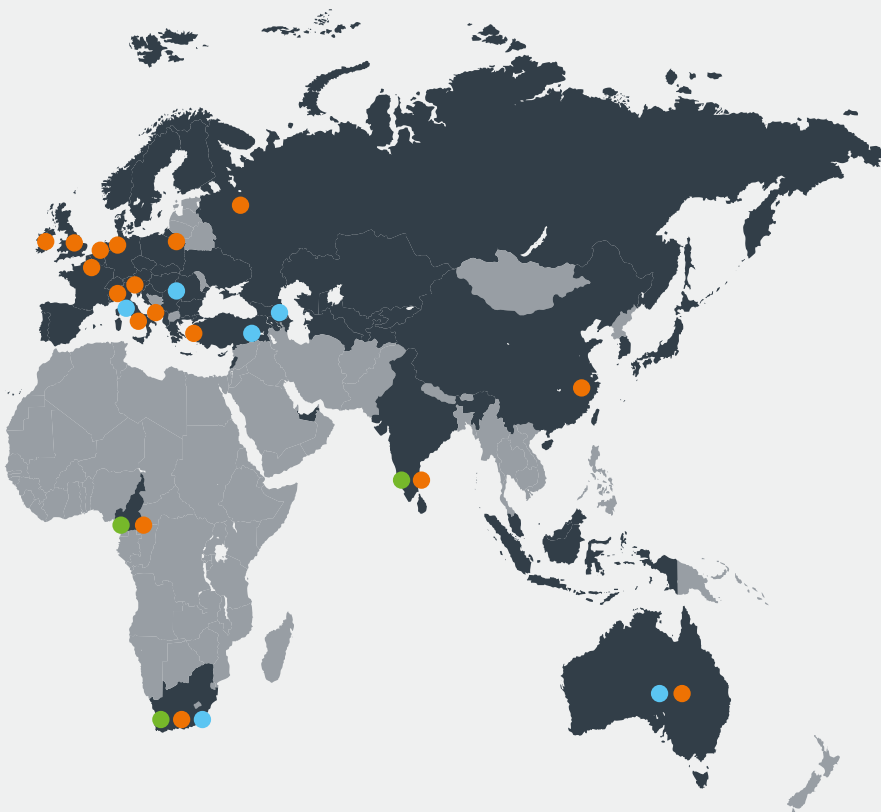
**Consolidated Net Turnover** (€/000)

**+1.54%**

**2016/17** 10,485,058

2015/16 10,325,845

- Production Plant
- Michele Ferrero Entrepreneurial Project
- Ferrero Hazelnut Company



An extensive and constantly increasing presence that attests to the quality of the products, the Group's ability to adapt and respond quickly to the needs of different markets, as well as to the fact that the Group and its products are in tune with the daily needs of consumers around the world.

## 23 INTERNATIONAL MANUFACTURING PLANTS

1. Italy – Alba 1946
2. Germany – Stadtallendorf 1956
3. France – Villers-Écalles 1960
4. Italy – Pozzuolo Martesana 1965
5. Australia – Lithgow 1974
6. Ireland – Cork 1975
7. Ecuador – Quito 1975
8. Italy – Balvano 1985
9. Italy – S. Angelo Dei Lombardi 1985
10. Belgium – Arlon 1989
11. Poland – Belsk Duzy 1992
12. Argentina – La Pastora 1992
13. Brazil – Poços De Caldas 1994
14. Canada – Brantford 2006
15. Cameroon – Yaoundé\* 2005
16. South Africa – Walkerville\* 2006
17. India – Baramati\* 2007
18. Russia – Vladimir 2009
19. Mexico – S. José Iturbide 2013
20. Turkey – Manisa 2013
21. China – Hangzhou 2015
22. United Kingdom – Alfreton 2015
23. USA – North Canton 2017

\* Michele Ferrero Entrepreneurial Project

### Average Group Workforce

**+3.76%**

2016/17 **30,305**

2015/16 29,206

## RAW MATERIALS

During the FY 2015/2016 the Group used a total of **1,830,193 tonnes<sup>1</sup>** of agricultural raw materials and packaging raw materials.

<sup>1</sup> Figure includes the volume of water used in the recipes of Ferrero products, raw materials for surprises and auxiliary materials for the production process.

## HCO – HAZELNUT COMPANY

### 6 Agricultural Companies:

Chile  
 Argentina  
 Georgia  
 South Africa  
 Australia  
 Serbia

### 8 Manufacturing Plants:

Chile  
 Italy  
 Turkey

# FERRERO'S SOCIAL RESPONSIBILITY

Ferrero has always been dedicated to taking on solid commitments and paying the utmost attention to People and the Planet, giving these precedence over its financial goals. This tendency is inherent to the Company's DNA and is symbolically represented in a letter that Michele Ferrero sent to company employees in 1957, when he took the leadership:



**I personally pledge to dedicate everything I do and all my intentions to our company, so that it may continue its journey in the same light that my father and my uncle gave it, assuring you that I will only feel satisfied once I am able, with concrete facts, to ensure you and your children a safe and peaceful future."**

Michele Ferrero  
1957

Our Executive Chairman Giovanni Ferrero continues to guide the Group in this same light:



**Tradition and innovation are inherent to Ferrero's DNA. If I had to find a metaphor, I'd say that tradition is like a bow. The further back we pull the string, the further forward we can fire the arrow of modernity, of vision, of innovation."**

Giovanni Ferrero  
Executive Chairman

For our Group, the term corporate social responsibility has always stood for caring for people and for the local area: namely employees and former employees, consumers, families and the local communities in which we operate. These principles of social responsibility guided Ferrero's first steps 70 years ago in Alba and remain unchanged to this day.

