

SHARING VALUES TO CREATE VALUE

Corporate Social
Responsibility
Report 2012



FERRERO

SHARING **VALUES** TO CREATE **VALUE**

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Responsibility**

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Giovanni, Michele and Maria Franca Ferrero



ABOUT THIS CORPORATE SOCIAL RESPONSIBILITY REPORT

This fourth report aims to illustrate the Ferrero Group's strategy of social responsibility and sustainability as well as its activities throughout the world from 1 September 2011 to 31 August 2012. In view of the objectives set for 2013 and, in the long-term for 2020, the issues dealt with in this fourth report have been selected according to their level of importance for the Group, while taking into account the opinions of key stakeholders.

As usual we dedicate some pages of this report to our presence in certain countries and to our great brands. This year the focus will be on our presence in Germany and Poland and on Ferrero Rocher.

This fourth edition condenses all of the information in a more streamlined structure than the previous versions. For more details, this report refers to the first three CSR reports, which are available online (www.csr.ferrero.com), respectively published in June 2010, June 2011 and July 2012. CSR reports will continue to be released annually.

This report was edited by the Ferrero Group's CSR Office (e-mail: csr@ferrero.com) in conformity with the "Sustainability Reporting Guidelines" (version 3.1, 2011) and the "Food Processing Sector Supplement" defined by the Global Reporting Initiative (GRI) and took the following into account:

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

In the reporting period:

- » two new plants in Mexico and Turkey were under construction,
- » no significant changes to the general structure of the Group that would impact the comparison with previous CSR reports have occurred,
- » no unusual operations have been developed.

The application level check of this report, according to GRI Guidelines, is A+, as confirmed by the GRI verification process.

Independent assurance of this report was carried out by Deloitte.

This report is also available online in different languages at: www.csr.ferrero.com.

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CORPORATE SOCIAL RESPONSIBILITY REPORT

Over the past year, the Ferrero Group continued to grow with an **increase of 8% in sales**, despite the ongoing difficult international situation, the slowdown in consumption of food products in some European markets, and the rise in prices of principal raw materials. The growth of the Group is attributed to the extraordinary dynamism in our expanding markets, particularly in **Asia, the United States and Russia**. We are also proud of the fact that our consumers have continued to love our great brands worldwide.



Giovanni Ferrero, CEO Ferrero International

In the same period, Ferrero enhanced its manufacturing capabilities **by devoting a significant portion of investment, equivalent to 5.1% of sales, to technical developments in Italy, Germany, Poland, Canada and Russia. Furthermore, our CO₂ emissions, resulting from our production activities, have decreased by more than 12% per unit of product, and primary energy consumption was cut by 15% compared to 2010. Reductions in water consumption exceeded 7% per unit of product, while the waste recovery index of the production plants has surpassed 90% during the reporting year.**

Our Group, founded 70 years ago in Alba, has remained inextricably linked to its roots in Italy and Europe. However, we are seeing great changes in the world today, which have altered the economic equilibrium and are set to also transform politics, technology and culture.

Tomorrow's world will scarcely resemble today's: five years ago, the European GDP accounted for 25% of the world's wealth; it has now fallen to 20% and is expected to further decline during the next

few years. The world of the future will therefore be less European. It will have Asia at its centre, the world population will be higher and younger, and wealth distribution will be completely different. Consequently, we shall communicate in a manner that is more and more global and integrated. New opportunities to be seized will arise. This is what we are working towards by **opening three new production plants over the last three years, expanding beyond the borders of the European Union, into India, Mexico and Turkey.**

In parallel, our social responsibility strategy remains a priority and continues to grow. It is based on:

1. **the Ferrero Foundation of Alba**, which, under the loving guidance of my mother, Maria Franca, cares for our retired employees by continuing to make them feel part of the same large family, with cultural activities connected to its region;
2. **the Ferrero Social Enterprises**, which are ever more active in India, South Africa and Cameroon, and longed for by my father, Michele, and my late brother Pietro, whom remains deeply missed to this day;
3. **the respect for human rights**, which is instilled in our work and employment policy, **and in particular, the fight against child labour**;
4. **the respect for consumers and their safety**, which we pursue daily through continuous innovation, excellence in quality, freshness and the undisputed appeal of our products;
5. **the sustainable sourcing** of the raw materials we utilise;
6. **the protection of the environment**, with the objective of constant reduction of energy and water consumption and the use of renewable sources;
7. **the voluntary programme “Kinder+Sport”**, supporting sports worldwide and fighting against a sedentary lifestyle and childhood obesity;
8. **the fight against corruption and wrongdoing**, everywhere and in all their manifestations.

I want to conclude by assuring you that our model of growth remains imprinted with the same values and principles in which we have always believed, starting with the values of corporate social responsibility.

Happy reading!



Giovanni Ferrero
Chief Executive Officer
Ferrero International

July 2013

FERRERO'S CORPORATE SOCIAL RESPONSIBILITY



OUR MODEL IS BASED ON FOUR PILLARS:

1. **Our products**, which are made with absolute respect for consumers and their safety, while maintaining continuous innovation, excellence in quality, freshness and exquisite appeal.
2. **The Ferrero Foundation of Alba**, which has a twofold purpose of caring for former Ferrero employees and promoting Alba and the Piedmont's region's cultural life and heritage.
3. **The Ferrero Social Enterprises** already active in India, South Africa and Cameroon, which have a dual purpose of creating new jobs, and implementing projects and initiatives to promote education and health for children residing in the surrounding areas of the three production plants.
4. **"Kinder+Sport"**, Ferrero's voluntary programme that promotes active lifestyles for children and teenagers, with the aim of preventing and combatting obesity.

Furthermore, production operations fully respect human rights and support the fight against child labour, while also taking into consideration the environment and tackling corruption and wrongdoing.



Covers of the first, second and third conference on social issues, organised in Alba by the "Centro Studi Sociale della P. FERRERO & C.", in 1961, 1962, 1963.

FERRERO'S SOCIAL RESPONSIBILITY POSSESSES A "CUORE ANTICO"

The first conference organised by Ferrero on social matters, entitled "The adaptation of man to work and industry", was held in May 1961, when the concept of corporate social responsibility did not yet exist.

1

OUR PRODUCTS



Kinder Bueno

FERRERO

SHARING VALUES TO CREATE VALUE

OUR PRODUCTS

It is part of Ferrero's Corporate Social Responsibility to offer consumers all over the world products that are always guaranteed to be high in quality and freshness, innovative and made with carefully selected raw materials.



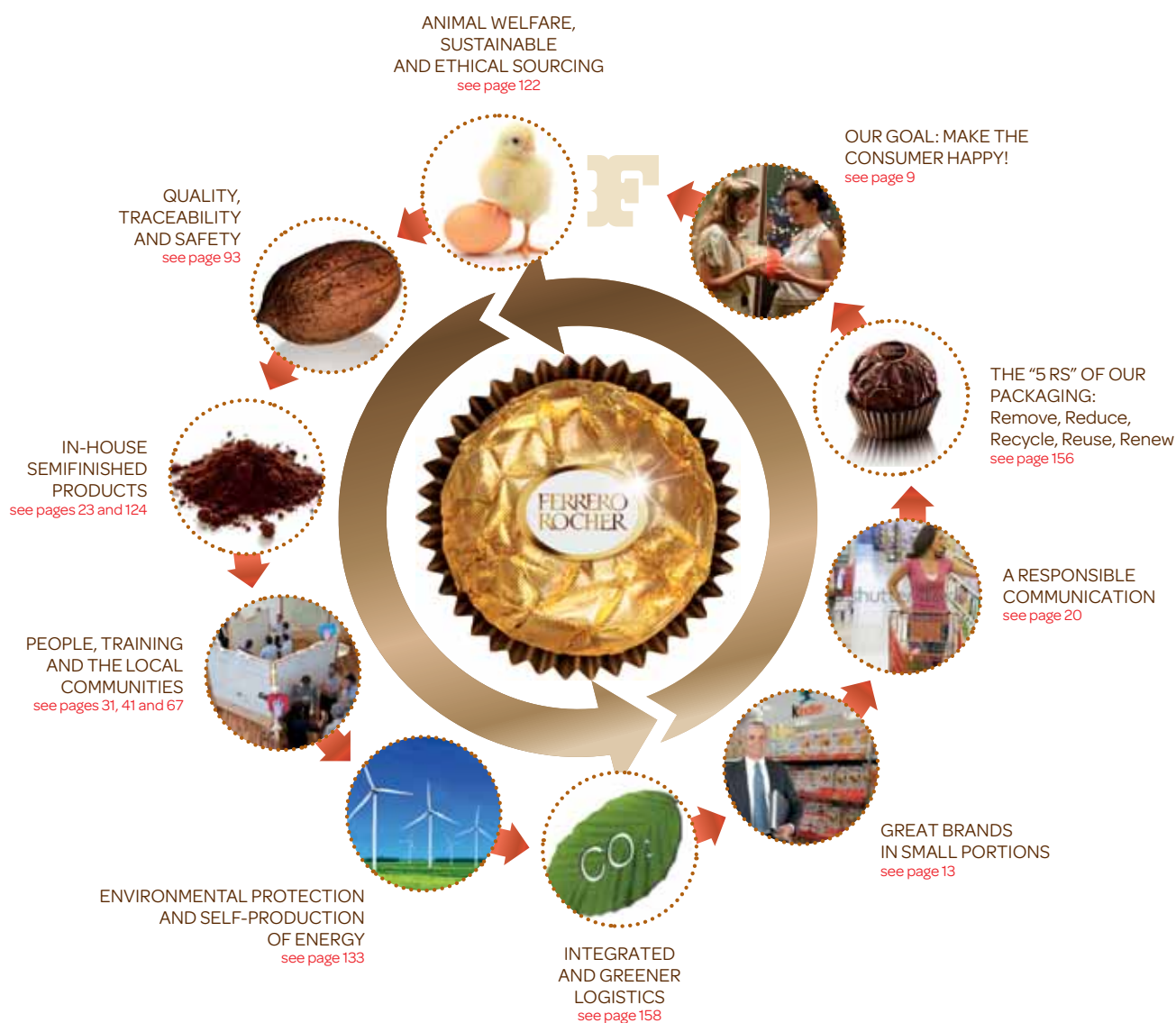
FERRERO GROUP:

TOTAL PRODUCTION	2010/11	2011/12	PRODUCTION INCREASE
In quintals	10,708,000	11,182,000	+4%

CONSOLIDATED NET TURNOVER	2010/11	2011/12	SALES INCREASE
€/000	7,218,024	7,795,451	+8%

GEOGRAPHICAL DISTRIBUTION OF THE CONSOLIDATED NET TURNOVER IN 2011/12	ITALY	REST OF EUROPE	REST OF WORLD
	20%	59%	21%

FERRERO VALUE CHAIN: RESPONSIBLE FOOTSTEPS!



ALL STEPS IN THE VALUE CHAIN
ARE EXPLAINED MORE IN DETAIL
IN THE NEXT CHAPTERS

GREAT BRANDS IN SMALL PORTIONS

“For Ferrero, the relationship with civil society, and in particular amongst consumers and our brands, is of such paramount importance that we take extreme care in providing the highest quality, the best communication and the greatest value.”

Giovanni Ferrero, May 2013

Ferrero offers some of the most famous confectionery products in the world, while respecting the traditional craft.

We consider three principles to be of the greatest importance in matters of nutrition and food production:

- A.** There are no such things as good or bad foods but only good or bad eating habits and diets,
- B.** We offer great brands in small portions,
- C.** Regular physical exercise, in a balanced and moderate way, is fundamentally important.



Ferrero confectioner shop school

Ferrero’s **nutritional policy** is based on three principles, which can be summarised as follows:

- 1.** Nourishment is the result of **eating all foods**, so that talking about single foods and products has no scientific basis;
- 2.** **The size of the portion is increasingly being seen as the decisive factor** in controlling food consumption. Ferrero has always presented its products in pre-wrapped portions, with an appealing taste and of excellent quality;
- 3. A varied, not a prescriptive or punitive diet**, together with healthy exercise, is key for:
 - a.** developing a positive psychological and physical balance;
 - b.** making family and social gatherings more enjoyable;
 - c.** instilling and maintaining correct dietary habits;
- 4. Breakfast is very important** for a general nutritional balance. Offering appetising products helps combat the bad habit of skipping breakfast and as a result improves the quality of the whole diet;
- 5.** Breaking down daily consumption into **five or more episodes** is now scientifically established;
- 6.** Of these five sessions, the two daily BMEE (Between Meals Eating Episodes), should concentrate **on tasty products with reduced calorific content per portion**;
- 7.** A good diet must be planned in connection with **regular physical exercise** in order to complete the benefits derived from it;
- 8. Training in nutrition**, with a solid scientific basis, must be given from early infancy so

that a person develops an informed attitude to his own eating habits and diet;

9. **The information provided to consumers** must be complete, accurate and objective;
10. **Focussing on simple recipes**, based on tradition, using ingredients that already contain fibre and micro-nutrients such as vitamins and minerals, removes the need to add them artificially.

Ferrero's nutritional policy translates itself into **company manufacturing practices** applied daily with stringent internal rules. The most important are:

- ▶ **The careful selection of all the raw materials used**, starting with: milk, hazelnuts, cocoa, eggs and coffee. The selection is based on ethical and environmental requirements as well as quality;
- ▶ **The creation of a unique flavour quality for each product** by blending different natural sugars, fats and milk of the highest quality, coffee, cocoa and hazelnuts selected and roasted directly at Ferrero's plants;
- ▶ **The presentation of products in small, wrapped portions**, which leads to an obvious reduction in the consumption of sugars and fats;
- ▶ **The internal engineering development of manufacturing plants and industrial processes** in order to preserve as much as possible the original characteristics and nutritional values of the ingredients;
- ▶ **Absolutely no use of hydrogenated oils or hydrogenated vegetable fats, which are the carriers of trans fatty acids (TFA's)**. This exclusion has applied for years **to all Ferrero products**;
- ▶ **Zero use of preservative additives**;
- ▶ **The presence of fibre and micro-nutrients**, such as vitamins and minerals, derived directly from the raw materials used, **without artificial additives**.

To summarise very briefly: if consumers are to be encouraged to live a healthy lifestyle, they need a better education in nutrition! There is no need for further legislation or taxes on single ingredients or on categories of components that are indispensable to eating habits; in fact these are counterproductive.