For us, the most important report has never been our annual financial statement; it is in fact our social responsibility report that reflects our Group's respect for People and the Planet.

Our approach to sustainability is currently based on our social responsibility strategy: **Sharing values to create value.**

This strategy is implemented every day through our commitment to consumers, which results in the highest quality products, innovation and transparent communication. For us, the creation of shared value is a practice that affects all stages of the supply chain: it goes from caring for the people who have made and continue to make the history of the Group, the support of local communities and the promotion of active lifestyles among youths and their families, all the way to our strong commitment to sustainable farming practices and safeguarding and protecting the environment.

We confirm all of the commitments of our corporate social responsibility strategy, involving People and Planet.



For the purposes of determining and managing the Group's policy in terms of corporate social responsibility (CSR), the Ferrero Group has an office which is specifically responsible for CSR: [csr@ferrero.com](mailto:csr@ferrero.com)



## PEOPLE

At Ferrero, consumer focus isn't just an abstract 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 our nutritional strategy, ongoing innovation, the quality and freshness of our products, food safety and responsible and transparent communication.

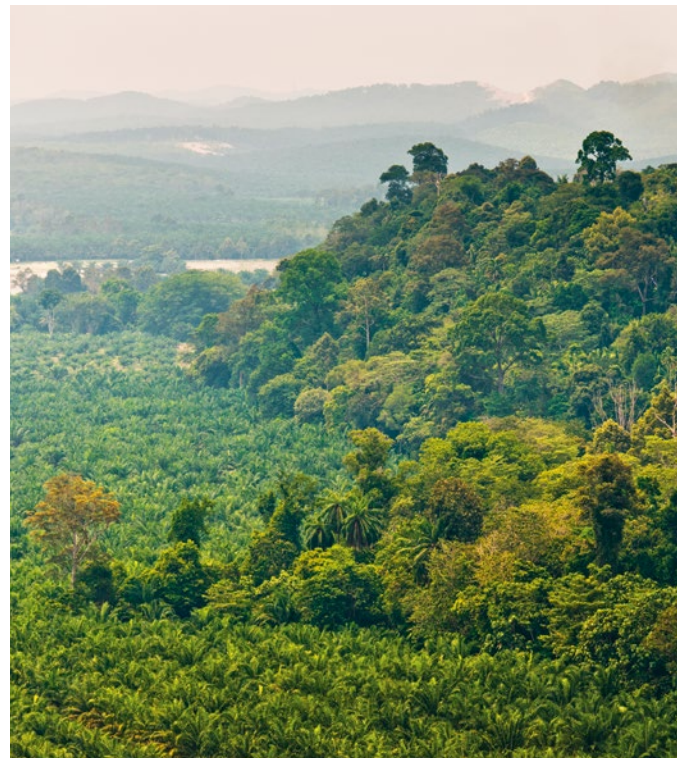
In addition, we show a constant interest in the lives of our current and former employees as well as the people living in the communities in which we operate. This commitment is demonstrated by the activities of the Ferrero Foundation and the Michele Ferrero Entrepreneurial Project, active in Africa and Asia. Our Group also continues its commitment to the promotion of active lifestyles by addressing young people and their families through the global Kinder + Sport "Joy of moving" program.



## PLANET

Monitoring and improving the impact of our activities throughout the entire supply chain is a priority for our Group, which we address by ensuring that our main raw materials are responsibly sourced.

In addition, we are committed to production that respects the environment, by making use of the best technologies available, ensuring that our use of energy, materials and natural resources is efficient and by consuming water resources responsibly and reasonably. Acknowledging this responsibility, we are strongly committed to minimizing our environmental impact, from raw materials to production plants and logistics, along the entire value chain.



# MATERIALITY ANALYSIS

Our Materiality Analysis is aimed to identify and assess the importance of various sustainability topics that affects our ability to create value and those considered relevant by our stakeholder.

This analysis resulted in 26 material topics. Following the identification of the topics we proceeded with the prioritization process, based on both internal and external perception.

The relevance for our external stakeholders has been measured through a quantitative analysis performed on the basis of thousands of data points from corporate reports, mandatory and voluntary regulations (including NGOs publications), news and social media posts<sup>2</sup>.

The relevance and the potential impacts for Ferrero have been measured through an internal analysis.

In the matrix, the aspects that are most relevant to Ferrero and our stakeholders are placed in the top right-hand box.

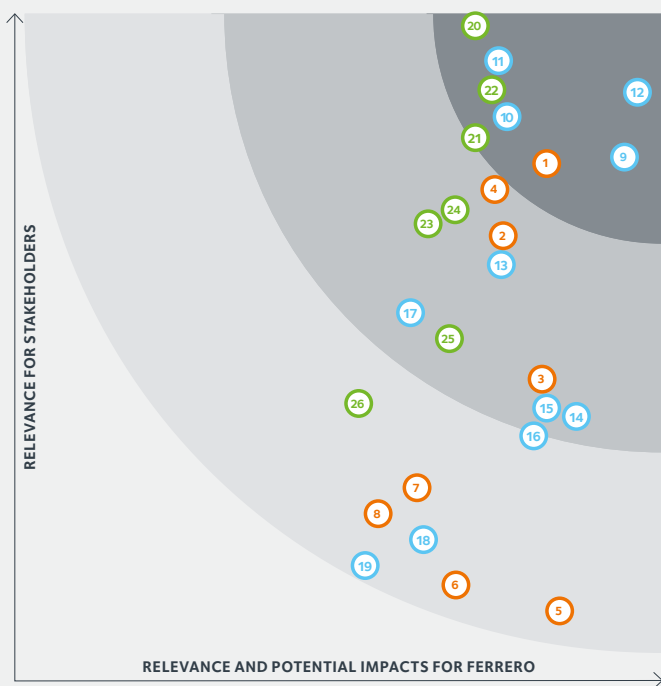
Compared to the previous years, some topics related to environment have increased in importance, in particular *Climate change and air quality*, *Natural capital preservation and biodiversity* and *Sustainable packaging*. *Nutrition* is confirmed to be of high importance for external stakeholders and for Ferrero. We also confirmed once more, from internal and external perspective, the crucial importance of a *Responsible Supply Chain*.