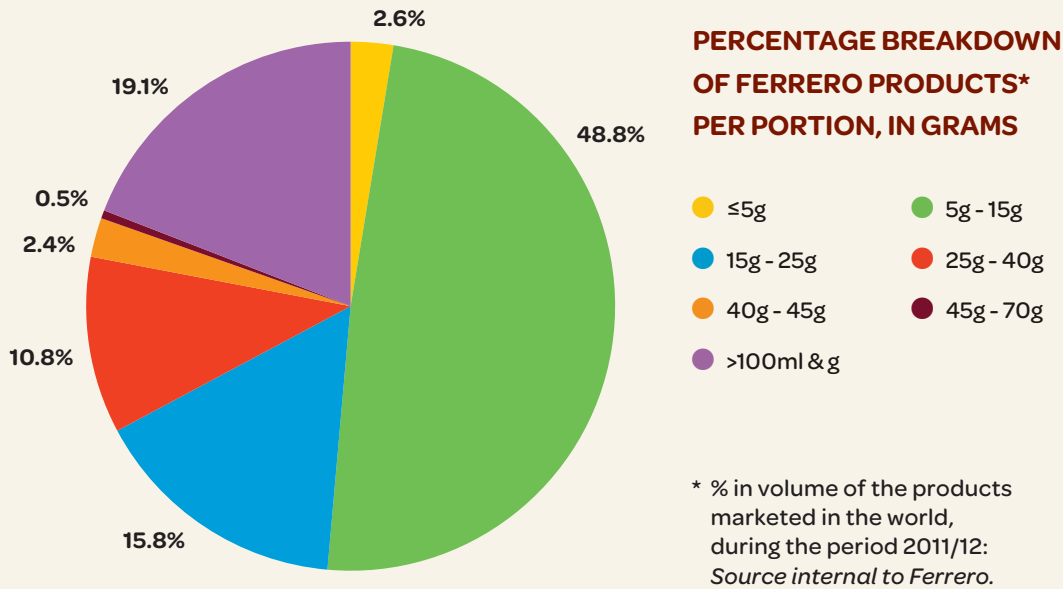
FERRERO'S SEPARATELY WRAPPED SMALL PORTIONS

A balanced diet is the key ingredient to a healthy lifestyle. For this reason, Ferrero offers food products that are of the highest quality, unique, flavourful and available on the market in individual pre-wrapped portions. We consider that:

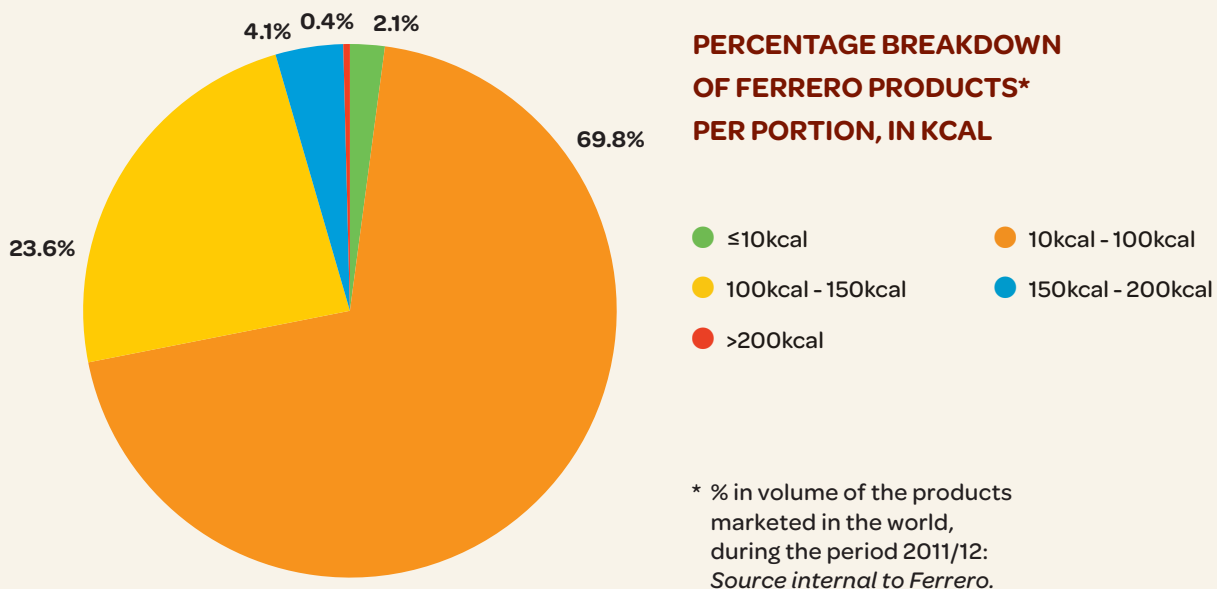
- » the individually wrapped portions,
 - » the use of ingredients that are naturally rich in high quality nutrients,
 - » our simple recipes,
 - » the organoleptic nature of the products,
- are the key factors that make Ferrero's products suitable for the episodes of consumption between meals, mid-morning or mid-afternoon. A truly balanced diet is not one that merely excludes certain foods but rather one that includes, in correct portions, those products that consumers love best, so as to enable them to maintain, over time, a complete set of correct eating habits.

The **division of Ferrero's products into portions** has always been conceived and marketed in order to fit the various nutritional needs of consumers. The Kinder range of products, for example, which have traditionally been offered to infants and children, continue to be produced in individual portions weighing between 12.5 and 43 grams, among the smallest in their category.

As can be seen from the pie chart below, **more than 65% of Ferrero's total volume of products marketed worldwide is presented in portions weighing less than 25 grams and more than 80% are made available in portions weighing less than 45 grams.**



More than 70% in volume of Ferrero's products is presented in portions with less than 100 Kcal and more than 95% in portions with less than 150 Kcal (as can be seen from the pie chart below).



Technical note: the pie charts include all the Ferrero products marketed in the world during the commercial year 2011/12, except for 3% corresponding to the formats used for special occasions, the formats containing mixed products, or non-codified portions that are prepared only occasionally.

THE EU PLATFORM FOR ACTION ON DIET, PHYSICAL ACTIVITY AND HEALTH

Since 2006, Ferrero has been taking part in the work of the **EU Platform for action on diet, physical activity and health**. Its activities and purposes are set out on the following Internet website: http://ec.europa.eu/health/nutrition_physical_activity/platform/index_en.htm. In this framework Ferrero has agreed to a series of commitments to the EU institutions and to the entire European Community.

These commitments can be summarised in four main areas, further explained below:

1. Ingredients and portioning of our products;
2. Accurate nutritional information and dietary education and training;
3. Promotion of physical exercise;
4. Responsible advertising.

For each area, Ferrero needs to present an **annual report monitoring** the implementation of its engagements, which is then subjected to external scrutiny by the European Commission. In 2011, **Ferrero achieved positive evaluations across the board, all of them either “very satisfactory” or “satisfactory”**, based on three original criteria and a further optional criterion for the year. These were: relevance, intelligibility of purpose, suitability of information and prerequisites for measuring the efficiency and impact of its commitments.

In 2012, specifically **concerning Ferrero's commitment to ingredients and portioning of its products**, Ferrero has continued to use methods of production that avoid the use of partially or totally hydrogenated fats in its

products. It has always been the company's philosophy to present them in individually wrapped small portions (for further information see the introduction to of this chapter).

In 2012, we launched on the market:

- » a Kinder snack bar, in a smaller portion and with lower calorific value;
- » mint pastilles in smaller packaging size.

Through a **strong commitment to scientific research**, Ferrero helps promote good eating habits among young people, such as avoiding skipping breakfast, and among the elderly, trying to minimise the loss of appetite. On this last point, Ferrero participates in the project “MiaOver50”, part of the European programme “Industry 2015”, the nutritional priority of an ideal diet for the elderly.



From September 2011 to August 2012, **Ferrero contributed to several scientific studies¹** on the following questions:

- » **the metabolic impact of Ferrero products**, when consumed in BMEE (Between Meals Eating Episodes) and in terms of glycaemic index and glycaemic load;
- » **the impact of certain Ferrero products on breakfasts**, to evaluate the effects of different types of breakfast and offer the consumer the widest choice of products and combinations;
- » **the presence of micronutrients in Ferrero products**, such as vitamins, antioxidants, essential mineral salts, derived from the ingredients and from the agricultural raw materials typically used by Ferrero, such as the hazelnut;
- » **the neutrality of the cardiovascular and metabolic effects of palm oil** and its negligible effect on diet in the most typical countries covered by Ferrero.

The results of these studies have shown:

1. That breakfast has a positive effect on children, including improvements in their cognitive performance;
2. That significant appetite satisfaction can be obtained from the consumption of small portions;
3. A complete profile of the antioxidants produced by hazelnuts;
4. The bioavailability of catechins in tea as antioxidants;

5. The low glycaemic index following consumption of Ferrero products, even when combined with other foods.

OUR GOALS FOR 2015

- Strengthen our involvement in European and national initiatives that promote virtuous attitudes towards the food/health combination;
- Develop a **“nutritional identity card” of Ferrero products**, to provide consumers with all the information possible. In particular, as of 2013, deliver an evaluation of the insulin response to Ferrero products, and effects on attention and mood.



1 “International Conference on Nutrition & Growth”: “Neuro-functional and glycaemic responses of different breakfast models” 2012; “The effects of breakfast on attention and school performance. A longitudinal study”. J. Agric. Food Chemistry: “Polyphenolic composition of hazelnut skin” 2011; “Flavonoids and related compounds”. Taylor and Francis, 2012; 62° Congresso Soc. Italiana di Fisiologia, 2011; 5th International Conference on Polyphenols and Health, 2011; 26th International Congress on Polyphenols, 2012. International Journal of Food Science and Nutrition 2012;63: 513-521; Nutrition 2012;28:197-203.

LET THE LABELS SPEAK FOR THEMSELVES

As indicated in our last CSR Report, Ferrero has managed to fully implement the recommendations made concerning nutritional labelling of the European association of food and drink industries (FoodDrinkEurope) for all Kinder and Nutella products in Europe.

As a result of this commitment we have inserted:

- ✓ **on the front of the package:** the Energy logo (absolute calorific value and percentage of GDA - Guideline Daily Amount - per portion);



- ✓ **on the back of the package:** absolute values per 100g and per portion, of energy, protein, carbohydrates (and sugars), fats (and saturated fats), fibre and sodium, as well as percentage GDA per portion, of energy, sugars, fats, saturated fats and sodium.

NUTRITION INFORMATION				
TYPICAL VALUES		PER 100g	PER BAR (12,5g)	%GDA PER BAR
ENERGY	kcal/kj	564/2352	71/296	4
PROTEIN	g	8,7	1,1	2
CARBOHYDRATES	g	53,5	6,7	2
OF WHICH SUGARS	g	53	6,6	7
FAT	g	34,8	4,4	6
OF WHICH SATURATES	g	22,6	2,8	14
FIBRE	g	0,9	0,1	0
SODIUM	g	0,123	0,015	1

*GDA = Guideline Daily Amount for an adult based on an average daily diet of 2000 kcal. The nutritional needs of individuals may be higher or lower, based on gender, age, level of physical activity and other factors.

Gradually, Ferrero has begun to increase the nutritional information on the front of the package, for the Kinder and Nutella products in **several countries outside Europe**.

As a member of the International Food and Beverage Alliance – IFBA (<https://www.ifballiance.org/>) and on the basis of its principles set out in the “Global Approach to Fact-based Nutritional Labelling”, in 2012 Ferrero introduced:

6. in the **United States**, nutritional information on the front of the **Nutella** jar, based on the “Facts Up Front” scheme developed by the **Grocery Manufacturers Association**, (<http://www.gmaonline.org/>). This voluntary initiative requires the brand to place an icon on the front of the jar, showing the content in calories, saturated fats, sodium and sugars per portion, in line with the regulations and guidelines of the American Food and Drug Administration, (<http://www.fda.gov/>) and the United States Department of Agriculture (<http://www.usda.gov>).
7. in **Mexico**, for **Kinder and Nutella**, the nutritional information scheme for the front of the package, called “Checa y Elige”, developed by the Mexican Association of Food Manufacturers (CONMEXICO, <http://conmexico.com.mx/sitio/>) showing on the label the content in calories, saturated fats, sugars and sodium.

These goals were set out in our previous CSR Report.

We aim to implement the IFBA Principles for nutritional labelling worldwide by 2015.

SPREADING DIETARY EDUCATION BY INVOLVING COMMUNITIES

At Ferrero we believe that **a varied, not a prescriptive or punitive diet, together with healthy exercise**, is of fundamental importance for several reasons, which include:

- a. developing a positive psychological and physical balance,
- b. making the occasions of family and social gathering more pleasant,
- c. instilling and maintaining correct dietary habits.

With a view to encouraging and maintaining regular physical exercise, Ferrero is developing and supporting several initiatives throughout the world, including two particularly important programmes: Kinder+Sport; and Epoke, described below.



FERRERO

RESPONSIBLE ADVERTISING

As mentioned in our previous CSR Report, since 1 January 2012 Ferrero has been applying, worldwide, the IFBA (*International Food and Beverage Alliance*) strategy for marketing and advertising to children, whereby **Ferrero does not advertise their products on television, in print or via the Internet to an audience consisting primarily of children less than 12 years old**. This initiative is in line with the publication of the **“Ferrero Principles of Advertising and Marketing”** (available on the website <http://www.ferrero.com/fc-1908>). Of course, the commitments made by the Group in this area, are in addition to the requirements of the laws and codes of practice applicable in each country. These **“principles”** are implemented taking into account the different local eating habits, including any nutritional deficiencies, and national dietary guidelines, where applicable.

In line with the said IFBA strategy, in addition, **Ferrero pledges, likewise at global level, not to provide information about its products in elementary schools**, except in cases where this has been specifically requested or by agreement with those in charge of the school and for educational purposes.



MONITORING OF FOOD ADVERTISING WORLDWIDE

In 2012, Accenture Media Management, responsible for assessing compliance of IFBA members to their commitment to provide responsible information and food advertising for children on television, in print or via the Internet, monitored Ferrero's activities for the fourth consecutive year.

For 2012, television monitoring² of all the companies belonging to IFBA was carried out in **South Africa, Saudi Arabia, China (Shanghai region), Colombia, Malaysia, Russia and Thailand**. In these countries, 448,144 food and drink advertisements were analysed, broadcast on programmes of whose audience consisted of more than 50% of children under the age of 12. On the basis of this sample, the rate of compliance found was **98.9%**, an improvement on the previous year (97.6 %).



The monitoring of printed media was carried out in five countries: **Brazil, China, Russia, Singapore and South Africa**. Here, on the basis of a sample of **57 publications**, compliance was found to be **100%**. Monitoring

² The Report by Accenture Media Management on its monitoring of compliance on television with the IFBA undertakings was written during the second four-month period of 2012.

of **87 company websites** was carried out for the same countries and showed them to be **100%** in compliance with the pledge.