From an internal perspective *Products and ingredients safety and quality* is confirmed to be the first Group priority, together with the protection of the *Human rights*. *Consumer rights* and *Responsible Marketing* are also considered of high importance for the Group.

The importance of other environmental topics (*Water management* and *Waste management*) has also been highlighted, together with the confirmation of *Transparency* and *Ethics and Compliance* as crucial themes.

Special attention is also paid to our employees, as we identified topics such as *Employee health, safety and well-being* and *Fair and inclusive workplace* as being of high importance.

## MATERIALITY MATRIX



- THE GROUP**
  - 1. Responsible Supply Chain
  - 2. Governance
  - 3. Transparency
  - 4. Ethics and compliance
  - 5. Long-term value
  - 6. Innovation and digitalization
  - 7. Competitive pressure
  - 8. Geopolitical events
- PEOPLE**
  - 9. Human rights
  - 10. Nutrition
  - 11. Employee rights
  - 12. Products and ingredients safety and quality
  - 13. Talent and development
  - 14. Consumer rights
  - 15. Responsible marketing

- PLANET**
  - 16. Employee health, safety and well-being
  - 17. Fair & inclusive workplace
  - 18. Local community support
  - 19. Inclusion and accessibility
  - 20. Climate change and air quality
  - 21. Sustainable packaging
  - 22. Natural capital preservation and biodiversity
  - 23. Water management
  - 24. Waste management
  - 25. Energy efficiency
  - 26. Animal welfare

<sup>2</sup> Source: Datamaran Limited



# STAKEHOLDER MAPPING

For the purpose of drafting the CSR Report and this summary, the mapping of internal and external stakeholders has been confirmed, affirming the centrality of the consumer – Ferrero’s first key stakeholder.

We actively participate in debates and work groups, in the trade and industry associations to which we belong, at an international, European and national level. In addition, we have developed a structured dialogue with some NGOs working in CSR.

The many other ways in which we engage with stakeholders are explained in greater detail in our full Corporate Social Responsibility Report.



# OUR SUSTAINABILITY GOALS

SCOPE	DESCRIPTION	PROGRESS	
	FSSC 22000 food safety certification for all Group production sites – excluding the plants of Michele Ferrero Entrepreneurial Project – including the new plant in China	Reached in January 2017	●
	Enhance the activities of the Ferrero Foundation and of the Michele Ferrero Entrepreneurial Project	Reached and renewed	●
	Promote internal initiatives to support a “culture of diversity”	Commitment renewed until 2018	●
	Increase of 5% in women managerial positions (compared to August 31st, 2015)	By 2020	●
	On-going support and expansion of our Kinder + Sport program by extending it in 30 countries all over the world and moving five 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 in EU plants and extended to a global level by 2025.	●



● On track



● Not on track



For further details regarding the progress of the Ferrero Group's goals for 2020, please see the following chapters of this report.

SCOPE	DESCRIPTION	PROGRESS	
	Self-produced electricity totaling 70% (instead of 75%) of electrical consumption of all European plants, of which 18% (instead of 25%) from renewable sources	Partially met in September 2014	
	Group ISO 50001 certification for the 17 production sites active in August 2014 – excluding the plants of Michele Ferrero Entrepreneurial Project – including power generation plants	By 2020	
	Implementation of a global action plan on energy, according to local needs of existing and future plants, aimed at reducing emissions	By 2020	
	40% reduction of CO <sub>2</sub> emissions from production activities (compared to 2007)	By 2020	
	30% reduction of greenhouse gas emissions (tonnes of CO <sub>2</sub> eq) 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 cardboard <sup>3</sup> from certified sustainable supply chain	Reached in December 2014	
	100% of virgin paper <sup>4</sup> from certified sustainable supply chain	Reached in December 2017	



-  On track
-  Not on track

3 The term cardboard refers to materials with a density (mass per square meter) over 225 g/m<sup>2</sup>.

4 The term paper refers to materials with a density (mass per square meter) below 225 g/m<sup>2</sup>.

# OUR CONSUMERS

Consumers are our key stakeholders and our passion to satisfy them is at the heart of our daily activities.

Everything we do, we do for consumers: producing products of the highest quality, investing in on-going innovation, our commitment to freshness and food safety and responsible communication. In particular, we dedicate a special attention to the needs of parents and their children, through the activities of the Kinder Surprise Company.

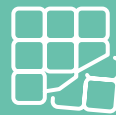


For more information visit:  
[www.ferrerocsr.com](http://www.ferrerocsr.com)



Products providing 130 calories/portion or less

92.2%



Finished products tested for freshness

1 million



Controls on primary and secondary packaging, including organoleptic tests and defect detection tests

1,333,000



Safety and quality tests on Ferrero toys compared to 38 required by regulators

65

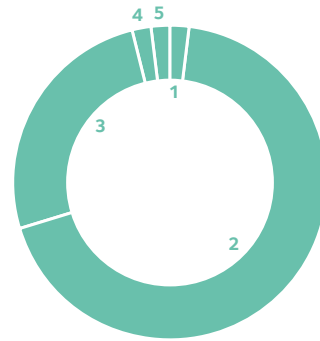
# OUR CONSUMERS

## NUTRITION

**Nutrition is a fundamental element of life: both a pleasure and a necessity. A healthy and balanced diet is the basis for human well-being and one of our corporate goals is to help our consumers make correct food choices and encourage them to adopt a varied and balanced diet.**

We market some of the world's best-loved confectionery products, in over 170 countries.