Concerning Ferrero, monitoring of its commitment relating to television involved three countries: **Saudi Arabia, South Africa and Malaysia**. In Saudi Arabia, on a sample of 5,326 spots and in South Africa, on a sample of 179 spots, **the results of the monitoring showed full compliance with the commitment (100%)**. In Malaysia, on a sample of 282 broadcast spots, the compliance rate was **98.9%**. In printed media and on the internet, **no cases of non-compliance by Ferrero were found** in any of the five countries monitored (Brazil, China, Russia, Singapore and South Africa).

For further information on the monitoring carried out by Accenture for IFBA see the following Internet website:

<https://www.ifballiance.org/sites/default/files>



APPLICATION OF SELF REGULATION IN ADVERTISING IN EUROPE

Since 2009, Ferrero has managed its advertising in Europe in accordance with the **EU PLEDGE** (<http://www.eu-pledge.eu/>) and each year submits its engagements to an external evaluation carried out by independent organisations.

In 2012, the signatories to the **EU PLEDGE** adopted **new and more stringent undertakings** for the self-regulation of their advertising, including:

- » their company websites;
- » a further reduction of the threshold of the television audience, from 50% to 35% of children under 12 years.

Monitoring of compliance with these new commitments was carried out by two external organisations:

1. The European Advertising Standards Alliance (EASA) assessed compliance on company websites;
2. Accenture Media Management continued to monitor television advertising.

For the fourth consecutive year, the results of the 2012 monitoring were positive.

The monitoring carried out by EASA focused on business websites in the following countries:

France, Germany, the UK, Poland, the Czech Republic, Spain and Sweden. 95% of the 210 websites monitored were in compliance with the rules of self-regulation. Even though, for 2012, its websites had not yet been included in the pledge Ferrero had signed up to, it agreed, nevertheless, to submit its websites to monitoring by EASA. Of the 13 Ferrero websites analysed, 2 were found to be “directed at

children". However, since the commitment will only come into force from 1 January 2013, EASA does not consider these cases as violations.

Concerning the commitment to television advertising, Accenture Media Management³ assessed compliance in five countries: **Germany, Italy, Poland, Portugal and Hungary**. The rate of overall compliance of spots broadcast in 2012 was **98.3%** (Italy 98.8%, Germany 98.5%, Poland 98.3%, Hungary 98.1% and Portugal 97.0%).

Since Ferrero's commitment to reduce the threshold to 35% will come into force from 1 February 2013, the 2012 monitoring was carried out with reference to the 50% threshold of children under the age of 12 in the audience. Ferrero's levels of compliance for 2012 were: **100% in Hungary and Italy, 98% in Poland, 99.7% in Portugal and 82.6% in Germany**⁴. Ferrero acted promptly to correct these situations.

Finally, as in previous years, in the course of the calendar year 2012, BDRC Continental assessed compliance, by the signatories to the **EU PLEDGE**, with their commitment regarding information in schools in three countries: **Austria, Finland and France**. For this, the rate of compliance remains stable at **98%**. The result is in line with the one obtained in the previous year.

For further information the Annual Report for 2012 on monitoring for the EU PLEDGE is available in full and can be consulted on the website: <http://www.eu-pledge.eu/content/annual-reports>.

PROMOTING A CRITICAL APPROACH TO ADVERTISING

As part of the strategy for responsible communication, Ferrero continues to support programs that promote development in children, a critical approach to advertising and education. For this reason, in line with what has been done to date, in 2012 Ferrero has maintained its support for the **Project Media Smart in France, Germany, England, the Netherlands, Portugal, Sweden and Hungary**.

FURTHER ACTION

In accordance with the commitments made, **Ferrero has set itself two main goals for 2013:**

- » Reduction of the threshold from 50% to 35% of children under 12 years old in the television audience, at times when advertising of its products is broadcast;
- » Inclusion of information in accordance with self-regulation in their corporate websites, as of 1 January 2013 related to food advertising aimed at children under the age of 12.

In accordance with the Group's coherent strategy, these more stringent commitments will come into force both in Europe, by signing the **EU PLEDGE**, and outside Europe, by applying the **IFBA global strategy** on marketing and advertising for children and of the **Ferrero Principles on Advertising and Marketing**.

³ The data presented in Accenture Media Management's monitoring report relate to the first four-month period of 2012.

⁴ These rates of compliance relate to the monitoring of the spots broadcast on daytime television.

QUALITY AND FRESHNESS

Ferrero's business model is designed to guarantee maximum freshness for our products throughout the value chain and minimise waste as much as possible. We follow the life cycle of the product, from sourcing of the raw materials and packaging up to the distribution of the finished product to points of sale and consumers' homes.

What is our primary objective?

To offer to consumers, on shelves all over the world, products of the highest quality and freshness.

By constant monitoring with retailers, we withdraw, at market price, products that are not in the best organoleptic condition, even if the "best-before" date has not yet been reached, especially during warm weather conditions. Indeed, before the summer, production of our heat-sensitive specialties is suspended. Stock management also constantly prioritises freshness of the products when considering the volumes delivered to retailers.

TRACEABILITY, SECURITY AND QUALITY

Ever since 1946, from the onset, Ferrero has paid careful attention to the selection of raw materials and ingredients.

It is the quality of the ingredients that determines the specific organoleptic characteristics of our products and it is for this reason that Ferrero has developed innovative procedures such as the one known within the company as the "**sacco conosciuto**".

This name refers to all the procedures carried out by Ferrero's specialist technicians, such as organoleptic testing and analysis, auditing operations with suppliers and the practices that ensure food safety and guarantee the traceability of the raw materials.

Ferrero's suppliers all over the world are selected and evaluated at Group level according to the same criteria, using an electronic platform that links them to our expert food technologists.





In accordance with Ferrero's Code of Business Conduct, a system of continual auditing is carried out directly with the suppliers' production sites, specifically to check the procedures and the required analyses.

When the raw materials are delivered to our factories, a Group purpose-built internal protocol, in line with modern risk analysis, determines the types and frequency of the chemical, physical, microbiological and organoleptic tests to be carried out on samples of the incoming goods.

In addition to the strict internal testing system, food safety is also ensured through independent, certified external agency inspections.

THE QUALITY OF OUR FACTORIES AND THE RELEVANT CERTIFICATES

At our factories we use a purpose-built, globally integrated Structural Analysis Programme (SAP), which ensures the sharing and integration and the centralised management within Ferrero of the quality testing process data.

At present, **the system is operational at 90% of Ferrero's production plants around the world.** It enables the compilation and comparison of data in a manner that is ever more global and coordinated.

The excellence of the products and their safety is ensured by a system of internal procedures based on regular and frequent testing at the

factories and all along the logistics chain. These procedures require, for every Group production plant and warehouse, testing for compliance with the stringent Ferrero specifications, for food safety (in line with the requirements of the FSSC/ISO 22000 standards and HACCP principles) and systems (in line with the requirements of the ISO 9001 quality management systems standard).

The system is further certified by independent external agencies.

The tables below show the level of certification at our factories.

Table 1 shows the factories that have the ISO 9001:2008 Group Certification. In other words a single manual of quality and procedures for the entire company of Ferrero; a comprehensive list of additional local applicable certifications is included.

TABLE 1

PRODUCTION PLANTS	ISO 9000 from	ISO 9001:2008 of the Group from	ISO 17025 from	IFS, COSTCO, HACCP from	FSSC 22000 from	
Alba	1999	2008	2006	2007		
Arlon	1996				2006	
Balvano	1996					
Belsk	2001				2006	
Cork	1994				2011	
Pozzuolo	1998					
S. Angelo	1999				2011	
Stadtallendorf	1994			2007	2006	2012
Villers - Écalles	1997					2012
Vladimir	2010		2010		2010	
Brantford	2011		2012		2008	

Table 2 shows the factories that have an ISO 9001:2008 Certification independent of the

Group. Additional certifications obtained by certain production plants are also shown.

TABLE 2

PRODUCTION PLANTS	ISO 9000 from	ISO 22000 from	IFS, COSTCO, HACCP from	FSSC 22000 from
La Pastora	2000	2008		2011
Lithgow	1999			2011
Poços de Caldas	1999	2007		
Quito	1999		2010	
Walkerville	2012			

In line with company strategy, all the factories in the Group have and use a HACCP (Hazard Analysis and Critical Control Point), which is compulsory in the European Union.

As seen in above tables, and since the ISO 9001 standard applies to the entire manufacturing industry, 13 of Ferrero's production plants to date are certified by independent third party agencies for compliance with standards for management systems specific to food safety (IFS, COSTCO, HACCP, ISO/FSSC 22000). These are the factories in Alba; Arlon; Belsk; Brantford; Cork; La Pastora; Lithgow; Poços De Caldas; Quito; S. Angelo; Stadtallendorf; Villers-Écalles; and Vladimir. **Four of these (La Pastora, Lithgow, Stadtallendorf and Villers-Écalles) have obtained the FSSC 22000 Certification, which is the highest attainable level in food safety certification.** The other factories are aiming to reach this standard of certification by 2015.

Walkerville in South Africa was the first of the Ferrero Social Enterprises to achieve the ISO 9001:2008 Certification for its Quality Management System.

The achievement of this objective opens the way to the future certification of the other two Social Enterprises in India and Cameroon.

CASES OF NON-COMPLIANCE

ISO 9001: 2008 Ferrero Quality Management Systems Certification

In 2011/12, 10 audits were carried out by external certifying auditors in the Group's factories: no cases of "Serious non-compliance" were found and only one of "Minor non-compliance", which led to a small number of recommendations for improvement.

IFS – International Food Standard

In 2011/12, verification of the product certification at the factories in Alba, Arlon, Belsk, Cork and Stadtallendorf resulted in an average level of compliance greater than 98% (high level).

LATEST NEWS

- 1. The Indian Social Enterprise production plant in Baramati has started implementing the ISO 9001 Standard;**
- 2. In line with our objectives, two European factories have obtained the FSSC 22000 Certification and a further three (Cork, Sant'Angelo dei Lombardi and Vladimir) have set up practices to this end.**



GOALS FOR 2015 AND 2020

1. To set up a **single centre to gather consumer complaints**, where all consumer comments will be received, in a unified and structured manner, in order to create a worldwide data-base, by 2015.
2. To extend the food safety ISO 22000 – FSSC Certification **to all the factories in the Group by 2015**, with the exception of the Ferrero Social Enterprises, for whom the ISO 9001 Certificate and the ISO 22000 FSSC Food Safety Certificate is envisaged by 2016.
3. To achieve integration of the “food safety audits/inspections” for all co-packers and warehouses in the supply chain, so as to have complete coverage by 2020.
4. To obtain an ISO Certification at global level with a single manual and procedures applying to the entire Group: in this way, our factories all over the world will be divisions of a **single global virtual factory by 2020**.

FERRERO TASTE TESTS

In order to ensure the products comply with Ferrero’s high taste standards, numerous laboratory tests and sensory analysis tests were carried out in 2012. We call these “taste tests” and their purpose is to comment on the taste, smell and aesthetic appearance of the product.

The analysis includes:

1. raw material taste tests: attention is paid to these when the deliveries are accepted;
2. taste tests of the semi-finished and finished products on the production line: attention is paid to these during the manufacturing process;
3. management taste tests;
4. “Spider’s web” tests.

More than 400,000 taste tests are carried out annually throughout the Group, with a monthly average of 33,900 tests and a panel of about 1,700 tasters.

The management of taste tests is carried out weekly by those in charge of the production units; this is also for the purpose of spreading the “taste test” culture throughout the Group.



FERRERO

THE SAFETY OF OUR TOYS FROM THE DESIGN PHASE

THE MPG CODE

The strict “MPG⁵ Code” foresees that “Kinder toys” fully comply with:

- » the updated version of the Toy Safety Directive 2009/48/EC,
- » the European toy safety standards (EN71),
- » the international standard ISO 8124 on toy safety,
- » the national standards, which have higher level requirements,
- » the projects reviewing such standards, which allow us to anticipate the compliance of the “Kinder surprises” in future legislation,
- » the strict chemical requirements, based on other regulations (e.g.: cosmetics regulations),
- » the environmental standards,
- » the voluntary requirements, which are often stricter than the EN 71 standard (e.g.: the maximum level of heavy metals able to migrate).

The application of the strict MPG Code has meant that we have never had to recall any of our products for safety reasons. Since the implementation of the Toy Safety Directive in 1998, along with the application of our strict Code, **36 billion safe toys** have been sold.

On 20 July 2013, new chemical requirements will come into force and added to the Toy Safety Directive 2009/48/CE. Consequently, Ferrero has promptly put in place the necessary measures to ensure that all toys put on the market as of that date meet those requirements. In addition to our strict toy controls, we regularly

check our European suppliers and packaging companies regarding all health and safety aspects and carry out daily checks with our Asian suppliers.

Ferrero also contracts certification bodies to conduct external audits, at least once a year, of the “Ferrero Quality System” and collect products, both on the market and from Ferrero warehouses, to check the quality of the “Kinder toys.”

The Ferrero Group’s Code of Conduct, called “Ferrero Ethical Social and Environmental Requirements for Suppliers of Kinder Toys”, contributes to application of our strict requirements for the production of toys. This Code of Conduct is also binding for our producers and is based on the most advanced codes of ethics applicable to the sector.

In 2008, the Group decided to appoint an external organisation to verify the implementation of the Code.

Ferrero has entrusted the **SGS Group**, world leader in certification, to set up and carry out an audit programme, aimed at assessing the compliance of Ferrero toy manufacturers with the principles and requirements set out in the “Code of Conduct”.

The Ferrero “Code of Conduct” is monitored annually and **the results have shown that no form of child labour is used in the production plants.**

⁵ Magic Production Group – company belonging to the Ferrero Group entirely dedicated to toys.



Toy manufacturers contracted by Ferrero continue to make progress in implementing corrective measures for the optimisation and the correct application of the Ferrero “Code of Conduct”.

THE VALUE OF PLAYING

Play is an essential element of children’s lives and is one of their rights!

Play develops intellectual, creative and problem solving skills, imagination, the ability to relate to others, movements and coordination, especially at the manual level, discovery and learning.

THE RIGHT OF CHILDREN TO PLAY IS SPECIFICALLY RECOGNISED IN ARTICLE 31 OF THE UNITED NATIONS CONVENTION ON THE RIGHTS OF THE CHILD (RESOLUTION 44/25 OF 20 NOVEMBER 1989).