All of these products are of high quality and can be integrated into a varied diet and an active healthy lifestyle. We support food education initiatives and offer our products in portions with low-calorie load.



**Breakdown of Ferrero products according to energy delivered by portion on marketed volumes\***

1. ≤10 kcal	2.2%
2. >10 – ≤100 kcal	68.2%
3. >100 – ≤150 kcal	25.8%
4. >150 – ≤200 kcal	2.0%
5. >200 kcal	1.7%

\* % volume of products marketed worldwide, in the period 2016/2017. Ferrero internal source.

## INNOVATION

**Our approach to innovation combines two complementary and mutually reinforcing models. “Product to Science” starts with the idea of a novel product then looking for the science that enables it. “Science to Product” explores innovations in science and technology that inspire new product concepts.**

Over the past 50 years, we have created innovative products that have become, over time, true icons of the chocolate confectionery sector. Today, we have a research and technology company within the Ferrero Group that is dedicated to on-going open innovation.









## RESPONSIBLE COMMUNICATIONS

When communicating about our products we go beyond legal requirements, adopting many self-regulation systems, in particular those relating to nutrition labeling and advertising, as well as participating in programs that promote physical exercise and good eating habits.

As a global player in our industry, we consistently apply the "Framework for responsible food and beverage communication" adopted by the International Chamber of Commerce and we participate in several other national and international initiatives designed to ensure high standards.

### 12 years

In Europe we don't advertise any food products to children under this age



### 9,000

Interviews with parents around Europe, Asia Pacific and Latin America in 2016/2017 in order to select the most promising surprise prototypes from 800 proposed every year

## KINDER SURPRISE COMPANY

For over 40 years, our safe, high quality, innovative KINDER® products have contributed to the happy growth of children of all ages, generating moments of intense emotion every day. From initial idea to finished product, KINDER toys are developed with continuous input from parents around the world.

The Kinder Surprise Company (KSC) is dedicated to all Kinder eggs and seasonals. Each surprise toy produced is created, studied, and tested with the utmost care by a dedicated team, involving child psychologists and safety specialists. This team works in line with four principles:

- **Improving the child's ability:** to encourage the development of certain specific attitudes in children.
- **Variety:** to develop new ways of playing, aimed at stimulating holistic growth in children.
- **A 360° experience:** encompassing fun, educational value and the option of playing on a digital platform.
- **Universality:** delighting children around the world, regardless of culture, gender or age.

# OUR PEOPLE & OUR COMMUNITY

Our values and legacy demonstrate how much we care about our people and the local communities in which we have a presence.

We invest in every aspect of our employees' personal and professional development from the day they join us right through to retirement. And we actively support the health, well-being and prosperity of those living in our local communities around the world.



For more information visit:  
[www.ferrerocsr.com](http://www.ferrerocsr.com)



People working for Ferrero in  
55 countries

40,000+



Visits from medical and social  
healthcare made in 2017  
to retired Ferrero employees  
and their spouses in Alba

1,064



Occupational levels of the Michele  
Ferrero Entrepreneurial Project

almost  
3,000

People



Kinder + Sport

23

4

Sporting  
disciplines

million children  
moved

# OUR PEOPLE AND OUR COMMUNITY

CONTINUED

## FERRERO PEOPLE

**From their first day until retirement and beyond, whatever role they play with us, we help our people to fulfill their professional and personal potential.**

We invest in the growth and development of our people, offering a wealth of learning opportunities through Ferrero University, including our online platform YourLearning and our Know-How Academies, focusing on technical training. We work hard to support a “culture of diversity”, reward our employees competitively and recognize their rights.

Protecting health and safety at work is central to Ferrero. We provide our employees with relevant H&S training so they understand how they can help to implement our policies.

In 2016/17 the injury frequency index for employees at our production plants fell from 9.02 injuries per million hours worked to 7.92 (-12% compared to the previous year). This year our Health, Safety and Social Responsibility Laboratory produced a set of shared rules, “The 10 Safety golden rules” and identified the appropriate communication strategy to promote the physical and mental health of workers at all our plants.

**+525,000**

Overall training hours





## THE FERRERO FOUNDATION

The Ferrero Foundation is the brainchild of Michele Ferrero, who established it as a social enterprise in 1983, to support our older employees and their families as they transitioned into retirement.

Today the Ferrero Foundation, chaired personally by Mrs. Maria Franca Ferrero, supports the physical, intellectual, emotional and social aspects of “aging well” – providing many ex-employees and their families with everything from medical supervision to shared learning and cultural activities, often with children and younger people.