UNITED NATIONS CONVENTION ON THE RIGHTS OF THE CHILD

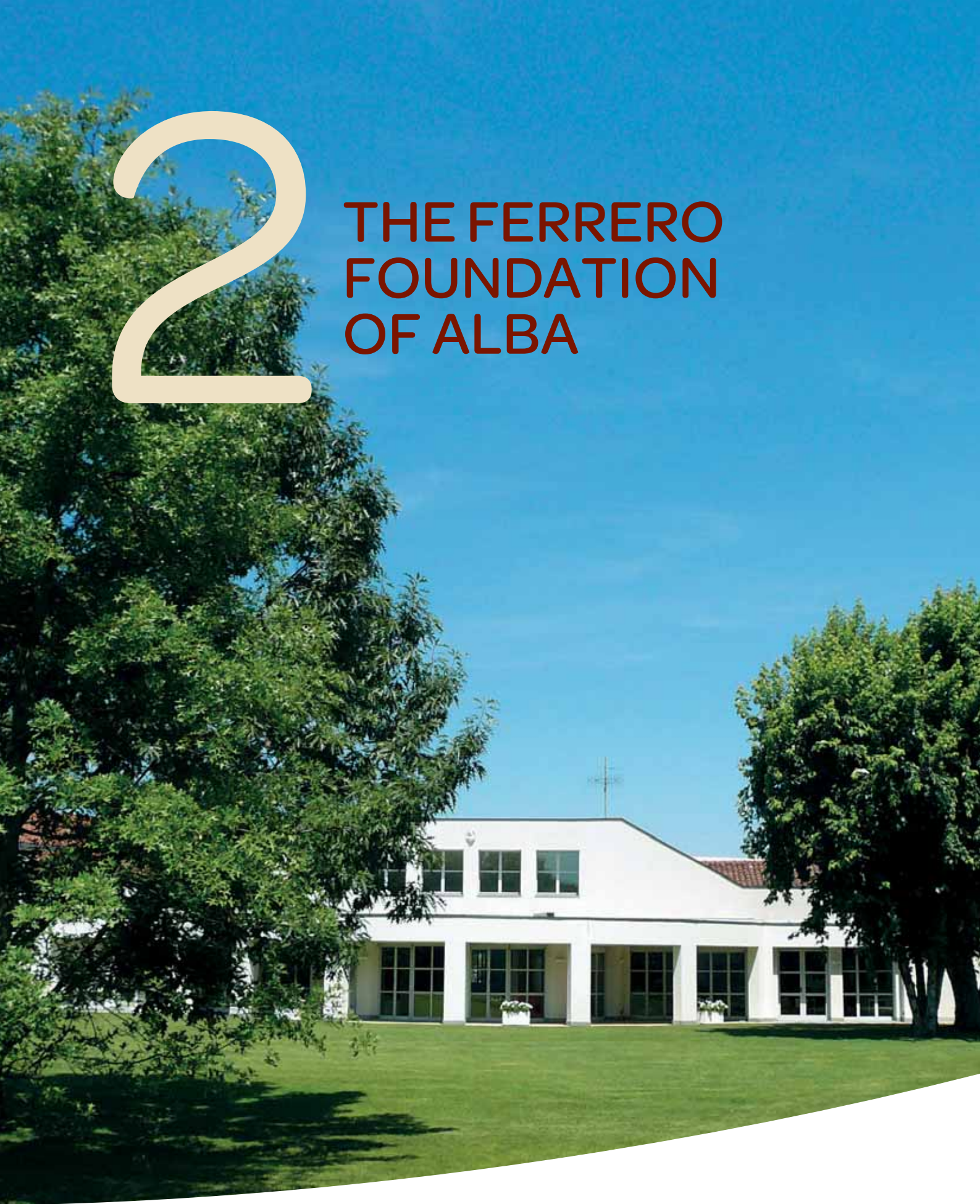
Article 31

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 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.

2

THE FERRERO FOUNDATION OF ALBA



FERRERO

SHARING VALUES TO CREATE VALUE

THE FERRERO FOUNDATION OF ALBA



“**Work, Create, Donate**”, these have been the guiding values of the “Piera, Pietro and Giovanni Ferrero Foundation” from the beginning.

Headed by **Mrs. Maria Franca Ferrero** from its inception, the Foundation was established in Alba in 1983. In 1991, it was officially recognised as a Foundation by the Ministry of Internal Affairs and in 2005 its role was highlighted by the President of the Italian Republic when he conferred upon Mrs. Ferrero as President of the Foundation, a gold medal for services to education, culture and the arts.

The Ferrero Foundation has an architectural complex, which can meet the needs of 3,300 Ferrero retired employees and spouses, offering them a variety of entertainment venues, workshops, a library, an multipurpose auditorium, and gyms to keep fit, exhibition halls, subventions for medical clinics and a modern nursery.

It should be noted that the Ferrero Foundation

does not award grants, loans or contributions to other organisations or to social, cultural or humanitarian institutions. Rather, it is an **acting Foundation**. It initiates and carries out a wide variety of social activities for the Group’s former employees and cultural initiatives connected with the Piedmont region’s personalities and context.

In line with the strong ethical principles that inspire the Ferrero family, the Foundation sets an example to all the companies in the Group. It has been a model for the creation of “Opera Sociale” in Stadtallendorf in Germany, and for the work of Ferrero France with employees, retired employees and children.

The philosophy and structure of the Foundation have been described in detail in the first three CSR reports of the Ferrero Group (available online at www.csr.ferrero.com). The latest news of the Foundation and its activities over the past year are presented below.



The Ferrero Foundation building in Alba

SOCIAL PROJECTS

One of the main objectives of the Foundation is to improve the quality of life of senior citizens, facilitating their social interaction and active engagement in activities and learning. By organising a variety of activities, the Foundation helps retired employees to experience the third age as a source of new opportunities.

At the Foundation, there are about 40 activity groups that retired employees of the Group can attend, such as: tailoring workshops, ceramics, photography, embroidery, internet, foreign languages, drawing and painting and many more. Over the past year, **over 1,800 men and women have participated in activity groups and approximately 800 people attended the Foundation on a daily basis.**

The Ferrero Foundation has also been working, for several years now, with the social cooperative

“Emmaus Project” in Alba, a community for people with special needs. The Foundation welcomes people from this community every week, for tailoring, pastry-cookery and ceramic classes, giving them the opportunity to get to know the retired Ferrero employees and try manual and creative activities.



Ferrero Foundation, the retired employees cookey classes, Alba



Ferrero Foundation, the retired employees' physical activities, Alba

HEALTH CARE SERVICES

The Foundation provides daily health and social care assistance. In addition to organising physical activities for retired employees, with the aim of preventing various health problems, the Foundation has continued its collaboration with specialist medical institutions, including: the Foundation for Macular Degeneration in Genoa, the Institute for Research and treatment of Cancer in Candiolo, the European Institute of Oncology in Milan, the National Institute for the Study and Treatment of Cancer in Naples and the Scientific Institute of the University of San Raffaele in Milan.

In the current year, the medical service provided by the Foundation has accommodated approximately 2,000 medical consultations.



The Nursery, Ferrero's retired employees teaching the children, Alba

FERRERO NURSERY

One of the opportunities offered to retired employees is to participate in some of the activities included in the educational plan for the **Ferrero Nursery**. Established in 2009, the nursery can accommodate **80 children at discounted rates for employees. A percentage of the availabilities are reserved for children from Alba, designated by the Municipality.**

The nursery is first of all a service for children, where their growth and learning is observed

and stimulated. However, it is also a place for educators and parents to meet, be informed and discuss, with the purpose of creating a "family system". The children's experience with their "grandparents", the retired employees of the Ferrero Foundation, stimulates them to reach and develop an easier autonomy in relationships and affection.

The Ferrero Nursery also benefits from **expert advice** such as Professor Quinto Battista Borghi, the pedagogical director of children's services of the municipality of Turin and Professor Paola Molina, Professor of Developmental Psychology at the University of Turin. The nursery also collaborates with Professor Maria Rita Parsi and her *Fondazione Movimento per il Bambino* (Movement for Children Foundation).

The nursery is designed to improve environmental sustainability and is equipped with a kitchen that uses fresh, organic, local and seasonal products.



The Ferrero Foundation Nursery

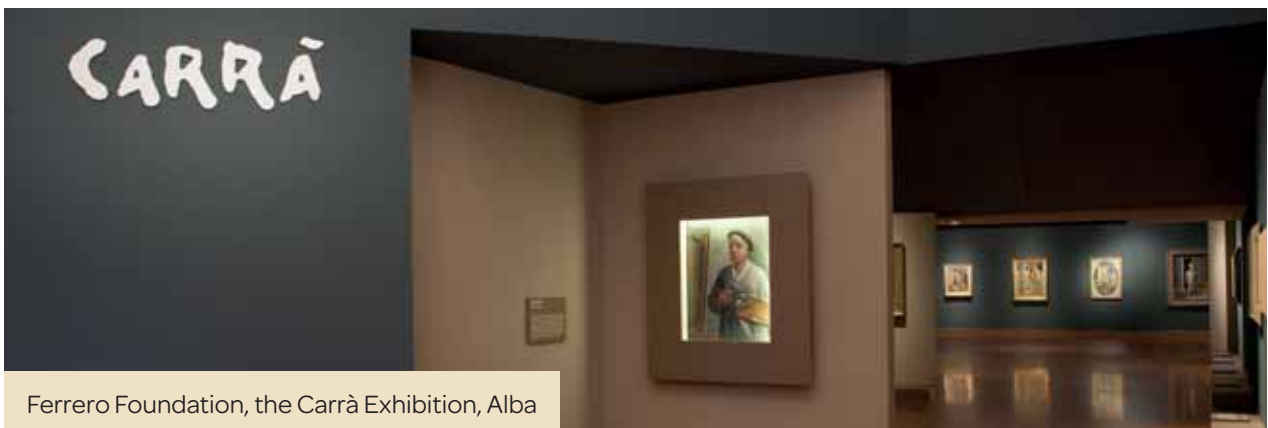
CULTURAL PROJECTS

The Foundation supports and promotes cultural projects in synergy with other local, national and international foundations, bodies and institutions. These have been continuously involved and are “starting supporters” of long-term projects. In particular, the knowledge of the most outstanding figures in the cultural history of Alba and Piedmont has been promoted in order to raise their profiles, even beyond Italy. In autumn 2012, with the support of the *Cassa di Risparmio di Cuneo* Foundation and the Company of Saint Paul, **our Foundation organised an exhibition entitled “Carlo Carrà 1881-1966”, offering new insights into the entire artistic career of this Piedmontese painter.** The project benefited from the institutional collaboration of the Roberto Longhi Foundation for Art History Studies in Florence and the Piedmont Authority for the Historical, Artistic, Ethnic and Anthropological Heritage. The scientific rigour of this project and the exceptional nature of the contributions led to the exhibition being awarded the distinction of the specific patronage by the **President of the Italian Republic.**

Entry to the exhibition was free and was visited by 72,000 people (more than double the population of Alba), including 6,000 children, who also attended related educational workshops.

Each stage of Carlo Carrà’s artistic career was presented in **76 paintings**, lent by the most prestigious public institutions in Italy and abroad, as well as by important private collections.

“Through the rigorous selection of his paintings, many of which are now real icons of twentieth century art”, said **Maria Cristina Bandera**, curator of the exhibition, “the public has been able to discover the long career of Carlo Carrà, who was a protagonist of the great Italian *avant-garde* movement, an artist who employed a new language that was both strongly narrative and highly evocative.”



Ferrero Foundation, the Carrà Exhibition, Alba

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



As per previous years, the Ferrero Foundation has continued its interesting collaboration with the University of Turin through the **Michele Ferrero Master's Degree in Food Science and Technology and Human Nutrition**. The objective is to train specialists in the relevant technological, medical, biological and chemical fields, to then take part in the manufacturing process or in the research and development of a food production company. The teaching programme offered for this Master's Degree takes into account the factors influencing the choices made in the food industry, including the consumers' new demands, changes in life style and the effects of globalisation on the composition of the population. In March of this year, during the closing ceremony of the third year of this Master's course, degrees were awarded to nine students from various Italian and international universities. The ceremony was accompanied by a lecture delivered by Professor Dennis M. Bier, M.D., Professor of Paediatrics at the Baylor College of Medicine, entitled: **“SUGAR: A politically incorrect paediatrician's view”**.

At one of the monthly meetings of the **2011/12 Conference Cycle**, the Foundation welcomed **Marco Bobbio**, Clinical Director of Cardiology at the *Santa Croce e Carle* Hospital of Cuneo. Presenting his book *Il malato immaginato* (The imagined patient), he described the situation of the ailing person in contemporary society and offered an authentic description of the doctor-patient relationship.

In October, the writer and poet **Stefano Bartezzaghi** led an event dedicated to

“poisoned words”, the traps sprung every day for our thoughts and our language. In November, the art historian and archaeologist **Salvatore Settis** discussed the current environmental and cultural adversity affecting the Italian countryside, which is public property protected by Article 9 of the Italian Constitution.

Domenico Quirico, journalist of *La Stampa*, head of the foreign affairs division and Paris correspondent, gave a lecture in January on the Arab Spring. In February, **Pietro Terna**, Professor of Economics at the University of Turin, discussed the changes stemming from the economic crisis. The Vice President of the Higher Judiciary Council, the Honourable **Michele Vietti**, came to Alba to present his book “The Labour of the Righteous. How Justice can work” (Published by the University of Bocconi).

Furthermore, in April, the Conference Cycle presented a concert and pre-concert talk, entitled “East-West. Musical Evocations of a journey”, performed by **Constantin Zanidache** (viola) and **Elena Bracco** (piano).



In May, the literary critic **Giovanna Ioli** presented the book by Marisa, the sister of Beppe Fenoglio, entitled “The Impossible Return” published by Nutrimenti, Rome. In this book **Marisa Fenoglio**

returns to the subject of emigration – or, rather, “dispatiation” (the loss of one's homeland), a subject which has always been an important source of inspiration for her narratives. This author was originally from Alba but moved to Germany in the mid nineteen-fifties.

In music, the Foundation continued its successful collaboration with the Musical Union of Turin, a non-profit association founded in 1946, which organises concerts of classical music in Turin and the Piedmont region. There were eleven concerts in the 2011/12 season, eight of

them in Turin and three in Alba. The concert at the Foundation's Auditorium in May was a splendid performance by the famous violinist **Salvatore Accardo** with the Orchestra Italiana.

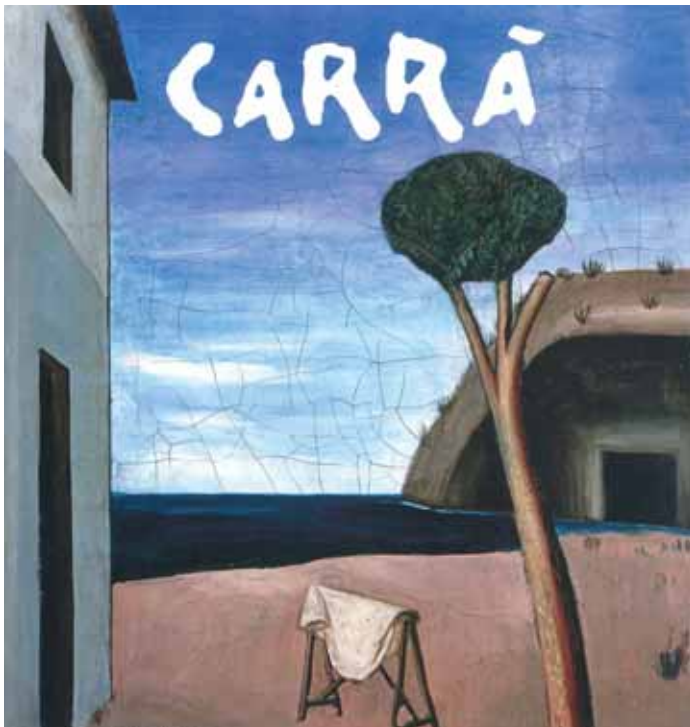
THE NEXT STEPS

The years 2012 and 2013 will respectively be the 90th anniversary of the writer Beppe Fenoglio's birth and the commemoration of his death, 50 years ago. These occasions will be celebrated throughout Italy and the Foundation will participate by completing a series of projects on several fronts – literature, audiovisual media and theatre. Among the various events planned, particular attention should be paid to the **book, published by the Foundation itself, "Aldo Agnelli, Fenoglio. The black and white album"**. This is a collection of photographic portraits of Fenoglio taken in 1924 by his friend and photographer Aldo Agnelli, who was from Alba. The volume is a precious testimonial to a writer who, although very famous today, did not enjoy the vast recognition he deserved during his



Ferrero Foundation, Fenoglio Centre, Alba

brief lifetime (1922-1963), and was consequently barely noticed by the media. The collection shows the strong personality and the human sensitivity of Beppe Fenoglio and his image as an autonomous, determined "gentleman writer", often associated, naturally, to the countryside of the Langhe (the area of Piedmont to which Alba belongs), which was his source of inspiration. In addition, a **national conference on Fenoglio** is planned for November 2013. The conference will last for two days and will review Beppe Fenoglio's life, fifty years after his death. For the first day, the conference has invited some of the most



Edited publications of the Ferrero Foundation of Alba, 2011/2012

qualified academics in the disciplines that deal with Fenoglio's works (philology, linguistics, history, etc.). On the second day, a series of speakers (including some of the young researchers who have worked in recent years at the Ferrero Foundation's Beppe Fenoglio Documentation Centre) will discuss texts and problems in Fenoglio's works. The conference will benefit from the participation of a scientific committee composed of distinguished specialist academics and chaired by Professor Valter Boggione of the University of Turin, who has recently published a collection of essays on Fenoglio in collaboration with the Ferrero Foundation.

In June 2013, in Rome at the Ara Pacis Augustae, a **major event will celebrate the Emperor Publius Helvius Pertinax**. The Ara Pacis, a perennially symbolic site, will be the starting point for an unusual discussion on the Emperor Pertinax, who was born in Alba Pompeia in 126 A.D. During the very first days of his short reign, he launched a policy of reforms to renew the social order, justice and economic stability, with a political programme of public reconciliation

and the renewal of the rule of law, which unfortunately led to his death. While revisiting his biography, the participants will try to interpret the present and imagine the future. Aldo Cazzullo, correspondent of *Il Corriere della Sera*, Adriano La Regina, president of the National Institute of Archaeology and Art History, Mario Mazza, president of the National Institute of Roman Studies, and Paolo Mieli, chairman of *Rcs Libri*, have been invited as guest speakers.

Various other initiatives and projects to support the retired Ferrero employees are also planned. In November 2013, the Foundation, in collaboration with the Turin Medical Academy, will celebrate its thirty years of work by holding an international conference entitled "Successful Aging: A Multidisciplinary Approach".

The objective of the study days will be to reflect on the aging population and on the social, economic and cultural challenges that need to be faced in order to promote the creation of a society for all ages, in which young and old people will have the opportunity to contribute to its development and share its benefits.

SUCCESSFUL AGEING

1983 - 2013

- ▶ The model that gradually developed into the Foundation had, since the beginning, the aim to age successfully.
- ▶ We have consolidated some of the teachings:
 - » Do not isolate yourself, stay with others
 - » Share emotions, affections and relations
 - » Try to accomplish yourself, preferably together with others
 - » Plan your day
 - » Transfer your skills to others
 - » Learn new things every day
 - » Share and continually renew your experience with young people
 - » Practice a healthy lifestyle

FERRERO “OPERA SOCIALE” IN GERMANY

Ferrero “*Opera Sociale*” was launched in September 2008 at the production plant of Stadtallendorf and was inaugurated by Mrs. Maria Franca Ferrero, President of the Ferrero Foundation. She is continually engaged in initiatives to support Ferrero’s retired employees. From the onset, “*Opera Sociale*” has housed **430 retired employees and offers** a vast choice of activities to help them lead an active and healthy life. The programme on offer includes social, physical and learning activities and excursions, all of which help the retired employees to feel that they belong to a community in which they can still be enterprising and useful. Indeed the activities offered by “*Opera Sociale*”, such as

excursions, painting classes and reading groups often provide a starting point for further activities that the retired employees then organise on their own.

The commitment of the retired employees actually goes beyond the activities offered by the “*Opera Sociale*”, as demonstrated by the project entitled “Bridging the Generations” which was launched in May 2011. Thanks to this initiative, the members of “*Opera Sociale*” have the opportunity to meet and talk to young Ferrero apprentices, which helps transmit and perpetuate the Company Values to the next generation. Other members of “*Opera Sociale*” are involved in promoting activities in favour of children living in the poorest areas of the world, following the motto that is common to the Ferrero Group: “Work, Create, Donate”.

“OPERA SOCIALE” STATISTICS:

TOTAL NUMBER OF MEMBERS:	434 , of whom
» from Stadtallendorf:	74% (322)
» from Frankfurt:	26% (112)

Users of the programmes offered in the reporting year:	2,842
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Number of programmes / days with organised programmes:	100 / 143
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PERCENTAGE OF RETIRED EMPLOYEES WHO HAVE USED AT LEAST ONE “OPERA SOCIALE” ACTIVITY:	59.5% , of whom
--	------------------------

- | | |
|--|------------|
| » percentage of retired employees from Stadtallendorf: | 68% |
| » percentage of retired employees from Frankfurt: | 33% |



Opera Sociale, Ferrero’s “retired employees” after a dance competition, Stadtallendorf

3

FERRERO SOCIAL ENTERPRISES



Ferrero Social
Enterprises
in South Africa

FERRERO

SHARING VALUES TO CREATE VALUE

FERRERO SOCIAL ENTERPRISES

“The long-term success of the Group is strongly based on its guiding ethical values.

Everyone is talking about corporate social responsibility: at Ferrero it is second nature. We embody it every day in our respect for the people who work with us, our scrupulous preservation of the environment in which we operate, the responsible way we handle our relationships with civil society and in particular the exchange between consumers and our brands, taking care of quality, information and value.

Our Social Enterprises' initiatives are the highest and most significant expression of these values. *Their inspiration is not charity but enlightened business enterprise. The mission of “United Kinder of the World” is at the centre of my attention, because of its powerful forward movement and the motivational impetus it gives to our managers”.*

Giovanni Ferrero, May 2013

Ferrero Social Enterprises are actual “enterprises”, based on a strict business concept and aim to generate profit. In addition, they operate in a “social” spirit, their purpose being to create jobs in some of the poorest areas of the world and contribute to improving the living conditions of the people living there.

Their social spirit also extends to humanitarian initiatives in the areas where the Social Enterprises are operating. These initiatives are primarily aimed at maintaining the health and educational development of infants and children, under the heading:

United Kinder of the World

Ferrero Social Enterprises are present today in Cameroon (Yaoundé), India (Baramati, in Pune District in the State of Maharashtra) and South Africa (Midvaal, in the Province of Gauteng).



Ferrero Social Enterprise - Cameroon (Yaoundé)



Ferrero Social Enterprise - India (Baramati/Pune, Maharashtra)



Ferrero Social Enterprise - South Africa (Walkerville, Gauteng)

THE MISSION OF FERRERO SOCIAL ENTERPRISES

The mission of Ferrero Social Enterprises is developed along two lines:

A) Job creation

In addition to offering the possibility of earning a wage that meets the cost of living for the employee and his or her family, Social Enterprises

- » give the employee a sense of self-worth and, most importantly, the ability to become the protagonist of their own destiny;
- » provide professional training and skills for the work;
- » create a work culture, which is the source of progress and civic evolution.

Production at the establishments concentrates on unskilled work and involves the industrial enterprises of the territory. In addition, local raw materials are preferred for use in production.

This leads to the creation of further jobs, thus triggering a virtuous circle of the economic development and wellbeing of the entire local community.

B) The creation of social and humanitarian projects and initiatives

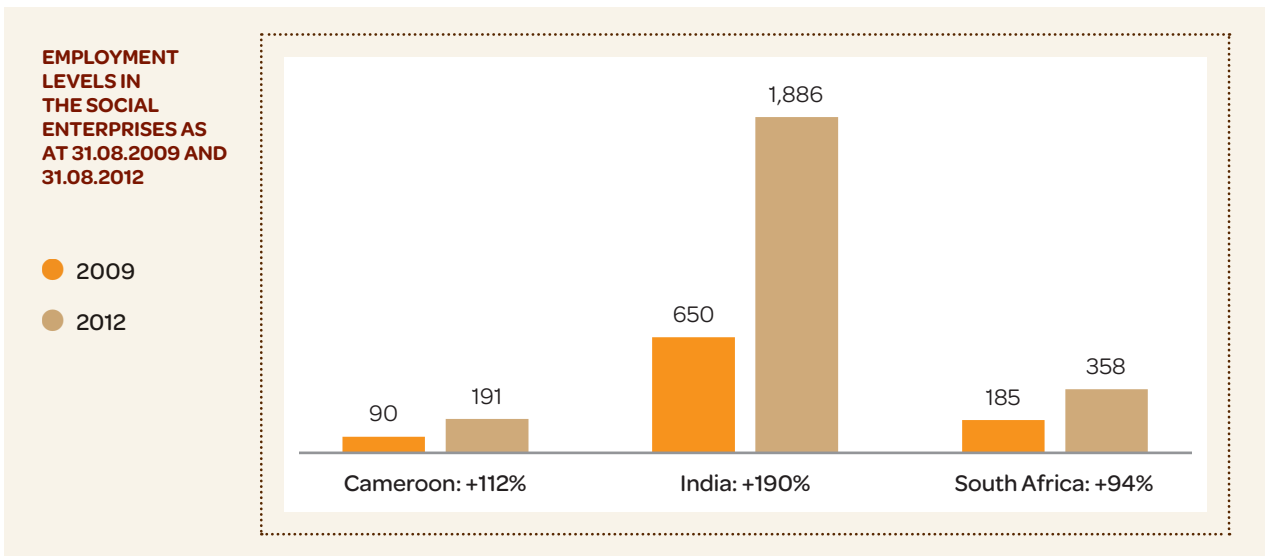
In order to achieve this goal a fund is provided which is dependent on the volumes of annual production at the plant.

This sum is transferred to a local bank account set up for this purpose in the name of *Fondazione Ferrero di Alba* (The Ferrero Foundation of Alba). It is then used every three years to finance particular social projects chosen by the local author-

ities in consultation with the Ferrero Foundation. For a more detailed description of the mission of Social Enterprises the readers can refer to our previous CSR Reports, which can be found on the website www.csr.ferrero.com.

EMPLOYMENT DEVELOPMENT

As at 31 August 2012, Ferrero Social Enterprises were employing **2,435¹** people in its facilities, of whom: **191** in Cameroon, **1,886** in India and **358** in South Africa (for further information on human resources employed in the Group, see the relevant chapter of the present CSR Report).



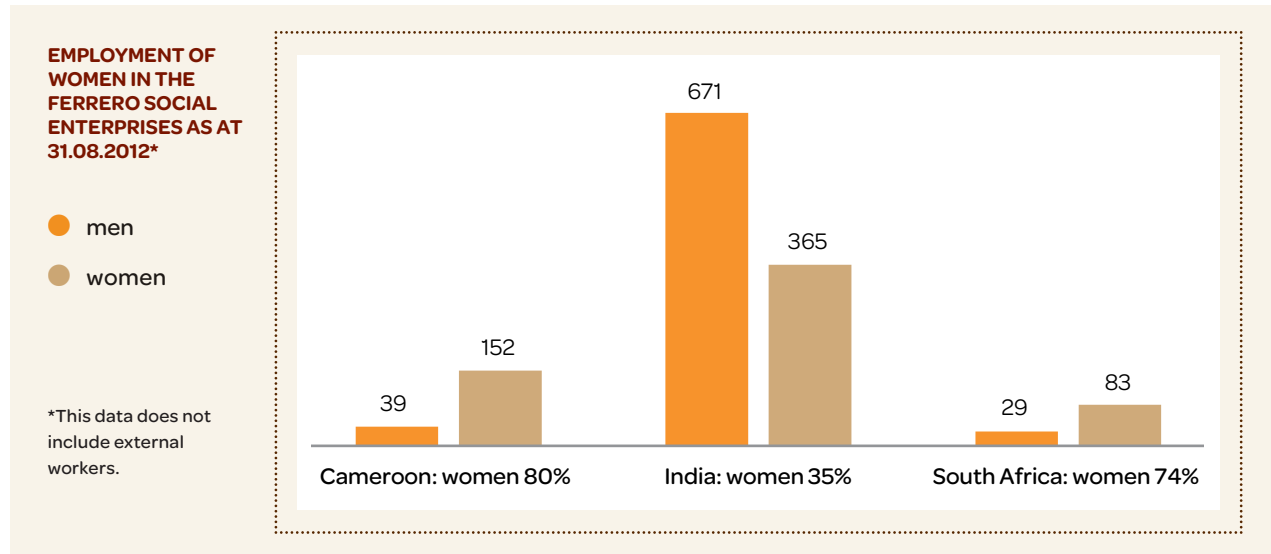
Ferrero's Social Enterprise, staff during the *Ferrerità* training, Yaoundé, Cameroon

All workers and employees as at 31 August 2012, had been recruited locally, or their nationality was that of the country in which the relevant Social Enterprise is based.