19,943

participations to the functional training course organized by the Ferrero Foundation



# OUR PEOPLE AND OUR COMMUNITY

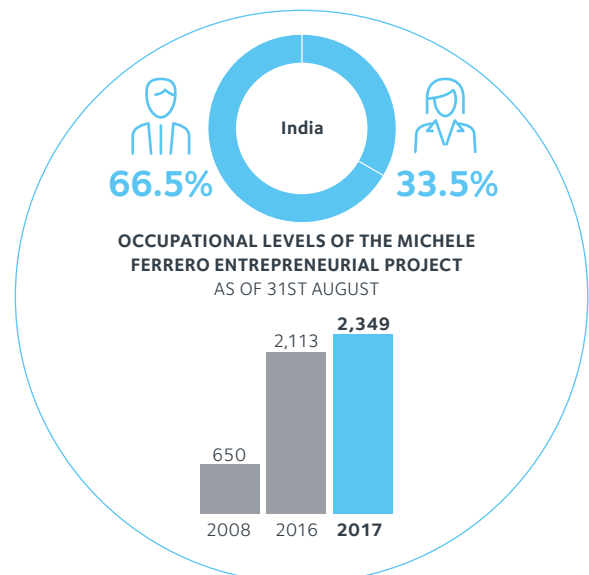
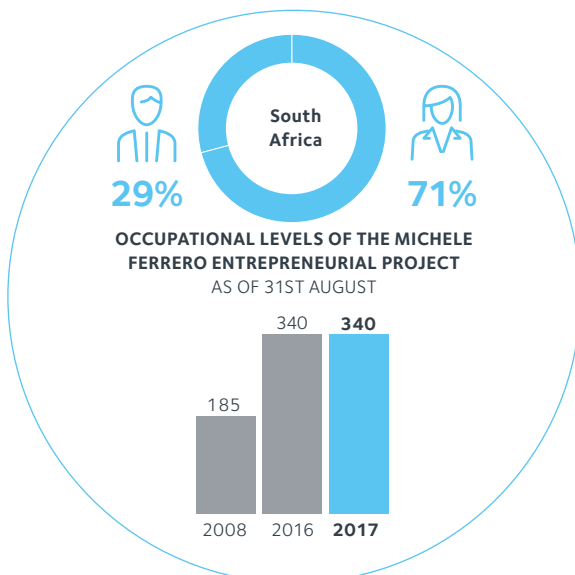
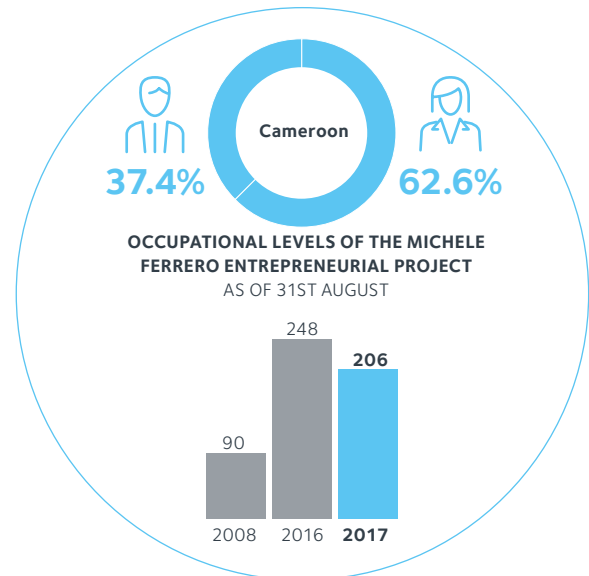
CONTINUED

## THE MICHELE FERRERO ENTREPRENEURIAL PROJECT

Established in 2005, the Michele Ferrero Entrepreneurial Project supports job creation and social and humanitarian projects in local communities in Cameroon, South Africa and India.

These projects focus on safeguarding the health, education and social growth of children and young people. Many of them are run in close collaboration with the Ferrero Foundation and local partners, including institutional authorities.

MICHELE FERRERO  
ENTREPRENEURIAL PROJECT



## KINDER + SPORT

Our international Social Responsibility program, Kinder + Sport Joy of Moving, promotes the importance of movement and daily physical activity for children and young people around the world, to support their health and happiness. The movement is gaining momentum with 7,796 events in 30 countries in 2016/17.

The project, now in its twelfth year, is inspired by the innovative educational method "Joy of Moving", a methodology based on academic research and experimentation in the field over many years, which has allowed us to scientifically validate a new approach to physical activity; one that aims at developing healthy habits and joy in physical movement.



### KINDER + SPORT FULL YEAR RESULTS 2016/2017

**4m**

Kids moved

**30**

Countries

**132**

Federations and associations

**7,796**

Events

**23**

Sports disciplines

**€11.8m**

Total investment



# OUR VALUE CHAIN

Our approach to achieving sustainable growth involves our entire value chain, which we categorize into six stages:

- **Create:** developing packaging that ensures great taste and a superior product experience.
- **Choose:** sourcing the best ingredients, sustainably.
- **Make:** managing our operations efficiently.
- **Store and Deliver:** storing and transporting raw materials to our factories, and finished products to our clients, as efficiently and sustainably as possible.
- **You:** engaging our consumers to minimize the impact of our products after consumption.

Sustainability has become a key component and we work with a vision of “**Sharing Values to Create Value**”. We build direct long-term commercial relationships with producers and suppliers of raw materials, based on a shared commitment to sustainable values, dialogue and transparency.



For more information visit:  
[www.ferrerocsr.com](http://www.ferrerocsr.com)





RSPO certified palm oil since 2015

**100%**



Cocoa certified as sustainable and 100% targeted by 2020

**70%**



Yield increase for orchards participating in Hazelnut FFV activities

**20-25%**



Packaging strategy: Renew, Recycle, Reuse, Remove, Reduce

**5Rs**

# CREATE

Every product presents specific packaging challenges, such as protection from light, odor and moisture, as well as mechanical protection, shelf life and providing portion sizes. We consider these challenges from the outset, driven by our desire to satisfy our consumers' expectations.

Dedicated teams collaborate to develop solutions, using our three packaging design principles:

- Ensuring product freshness and integrity in a correct portion.
- Using safe materials and the 5Rs strategy in packaging design.
- Ensuring coherence with our brand values through special shapes and materials.



Our decisions about packaging scenarios are always based on a clear understanding of the challenges they present

## THE 5RS

### Integrate the 5Rs into our ecodesign approach

In the development and planning of our packaging, we adopt what we define as the "5R Strategy", aimed at achieving the very best in terms of quality and freshness, while minimizing the quantity of waste produced.

The 5R are the principles identified by Ferrero as fundamental, which guide the design of our packaging with a view to Ecodesign.



## THE PACKAGING CHALLENGE

How we ensure a great taste and product experience: our challenges



# CHOOSE

## FERRERO SUSTAINABLE AGRICULTURAL PRACTICES

To source the best raw materials on the market, we have developed a deep understanding and knowledge of our ingredients: their origins and their transformational processes.

Now more than ever, sustainability has become a key component of this knowledge culture. We work with a vision of **“Sharing Values to Create Value”** and have always preferred to establish direct long-term commercial relationships with producers and suppliers of raw materials, based on dialog 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 our Group.

In particular, we care about the conditions that characterize the production of our supply chains' raw materials and we require all suppliers and collaborators to adhere to our Code of Business Conduct and to comply with our non-negotiable high standards. This ultimately will strengthen the partnership between all involved in our supply chain and increase transparency.

We acknowledge 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, we also promote good agricultural and social practices according to internationally recognized standards.

To achieve our ambitions for sustainable supply chains, we have launched the Ferrero Farming Value (FFV) program under the Ferrero Agricultural Commitment to Sustainability (F-ACTS) framework.

Each tailored FFV program has 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, we recognize that a single player alone cannot transform a given supply chain into a sustainable one. 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.

---

**To achieve our ambitions for sustainable supply chains, we have launched the Ferrero Farming Value (FFV) program under the Ferrero Agricultural Commitment to Sustainability (F-ACTS) framework.**

---



---

**We work with a vision of “Sharing Values to Create Value”**

---

## OUR 3-PILLAR APPROACH



All stakeholders along the value supply chain must work together to achieve a sustainable supply chain

### THE 3 PILLARS



PROGRAMS	OBJECTIVES
 <b>FERRERO FARMING VALUES</b> COCOA	<b>By 2020</b> 100% certified as sustainable
 <b>FERRERO FARMING VALUES</b> PALM OIL	<b>Since January 2015</b> 100% sustainable certified RSPO as segregated
 <b>FERRERO FARMING VALUES</b> HAZELNUTS	<b>By 2020</b> 100% traceable
 <b>FERRERO FARMING VALUES</b> CANE SUGAR	<b>By 2020</b> 100% certified as sustainable
 <b>FERRERO FARMING VALUES</b> EGGS	<b>By 2025</b> 100% of eggs from barn hens (100% for EU plants reached in September 2014)
 <b>FERRERO FARMING VALUES</b> MILK	Pursue strict quality standards and monitor sustainability indices

# CHOOSE

CONTINUED

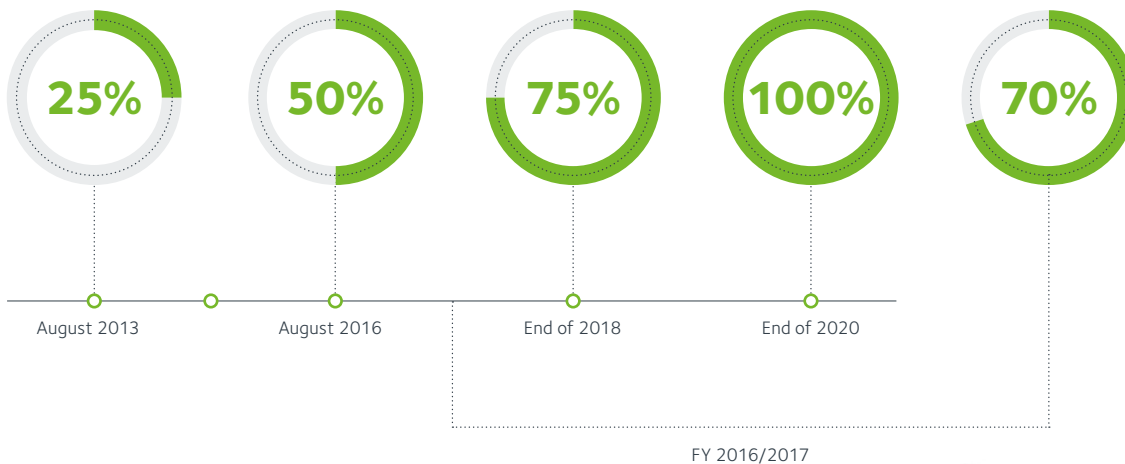
## COCOA

To safeguard the future of the cocoa sector, we are committed to supporting and improving cocoa farming sustainability through the implementation of the Ferrero Farming Values Cocoa Program.

Our program's approach is based on three key pillars: Certification, Institutional Engagement and Project Partnerships. We have committed to source 100% certified cocoa beans by end of 2020. In FY 2016/2017, we consumed more than 130,000 tonnes of cocoa beans, of which 70% was certified as sustainable cocoa.



## COCOA CERTIFICATION ROADMAP



## PALM OIL

We are committed to play a significant role in leading the sustainable transformation of the palm oil sector, for the benefit of the environment and of the communities living and working in palm oil-producing countries.

It is deep-rooted in our company culture to strengthen the long-term partnership with all actors of the supply chain and achieve high level of transparency. In 2015 we became one of the first global companies to source 100% RSPO certified palm oil as segregated.