According to Ferrero's internal estimates, for every worker directly employed in the confectionery industry, another 3 are unskilled workers. This contributes to the triggering of a virtuous circle which favours the conditions for sustainable development within the communities hosting the Social Enterprises.

¹ This data also includes external workers.

EMPLOYMENT OF WOMEN IN THE SOCIAL ENTERPRISES



In line with Ferrero tradition, there is a system of assisted transport for employees of the Social Enterprises.

CAMEROON

The firm provides 4 vehicles for the transport of employees from several collection points in Yaoundé depending on their shifts and provides an additional voucher for transport costs.

INDIA

8 buses are provided to enable employees to commute to work from the neighbouring villages during the three daily shifts. This service is provided at a discounted rate. The cost per employee is about 100-150 rupees per month, compared with the 1,400 rupees per month usually paid for public transport.

SOUTH AFRICA

The firm provides vouchers to every employee to cover the costs of commuting to work.

REPORT ON PAY

The chart below reports the difference between the annual minimum gross wage of a newly recruited member of the workforce and the legal minimum in the country. In South Africa there is no national minimum wage so the point of reference is the agreement between Ferrero and the national trade union.



² The minimum wage is represented from the annual gross minimum wage of the newly hired employees as operator of production. This data does not consider the salary for overtime pay, production bonuses or individual bonuses. When the figure is 1, this means there is parity between the legal minimum wage and the wage paid by Ferrero. For South Africa we need to consider that there is no local minimum wage and the agreement between Ferrero and the national trade union was taken as reference.

PRODUCTION TECHNOLOGY AND RAW MATERIALS USED IN THE SOCIAL ENTERPRISES

The technology used by the Social Enterprises in their production sites is:

- ▶ **Innovative and automated** for the edible part of the product, to ensure the same quality achieved in the rest of the world.
- ▶ **Manual** for the assembling of the “surprise” in Kinder Joy and other accessory activities, in order to provide work for the maximum number of people.

At all three production plants, the production of the edible part of Kinder Joy is achieved using automated “easy line” technology. The valve containing the surprise, however, is made by hand and the toy inserted manually in the plastic wrapper.

In India and South Africa, the Tic Tac sweets are made by proprietary Ferrero automated technology, the packaging phase, however, is semi-manual.

In the trading year 2011/12, **75% of the raw materials used at the Social Enterprises** were sourced from local producers in which the production plants are situated. In order to comply with the quality standards of the Group, the facility at Baramati has been equipped with a laboratory to analyse the raw materials locally acquired.

“UNITED KINDER OF THE WORLD” SOCIAL INITIATIVES

Among the social projects supported by the Social Enterprises and described in our third CSR Report, we focus below on the **complete restoration of the Japie Greyling School** (at Daleside, Gauteng, South Africa) carried out in July 2012.



The Project is part of the Programme called **94 + school projects for Madiba**, launched by the South African Ministry of Education to provide support in various forms to at least **94 South African schools and celebrate at the same time Nelson Mandela’s 94th birthday**. Japie Greyling School is a medium-sized elementary and secondary school with 13 classes. Before its restoration it was attended by about 300 pupils. Thanks to the work being done, 1,400 pupils are now able to attend the school.

The South African Social Enterprise chose to restore this school for several reasons, including:

- » of the 47 schools in the school catchment area of Walkerville – where Ferrero’s establishment is situated - none were equipped for disabled pupils;
- » some of Ferrero management’s children were already enrolled at this school, which is a few kilometres from the production site.



Choir of the “Japie Greyling” School in South Africa

The project accomplished:

- ▶ **restructuring buildings and fixed machinery** (repairing and painting **3,600 m² of roof**; thermal insulation of the lofts; repairing the classroom floors; internal and external painting of the classrooms; external cleaning of the walls using a high pressure hydraulic system; repainting canopies, guttering, fixing and replacing more than 400 metres of the lofts' façade; **replacing more than 500 broken glass panes**; installing a new hybrid electric-photovoltaic heating plant; installing a new gas cooker);
- ▶ **renewal of the buildings** (entire make-over of **four toilet blocks**; installation of four new disabled toilets; creation of a **new 80 m² cafeteria** with an equipped kitchen; demolition of an old external pavilion replaced by a new pavilion; **construction of six access ramps** for the disabled);
- ▶ **restoration of the schoolroom furnishings** (**hundreds of benches and chairs** were dismantled, damaged parts replaced, wooden components sanded and repainted, metal components re-polished with a special long-lasting polish);
- ▶ **improving, securing and renovating the external spaces and fixtures** (painting the walls, re-paving, installing a new fiberglass guard house at the school entrance; laying down 50 m² of new turf around the nursery; removing a dilapidated 70 meters long metal fence around the playing field and replacing it with a new metal mesh fence; demolishing a rusted stairway at the entrance of the nursery and replacing it with a solid



Students of the "Japie Greyling" School in South Africa

staircase; repainting all the equipment in the playground; fixing a flagpole; removing 50 tons of rubbish);

- ▶ **renovation of the sports fixtures** (repainting the steps and replacing the canopy; repainting the rugby goal posts and installing new portable soccer goals; rehabilitating entirely the cricket practice equipment; replacing the turf of the central area of the cricket playing; weeding, fertilising and preparing the sports ground turf for spring; creating a new external toilet block accessible from the playing fields).

The purpose of this initiative was not only the restoration of the buildings but also enable the school management to reduce maintenance costs and facilitate the sustainable management of the ventilation and heating plant. The main technical innovations included:

- ✓ Installation of a **new hybrid electric-photovoltaic heating system for the classrooms** which requires low maintenance and reduced running costs. For the first two hours, in the early morning, it works on electricity. Subsequently, the hot air located under the roof is circulated in the classrooms using ventilators activated by the photovoltaic system. It can also be used in the summer to cool the classrooms.
- ✓ Painting of the roof with the **latest generation paint** (Ceratech – developed with NASA technology) which has anti-rust and heat-resistant effects, thanks to internal ceramic components that reduce

the temperature by up to 45%, thus helping to limit the energy costs for cooling the internal spaces. This paint also ensures a more effective and durable maintenance of the roof thanks to its consistency (two coats of this paint provide a thickness of 250 microns as against 50 microns from traditional paints).

- ✓ Installation in the toilet blocks, of pressure taps with timer valves to restrict the consumption and waste of water.

Thanks to this initiative, Japie Greyling School now offers a connected set of services - teaching, sporting, recreational etc. to 1,400 pupils.



Students of the "Japie Greyling" School in South Africa during the "Nelson Mandela Day" event

4



FERRERO

SHARING VALUES TO CREATE VALUE

THE DECALOGUE OF KINDER+SPORT

Kinder+Sport is Ferrero's educational programme whose purpose is to facilitate and encourage physical activity amongst children and teenagers, with the aim to prevent and tackle obesity.

I. STRATEGIC

Kinder+Sport is a project of high strategic and institutional value, designed to encourage the habit of an active life style and to sponsor the practice of physical exercise among children and youngsters.

II. GLOBAL

The project Kinder+Sport is a synergistic global programme. For its proper diffusion, it must receive support from sport institutions in the countries in which it operates at both national and international level.

III. COHERENT

Kinder+Sport identifies a specific project which exposes children to the importance of exercising and tackles their inclination to a sedentary life style.

IV. EDUCATIONAL

Kinder+Sport has no generic philanthropic mission. Rather, it focuses on the physical education of young people, from pre-schoolers to teenagers; thus it is open to everyone, without distinctions of any kind, in order to ease social inclusion and sociability through the practice of sports.

V. MULTIDISCIPLINARY

Kinder+Sport delivers a wide range of sports, all accessible, nonviolent, without preclusion of gender and with the involvement of families. These activities aim to support the joyful growth of children.

VI. LOCAL

Kinder+Sport projects must always be developed through partnerships with national and local sports' institutions and/or with independent sports' centres. All must be specialised, qualified and effective in promoting sports, as they will be in charge of the organisation of the activities and of the relationship with participants.

VII. VALUABLE

The Kinder+Sport project is supported by athletes capable of embodying positive values and being role models for children, thus providing testimonials and becoming "ambassadors" of the project.

VIII. NON-COMMERCIAL

The brand and the concept of Kinder+Sport cannot be used – for any reason – to market Kinder products nor can promotional activities of these products take place (i.e. collection of points or prizes).

IX. DISTINGUISHABLE

The Kinder+Sport project has a distinctive graphic branding, easily detectable, well defined and globally binding. Such a system has to be adopted in all communication activities.

X. CLOSE TO PEOPLE

In order to comply with its institutional and educational criteria, communication of the Kinder+Sport project is mainly dependent on concrete actions and word-of-mouth from people involved in the activities. No advertisement investments are planned. It is highly recommended to pursue low-cost communication projects not focused on single events, but able to convey the positive value of sports.

KINDER+SPORT

Here are some statistics on the activities of Kinder+Sport, in 2011/12:



Kinder+Sport events

- ▶ **20 countries are involved** (in addition to Europe: Brazil, China, Hong Kong, Mexico in testing, Russia and Taiwan).
- ▶ **12 million children took part** in the events.
- ▶ More than **14 sports are practised** including: Volleyball, Basketball, Athletics, Golf, Sailing, Fencing, Tennis, Skiing, Water Polo, Orienteering and Swimming.
- ▶ More than **30 champions gave their support** to promote sporting events and an active lifestyle, including: Tomáš Dvorák (Decathlon), Ludmila Formanova (Athletics), Andrew Howe (Athletics), Josepha Idem (Canoeing), Alessia Trost e Josè Bencosme (Juvenile Athletics), Alessandra Sensini (Sailing), Valentina Vezzali (Fencing).



- ▶ **20 national Federations** sponsored, including the Italian Federations of Volleyball, the Italian Foundation of Track and Field, the Spanish and Portuguese Athletics Federations, the Polish Volleyball Federation and the Belgian Tennis Federation.
- ▶ **2 Olympic Committees** (CONI – Italy, DOSB – Germany) are involved.



Furthermore, in 2011/12, Kinder+Sport helped fund various activities in the countries involved, including the activities detailed below:

- ✓ Collaboration with the Italian Federation of Volleyball: “1,2,3 Minivolley” and “Volley”, volleyball activities and tournaments in schools; and the organisation of “Summer Camps” and “Kinderiadi” events.



- ✓ Collaboration with the Italian Athletics Federation: "K+S Cup" (Youth, Junior, and Adult National Championships) and student sports games.



Kinder+Sport events

- ✓ Collaboration with the Italian Fencing Federation: "fencing-at-school" project.
- ✓ Collaboration with the Italian Tennis Federation: a national tournament involving children aged between 9 and 16.
- ✓ Collaboration with the Spanish and Portuguese Volleyball Federation: "Pequevoley" (Spain) and "giravolei" (Portugal) education programme with 2,500 centres involved.
- ✓ Collaboration with the Federations of Athletics and Aquatic Sports in Spain and Portugal: an educational programme

involving 600 centres in Spain and 3,000 in Portugal in which Ferrero was the official Sponsor of the Federations and supporter of the sporting activities at the centres.

- ✓ Partnership with the German Olympic Committee DOSB: organisation of the "K+S Sportabzeichen - Tour", with events in 10 cities.
- ✓ "Kinderiada" event and "Teacher's Project" in the Czech Republic and Slovakia: organisation of athletics competitions with 649 teams coming from all over the country; kit for teachers including manual and tools to promote sports at high schools.
- ✓ Collaboration with the Volleyball Federation of Poland: promotion of the sport in elementary schools and distribution of teaching materials and information.
- ✓ Collaboration with the Tyrolean Ski Federation: "Regional Ski Schools" and sponsorship of the "Regional Kids Racing Series".
- ✓ Collaboration with the Lugano School of Sailing: activities and sailing races with children.
- ✓ Collaboration with the Hungarian Water Polo Federation: sponsor for the development of events.



- ✓ Collaboration with the Belgian Tennis Federation “VTV & AFT Kids”: sport awareness programmes to teach tennis to children (VTV – recruitment), “Welcome to the Club: Tennis Discovery Days” (AFT– Recruitment), “Kinder Tour: Tennis Competition” (AFT + VTV).
- ✓ “Youth Sport Games” in Croatia and “School League” in Slovenia: organisation of various summer sports events; organisation of the game “prison dodgeball” in schools.
- ✓ “Russian Winter Junior Sporting Competition” under the sponsorship of the Russian Athletics Federation (IAAF Programme of World Indoor Championships).

Our annual investment in Kinder+Sport, in connection with the said activities, amounts to 7.7 million Euros.

MONITORING THE RESULTS OF “KINDER + SPORT”

Since 2009, the Medical Sports Institute of Turin has been monitoring the effect of body mass index (BMI) reduction in children of school age taking part in the Kinder+Sport Programme “**1,2,3... Minivolley – Federazione Italiana Pallavolo – FIPAV e KINDER+SPORT**”.

The FIPAV-KINDER+SPORT programme involved more than 2 million schoolchildren in Italy. In order to promote physical exercise in the context of the programme, more than 20,000 school kits were distributed, consisting of two mini-volley and volleyball fields, elastic nets and balls selected as appropriate for children. Our partners in this initiative were: The Italian Ministry of Education (MIUR), The Institute of Sports

Medicine of Turin, the Italian Volleyball Federation, the Italian Olympic Committee (CONI) and various local institutions.

The Institute of Sports Medicine’s research compared the data gathered from children in the final year of primary school (*quinta elementare*) with the data of the children in the first year of secondary school (*prima media*), in order to compare those who had benefited from one year with those who had benefited from two years of sporting activities. The research will conclude by comparing the data gathered so far with data from elementary school children who did not take part in the Kinder +Sport programme.

The “1,2,3... Minivolley FIPAV e KINDER+SPORT” programme has reached the fourth consecutive year of research and 15 classes have been monitored in elementary schools (5 in the third year of elementary school, 5 in the fourth and 5 in the fifth year).

The data collected in 2012 confirm and build upon the positive trend observed in 2011, indicating that the children taking part in the Kinder+Sport-FIPAV programme have better coordination and speed skills than children of the same age who were not involved. In particular, the monitoring of 2012 was not limited to the evaluation of the BMI results but also incorporated skinfold measurements as a further medical test.

Ferrero has dedicated 250,000 Euros on this research over the period 2009-2013. The complete results will be available in 2016, related to the school year 2014/15.