## HAZELNUTS

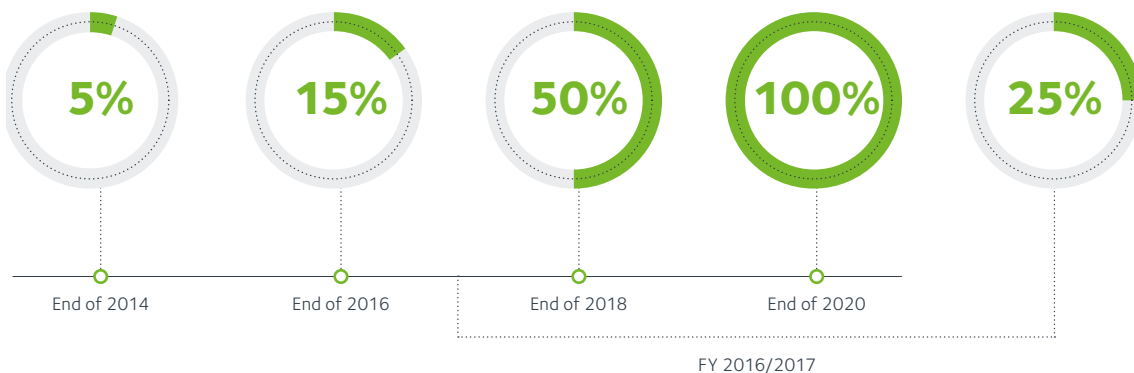
The hazelnut has always been a key ingredient in our main products. Over the years we have worked along the value chain to foster the development of high quality, sustainably grown hazelnuts.

Recently, in response to the expansion of activities connected to the hazelnut value chain, we have decided to create the Hazelnut Company, a Ferrero division that takes care of all our hazelnut activities, ranging from cultivation in several geographies and procurement in different markets to the processing of our products. One of the Hazelnut Company's strategic priorities is the maintenance of an efficient and sustainable end-to-end hazelnut supply chain.

Because of the importance of Turkey as a hazelnut producing country we have a 'Ferrero Farming Values' project there, designed to increase yield and quality in existing hazelnut orchards in order to improve conditions for farmers and to build a better and more sustainable future.



### TRACEABLE HAZELNUT SOURCING ROADMAP

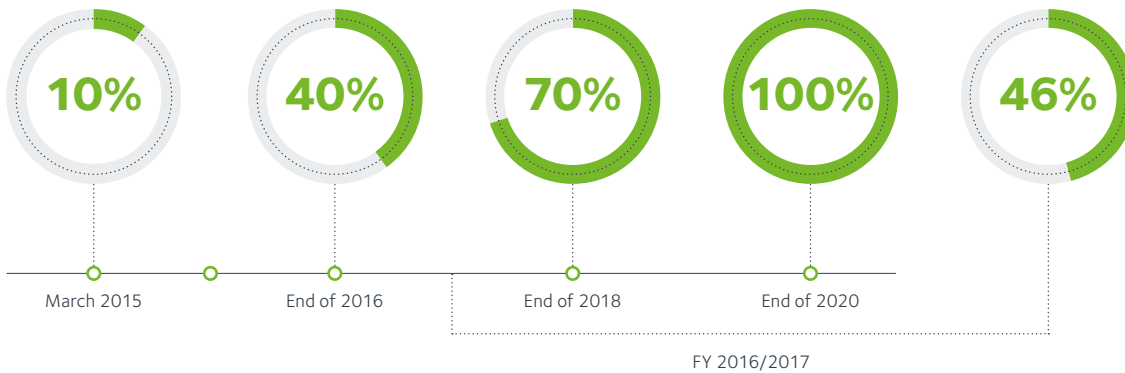


## SUGAR

We have maintained strong, trust-based relationships with numerous agricultural cooperatives and sugar producers.

For decades, we have collaborated with suppliers, who extensively provide us with high quality sugar. To support the development of sourcing from other sugar producing countries, our procurement and quality teams have put in place a baseline selection procedure for new suppliers. This allows us to guarantee that raw sugar always meets our high quality criteria, through its internal auditing system. We have committed to source 100% sustainable refined sugar by 2020.

### SUGAR SOURCING ROADMAP



## MILK AND EGGS

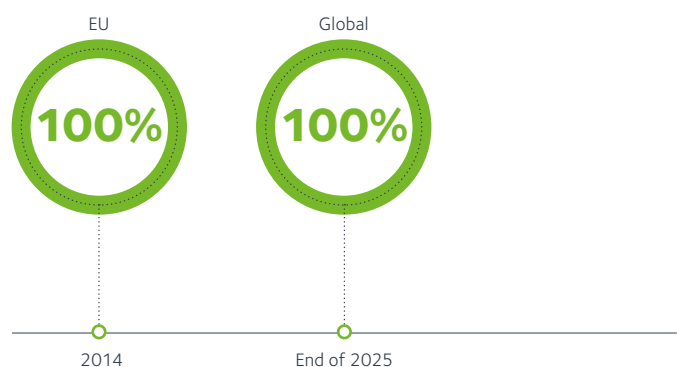
Over many years we have developed and nurtured long-term relationships with milk producers, who are carefully selected locally.

This approach has enabled mutual cooperation to ensure and improve freshness and quality with the same standards for all our milk suppliers. We use these relationships to strengthen our “controlled, short supply chains”, paying particular attention to the activities of suppliers linked to sustainability in terms of animal welfare and environmental responsibility.

Our egg supply chain is integrated (suppliers have the control of life cycle of their animals and the feed composition). And we are committed to sourcing eggs from cage-free hens living in barns for our global supply chain. We reached our objective of using 100% cage-free eggs in 2014 in the EU; and even though our European egg supply chains accounts for 95% of all the eggs we use globally, we commit to source only cage-free eggs and egg ingredients globally by 2025.