THE EPODE PROGRAMME

In line with the work set out in the previous CSR Report, Ferrero confirmed its support in 2012 for:

- ▶ the **EPODE project** (a French acronym that stands for “*Ensemble, prévenons l’obésité des enfants*” (Together let us prevent child obesity) – www.epode-european-network.com) for the period 2012-2015 and for its **European Epode Network**;
- ▶ a **new European project** co-financed by the European Commission and called “**EPHE: EPODE for the Promotion of Health Equality**” aimed at reducing obesity among socio-economically disadvantaged population. In particular, the project focuses on reducing inequalities in health and access to health services, proposing the adoption of the EPODE approach,



Thao Programme event in Spain



PAIDEIATROFI Programme event in Greece

based on local initiatives with the active involvement of all stakeholders (families, schools, local communities etc.) The main partners of the EPHE project are: the European Regional Office of the World Health Organisation, the Free University Amsterdam (NL), the University of Gent (BE), the University of Windesheim (NL), the University of Zaragoza (SP), the University of Iasi (RO), the Bulgarian Association for the Study of Obesity and Related Diseases (BU), the University of Porto (PT), the University of Athens (GR) and the Directorate General of Saude (PT). By 2015, further possibilities will be explored for supporting the development of similar projects using structured funds from EU organisations.

During 2012, Ferrero has also continued to support the **national EPODE projects** of the following European countries:

- » **BELGIUM:** through the **VIASANO** project, with very encouraging results on the trend of Body Mass Index reduction (BMI: the ratio of body weight to height);
- » **FRANCE,** where Ferrero retains its status of

“Golden Partner” of the **“Vivons en Forme”** project and has renewed its commitment for the next five years;

- » **GREECE:** through the **PAIDEIATROFI** programme, which publicises the concept of the balanced diet;
- » **SPAIN,** through the **THAO** programme which aims to reduce infant obesity.

FERRERO'S CONTRIBUTION	PROGRAMME	CITIES AND PEOPLES	WEBSITE	YEAR	EUROS
France	VIVONS EN FORME	250 cities with about 3,500,000 people involved	www.vivons-en-forme.org	2012	250,000
Belgium	VIASANO	16 cities with about 670,000 people involved	www.viasano.be	2012	100,000
Spain	THAO	95 cities, 9 communities independently involved, 2,937,563 people and 267,218 children involved	www.thaoweb.com	2012	90,000
Greece	PAIDEIATROFI	14 cities involved	www.paideiatrofi.org	2012	75,000 (since 31.12.12)
EU	EUROPEAN EPODE NETWORK	4 Member States involved	www.epode-european-network.com	2012	150,000



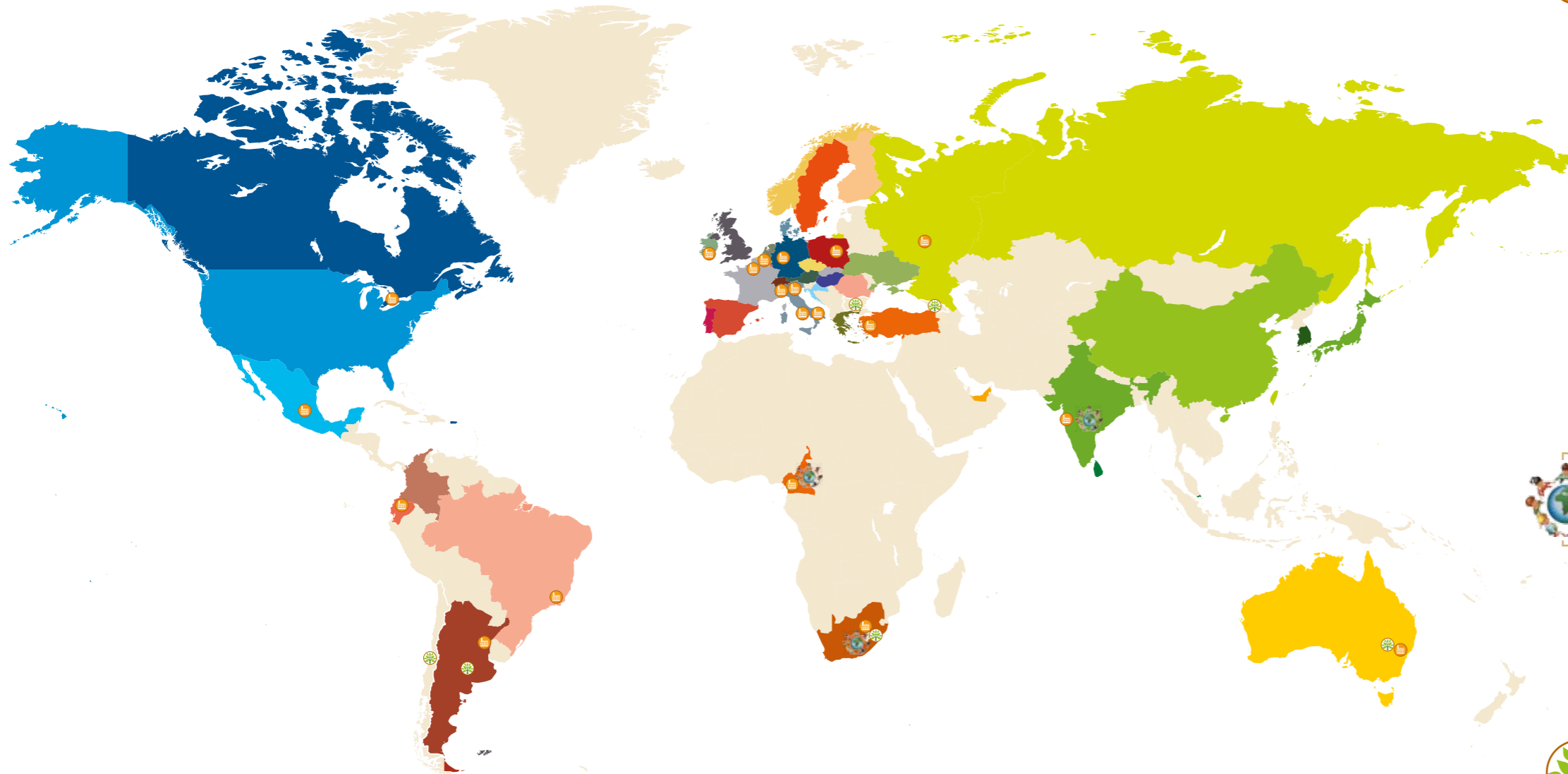
THE FERRERO GROUP



FERRERO

SHARING VALUES TO CREATE VALUE

FERRERO AROUND THE WORLD



Headquarters and operational sites in 46 countries

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

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 Stadtallendorf	1956
FRANCE Villers-Écalles	1960
ITALY Pozzuolo Martesana	1965
AUSTRALIA Lithgow	1974
IRELAND Cork	1975
ECUADOR Quito	1975
ITALY Balvano	1985
ITALY S. Angelo dei Lombardi	1985
BELGIUM Arlon	1989
POLAND Belsk	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 San José Iturbide	2013
TURKEY Manisa	2013



* Ferrero Social Enterprise



OUR 6 AGRICULTURAL COMPANIES

CHILE	1991
ARGENTINA	1994
BULGARIA	1996
GEORGIA	2007
SOUTH AFRICA	2009
AUSTRALIA	2011

RAW MATERIALS

The total agricultural and packaging raw materials used by the Group in 2011/12 corresponds to 1,389,005 metric tons.



THE CORPORATE GOVERNANCE OF THE GROUP

The Group's corporate structure and governance has evolved over time, alongside its global expansion. The key factors that distinguish the history and growth of the Ferrero Group are:

- ▶ the continuity of a family owned business,
- ▶ the expansion into new markets,
- ▶ the opening of new production plants,
- ▶ the constant innovation of products and their packaging,
- ▶ the care for highest quality and freshness.

As at 31 August 2012, the Group was composed of 69 consolidated companies controlled by Ferrero International S.A., a holding company based in Luxembourg (Rue de Trèves L-2632), and established under Luxembourg law. The list of headquarters, operational sites, and production plants can be found in the previous section.

Among the innovations that emerged during the reporting year was the decision to invest in: the expansion of the plant in Brazil, the completion of two new production plants in Turkey and Mexico and the start of a partnership with the Group "Stelliferi" in the hazelnut supply chain.

Ferrero International has adopted a traditional model of corporate governance in which the **Assembly and Board of Directors** (BoD) play a central role. The Chairman of the BoD has a guiding role rather than an executive one. The BoD also includes members who do not belong

to the Ferrero family, such as the Vice-President. The executive members, chosen according to their skills and competencies, are subject to continuous assessments based on merit.

The Board of Directors makes use of the **"Group Leadership Team"**, an executive committee established in 2011 composed of the heads of the principal corporate functions of the company, which plays a supporting role in decision-making and implementation of corporate strategies defined by the BoD.

In addition to the management committees, the Board has established **"audit" committees** made up of a majority of external and distinguished professionals, active both at the Group and local level in the companies controlled by the Group. These audit committees provide advice and recommendations to the BoD on internal control systems. Thanks to their support, the BoD defines the guidelines for strengthening the effectiveness of internal control systems, while also taking into consideration international best-practices.

Ferrero International's **Audit Committee** also monitors the process of preparation and audit of the individual and consolidated financial statements. It also supervises the effectiveness and efficiency of the external auditors' activities and internal audit function.

Concerning the operational organisation, the Ferrero Group **directly coordinates all core procedures**, namely:

- ▶ research and development activities for products and their related procedures and production techniques, including toys;
- ▶ conception of machinery and production plants of strategic importance (around 50%);
- ▶ production and transformation activities;
- ▶ strategic marketing operations, institutional and development activities, as well as operational activities.

In addition, specific initiatives of vertical integration are under way:

- ▶ In the hazelnut agricultural supply chain, in order to develop additional plantations owned by Ferrero and commercial

partnerships, with the aim to meet part of the demand of the Group;

- ▶ The development of production activities and the commercialisation of energy, to partly cover the needs of the Group through investments in high efficiency generation plants or through renewable energy sources.

The following operations have been assigned to third parties:

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



New Ferrero production plant in Mexico



New Ferrero production plant in Turkey

The 4-pillars

The Ferrero Group

Ferrero women and men

Sustainable agricultural practices

Minimising environmental impact

C. S. R. of the Ferrero Group

Ferrero Rocher

Countries

AWARDS AND HONOURS

ITALY

June 2013

RANKED FIRST BY UNIVERSUM

Thanks to the participation of 20,718 students surveyed from the 39 best Italian universities and business schools, Universum has revealed also this year's "employer of choice" out of a total of 140 companies. Business students have attributed the first position to Ferrero.

La top ten Italia			
Business / Economia			
	2013	DIFF	2012
Ferrero	1	↑ 3	4
Google	2	↓ -1	1

April 2013

REPUTATION INSTITUTE AWARD

The "Reputation Institute", the world's leading reputation management consultancy, awarded Ferrero with:



- » **the highest "Corporate Social Responsibility rate" in Italy**, among more than 100 companies, according to the following three parameters: governance, citizenship and workplace;
- » **the second "best reputation rate"**, according to the following seven parameters: products, workplace, governance, innovation, leadership, citizenship and performance.

May 2012

INTERNATIONAL GENERAL COUNSELS AWARD



During the ceremony for the "International General Counsels Awards 2012" organised by the "International Legal Alliance Summit & Awards (ILASA)", Ferrero received a special mention for "Best Italian Legal Department".

May 2012

BEST EMPLOYER OF CHOICE AWARD



Ferrero was confirmed for

the second consecutive year as "Best Employer of Choice", according to a survey conducted among 236 companies and 13,000 candidates. The recognition was given by the "Employer Branding Observatory" and the survey was commissioned by Monster Italia and Anthea Consulting.

March 2012

RANDSTAD AWARD



The "Institute of Certified Management Accountants (ICMA)" conducted a survey in 14 countries on the preferences of workers, aged between 18 and 65. On the basis of the results, Ferrero received the "Randstad Award" for the most attractive company in Italy, thanks to 69% of workers' favourable opinions mainly expressed by women.

March 2012

TASTE OF THE YEAR AWARD

Ferrero Gran Soleil (Lemon, Mandarin and Coffee-Cappuccino flavours) received the “Taste of the Year 2012” award by “Tryp Network”, an independent association specialised in product evaluation processes. A panel of consumers evaluated the products on the basis of smell, consistency and taste.



February 2012

UK-ITALY BUSINESS AWARD

Ferrero received the “Investor of the Year” Award as “a formal recognition of Italian excellence” among companies who have chosen the UK for their international development strategy.



FRANCE

July 2012

ISO 26000 EVALUATION

The “French Association for Standardization (AFNOR)” evaluated Ferrero’s social responsibility initiatives in France according to the requirements of the International Organization for Standardization (ISO) 26000 guidelines. The evaluation attested a “confirmed level of progress” for Ferrero.

March 2012

LOGISTICS MOST INNOVATIVE ORGANISATION

For the first time in France, manufactured food products such as Nutella, Mon Chéri, Kinder bars and Ferrero Rocher were ferried by river under temperature-controlled conditions. For this achievement, Ferrero was awarded the “most innovative partnership” by the “SITL (Salon International du Transport et de la Logistique)” together with its logistics partners.



GERMANY

May 2013

MERCURIO AWARD

The “Italian-German Economic Association *Mercurio*” that gathers, since 1988, institutions and companies with the aim of improving the relationships between Italy and Germany, has awarded Ferrero the “*Mercurio Award*” as a special recognition for its corporate social responsibility.



- The 4-pillars
- The Ferrero Group
- Ferrero women and men
- Sustainable agricultural practices
- Minimising environmental impact
- C. S. R. of the Ferrero Group
- Ferrero Rocher
- Countries

June 2012

DAAB BEST PRACTICE AWARD

The "German Allergy and Asthma Association (DAAB)" awarded Ferrero with the "Best Practice Award" in the food sector, for its commitment to children and adults with allergies, asthma or neurodermatitis.



April 2012

INTER-GENERATION DIALOGUE AWARD

Ferrero's "Generation-bridge" project, which encourages dialogue between generations, was evaluated by the German Federal Ministry of Education and Research. It was nominated as "Project of the month" in April 2012, by the Federal Project Bureau "Dialogue among Generations".



POLAND

November 2012

PRODUCTS SAFETY AND QUALITY AWARD

The "Polish Research Centre for Certification", supported by the Polish Ministry of Economy, awarded Ferrero a prize for its contribution in promoting the international quality standards and its utmost care for product safety and quality.



September 2012

ENERGY EFFICIENCY LEADER AWARD

Ferrero received the "Energy Efficiency Leader Award" for its commitment and achievements in the manufacturing plant in Belsk for its energy and operational efficiency activities and its sustainability and environmental stewardship initiatives. The recognition was given by "Trane", a world leader in environmental and energy efficiency services.



SPAIN

June 2013

EMPRESAS SOCIALES

Ferrero has received the "Empresas Sociales" award by the *Fundación Ciudad Mundo* that rewards companies that have realised actions and programmes in favour of Corporate Social Responsibility.