### EGGS FROM CAGE-FREE BARN HENS ROADMAP





## CERTIFICATIONS

### 1. ISO 14001 AND 50001 CERTIFICATION

We are committed to implementing and maintaining our Environmental and Energy Management System, compliant with ISO 14001 and ISO 50001 standards in our production plants and warehouses. At the end of FY 2016/2017, 18 plants and seven warehouses were ISO 14001 certified, while seven plants achieved ISO 50001 certification.

### 2. SAVE ENERGY

In recent years, we have focused on developing production plants that develop electricity and heat from cogeneration or trigeneration. We also use renewable sources wherever possible. At the end of 2016/2017, we managed 11 cogeneration/trigeneration plants classified as operating, where applicable, at high-efficiency.

### 3. AVOID WASTE

We promote the reuse and recovery of materials widely and if neither reuse nor recovery is technically possible, we dispose of our waste using the method that has the least environmental impact, with landfill chosen as the very last option.

### 4. MANAGE WATER

During 2016/2017, we introduced a number of initiatives to reduce water consumption, including those designed to improve cooling circuits, optimize the efficiency of molding washing machines, eliminate losses water distribution networks and enable the reuse of rainwater.

### 5. CO<sub>2</sub> EMISSIONS

Since 2009, we have measured our Carbon Footprint annually, committing to gradually increase our boundaries, in order to identify the impact of the entire supply chain of our products and to grow as a low emissions business. We adopt a Life Cycle Thinking (LCT) approach, which considers the different stages of a product's life and its main environmental impacts, including the phases that are not under our direct control.



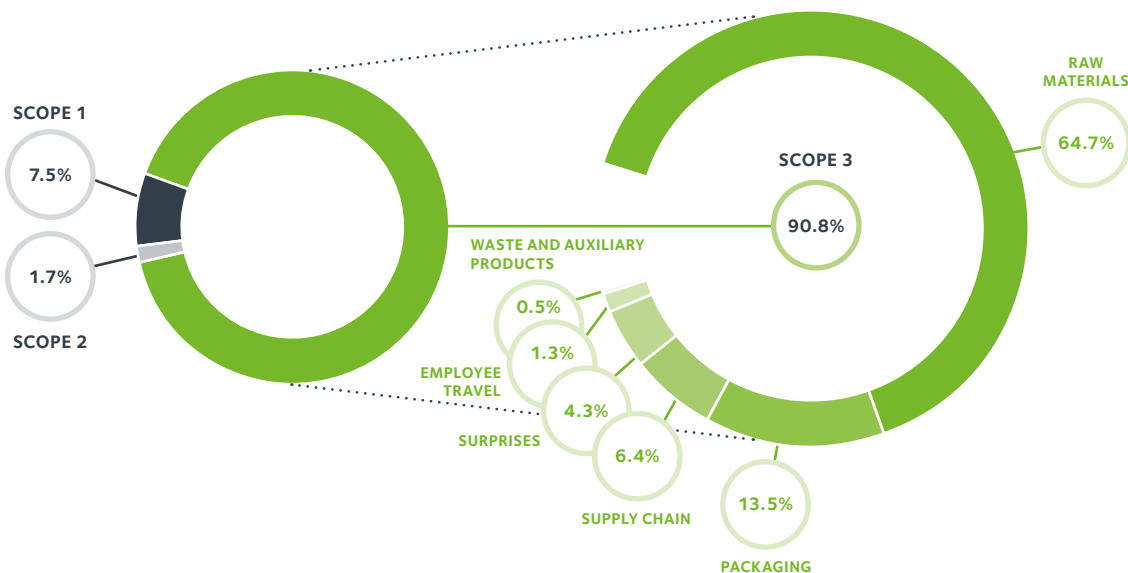
Waste recovery

95%



We adopt a Life Cycle Thinking (LCT) approach, which considers the different stages of a product's life and its main environmental impacts

## CO<sub>2</sub> EMISSIONS



# STORE AND DELIVER



Our Supply Chain department is responsible for storing, shipping and transporting many different materials, including raw materials and packaging to our factory plants or finished products to our clients.

We do this in ways designed to reduce our environmental impact.

By increasing the volume of our shared and reusable pallets, we have sent 18 tonnes less of waste to landfill, and used 1,000m<sup>3</sup> less water.

By replacing the lighting in our Monastir warehouse, we're saving 12.5 tonnes CO<sub>2</sub>/year.

We have increased our use of natural gas fueled trucks for domestic transport in Italy by 23%.



Increased use of natural gas-fueled trucks for domestic transport in Italy during FY 2016/2017

**+23%**

# YOU

How can consumers help us ensure that packaging is not thrown away and is recycled?

By helping us to dispose of them correctly, in line with local waste management instructions.

## MAKE THE DIFFERENCE AND DIFFERENTIATE

Some examples

### NUTELLA



**REUSE\* the jar!** Let's see how: get inspired and share your ideas with us!



[www.nutella.com/de/de/diy](http://www.nutella.com/de/de/diy)

Manage them according to your local collection system: help us put them in the right bin!

### KINDER BUENO



Very light weight packaging: don't waste our effort, put it into a bin!

Our snacks do not use composite film, they use plastic film with a sort of aluminum varnish<sup>3</sup>, this is why this material is labeled as plastics packaging.

<sup>3</sup> it is the so called metalized film, where a special process allow to "spray" aluminum molecules on plastic film to guarantee same protection with very few atoms of material instead of using an aluminum film to create a complex multimerial film.

\* secondary reuse suggestion





To find out more about Corporate Social Responsibility and sustainability at Ferrero:

Read our full Corporate Social Responsibility Report 2017:  
<https://www.ferrerocr.com/our-csr-reports/>

Visit our corporate website:  
<https://www.ferrero.com/> | <https://www.ferrerocr.com/>

Contact our CSR team:  
[csr@ferrero.com](mailto:csr@ferrero.com)