The prize was awarded to Ferrero for its humanitarian work in the Social Enterprises in India, Cameroon and South Africa. It is a recognition that rewards the commitment of the entrepreneurial Ferrero family to improve and develop the living conditions in those countries.



AWARDS AND HONOURS FROM REST OF WORLD

AUSTRALIA

July 2012

NEW SOUTH WALES



GOVERNMENT'S SUSTAINABILITY ADVANTAGE PROGRAM

Ferrero Australia was recognised by the "New South Wales Government's Sustainability Advantage Program" for reaching the "Silver Partner Status", which identifies organisations that can demonstrate significant environmental achievements.

BRASIL

October 2011



GLOBAL ASSOCIATION FOR MARKETING AND RETAIL AWARDS

Ferrero received, from the "Global Association for Marketing at Retail (POPAI)", two awards for Ferrero Rocher:

- » the Gold Award for the campaigns "Temporary Promotional Islands" and "Merchandising Ferrero Rocher, mes dos Sentimentos 2011";
- » the Silver Award for the campaign "Ilhas Ferrero Rocher Natal 2010".

CHINA

June 2013

"GOLD PANDA" AWARD



The "Gold Panda" Award - that this year has reached its fourth edition - is the recognition that is given to Italian and Chinese companies that contribute to the strengthening of bilateral economic relations between Italy and China. The award is a collaboration between the Italian Chamber of Commerce in China and the "Italy China" Foundation with the support of the Italian Embassy in China and of the Ministry of Foreign Affairs and the Ministry of Economic Development.

August 2012

OUTSTANDING RECOGNITION FOR FOOD SAFETY & PUBLIC HEALTH INITIATIVES



CBN Media Group and Ecolab Inc., global service providers, awarded Ferrero as one of the "top 100 most trusted brands present in China", for its excellent product quality controls and its widely acclaimed corporate reputation.

June 2012

BEST SUPPLIER AWARD

Ferrero was awarded "Best Supplier" by C.P. Lotus Corporation, a Chinese leader in modern distribution chains, for its excellent quality products and high-level services.



March 2012

QUALITY AND SAFETY AWARD

Ferrero received the "2012 Consumption and Safety Award" for its active contribution to the "Consumer Care" annual campaign, developed by "Nanjing Consumer Association".



COLOMBIA

December 2012

GREAT PLACE TO WORK AWARD



Ferrero has been awarded as the fourth best Colombian company by the "Great Place To Work Institute" for the quality of its internal work environment. The recognition was given for the category "Companies with less than 500 employees" and was based on the following criteria: credibility, respect, impartiality, team spirit and pride.

MEXICO

April 2012

GUINNESS WORLD RECORDS

Ferrero achieved the Guinness World Records with the event *Kinder Generaciòn en Movimiento*, held in Mexico City on 29 April 2012. This was possible thanks to the participation of 1,601 parents and children in a single venue.



RUSSIA

November 2011

PRODUCT OF THE YEAR AWARD

In Russia, Raffaello and Nutella won the "Product of the Year Award 2011" in their respective categories. These awards were given by the "Russian Trading Association" and the "Moscow International Business Association", with the support of the Russian Chamber of Commerce and Industry.



UNITED ARAB EMIRATES

September 2012

ASIAN CSR LEADERSHIP AWARD

Ferrero was awarded the "Asian CSR Leadership Award" by the "Asian Confederation of Business" under the "Country Development" category. The award recognises the commitment of the Group to enhance local communities in some of the most deprived areas of the world, through the engagement of the Ferrero Social Enterprises.



UNITED STATES

October 2012

NIAF AWARD

On 13 October 2012, the "National Italian American Foundation (NIAF)"



honoured **Mr. Giovanni Ferrero** with a "Special Achievement Award in International Business" as recognition for his leadership at international level. NIAF is a non-profit and non-partisan educational foundation, established in 1965 to promote Italian-American culture and heritage. It serves the Italian-American community and develops educational and youth programmes, including scholarships and grants.

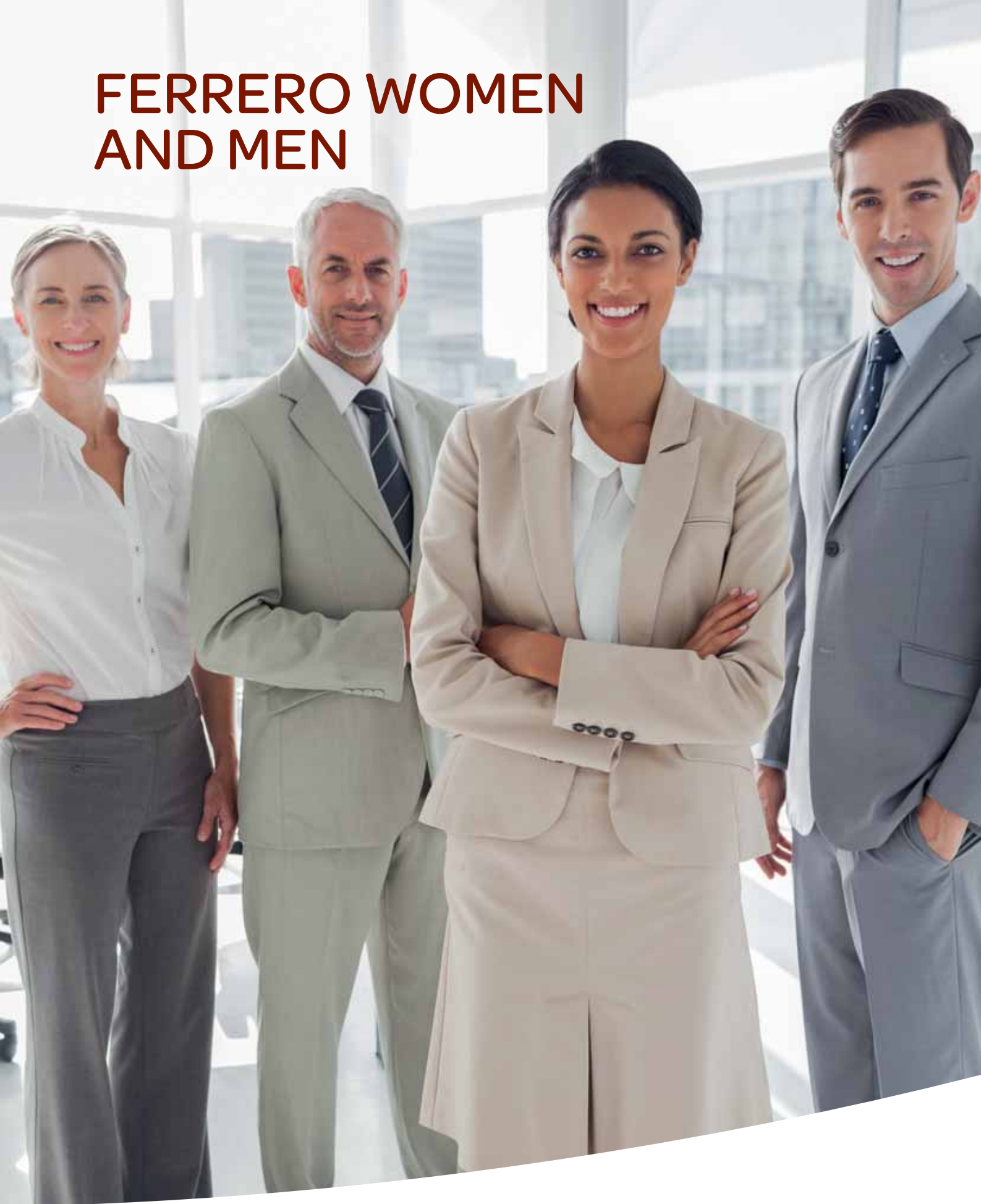
June 2012

"NUTELLA&GO!"

"Nutella&Go!" was named as one of the "40 Most Innovative New Products" by the "American Confectioners Association" during the Sweets & Snacks Expo held in Chicago.



FERRERO WOMEN AND MEN



FERRERO

SHARING VALUES TO CREATE VALUE

FERRERO WOMEN AND MEN

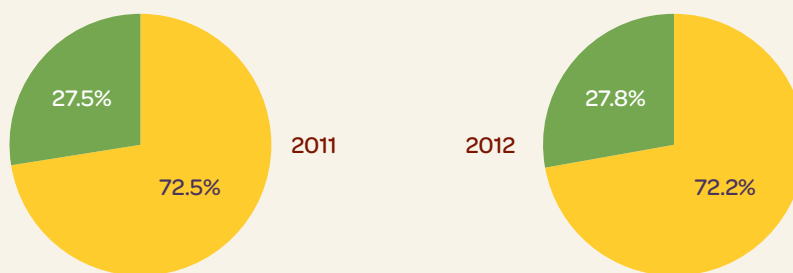
A CONSTANT EXPANSION IN THE WORLD

The Ferrero Group maintains a strong presence in Europe¹, both in terms of its personnel and its business, while its presence

outside Europe continues to increase (up from 27.5% in 2010/11 to 27.8%).

THE GROUP'S TOTAL WORKFORCE AS AT 31 AUGUST BY GEOGRAPHICAL AREA

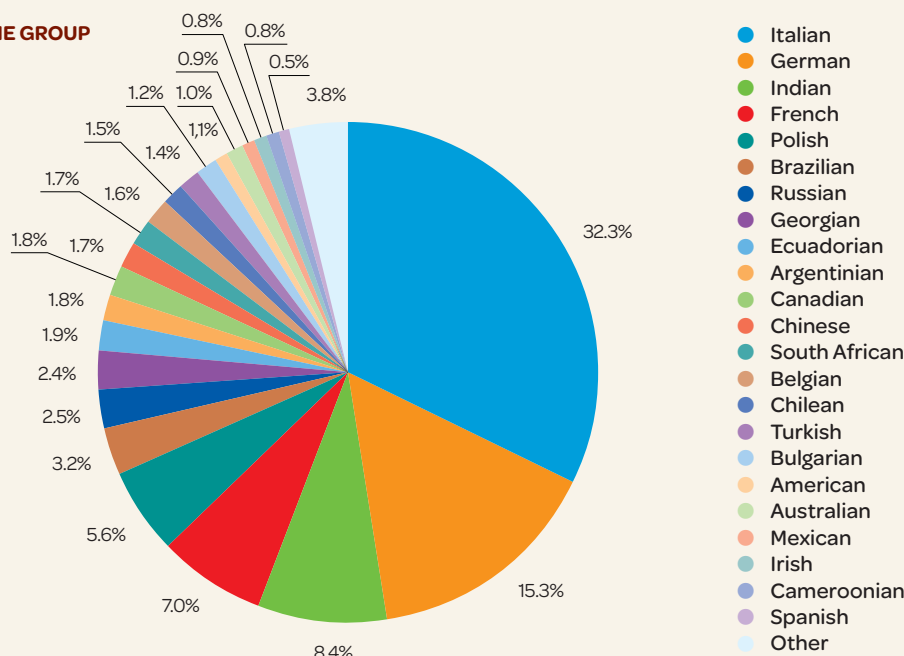
- Europe
- extra-Europe



The 1,324 people employed in the AGRI, Ferrero's agricultural companies² on 31 August 2012, should be added to temporary workers (1,096)³ of the Social Enterprises⁴ for a total

workforce of 25,270 women and men. The Ferrero Group includes workers⁵ of 97 different nationalities, thus divided:

NATIONALITIES OF THE GROUP AS AT 31.08.2012



1 Europe means the 27 EU countries.
 2 For further details on the AGRI, Ferrero's agricultural companies, specialising in hazelnut cultivation, please see the relevant chapter in this report.
 3 Workers hired for Ferrero through external agencies.
 4 For an in-depth analysis of Ferrero's Social Enterprises, please refer to the relevant chapter in this report. The employees of the Social Enterprises are divided as follows: Cameroon 191 people, India 1,036 + 850 temporary workers and South Africa 112+246 temporary workers.
 5 The graphic and the table include the temporary workers only as far as the Ferrero's Social Enterprises are concerned. For other companies the calculation is ongoing.

NATIONALITIES	31/08/2012	
	Total	% Total workforce
Italian	8,152	32.3%
German	3,869	15.3%
Indian	2,118	8.4%
French	1,763	7.0%
Polish	1,414	5.6%
Brazilian	814	3.2%
Russian	635	2.5%
Georgian	594	2.4%
Ecuadorian	478	1.9%
Argentinian	456	1.8%
Canadian	452	1.8%
Chinese	428	1.7%
South African	428	1.7%
Belgian	395	1.6%
Chilean	371	1.5%
Turkish	344	1.4%
Bulgarian	312	1.2%
American	274	1.1%
Australian	257	1.0%
Mexican	233	0.9%
Irish	202	0.8%
Cameroonian	196	0.8%
Spanish	132	0.5%
Other	953	3.8%
Total	25,270	100%

The category "Other" includes the 74 nationalities whose presence in the Group is less than 1% and Ferrero's agricultural companies.

FERRERO STAFF IN FIGURES

TOTAL WORKFORCE*	as at 31/08/2010	as at 31/08/2011	as at 31/08/2012
NUMBER OF STAFF			
Total	21,372	22,400	22,850
Of whom women	43%	43.6%	43.3%

* Total workforce includes only staff actually employed on that date, and does not include staff employed in the AGRI Ferrero agricultural companies. The total workforce takes into account the employees directly employed by Ferrero as at 31 August 2012. The figure reported in the consolidated financial statement of Ferrero International as at 31 August 2012 refers to the Group's average in 2011/12 which is equal to 22,298.

The total workforce as at 31/8/2012 shows a slight increase over the previous year, which is due in particular to seasonal work contracts.

The special nature of Ferrero's products, which are mainly chocolate-based, strongly conditions trends in market demand, which

peak considerably in particular periods of the year and during holiday season. This means that about 70% of production is concentrated in 7 to 8 months (during the winter season). This is why Ferrero has to resort to seasonal contracts.

TOTAL GROUP WORKFORCE PER TYPE OF CONTRACT

TYPE OF CONTRACT	as at 31/08/2011		as at 31/08/2012	
	no. of staff	%	no. of staff	%
Short-term*	4,658	20.8%	4,998	21.9%
Permanent	17,742	79.2%	17,852	78.1%
Totale	22,400	100%	22,850	100%

* As at 31.08.2012: 6% short-term contracts, 2% apprenticeships, and 12% seasonal. As at 31.08.2011: 5% short-term contracts, 2% apprenticeships, and 14% seasonal.

PART-TIME/FULL-TIME	as at 31/08/2011	as at 31/08/2012
Part-Time	7%	10.6%
Full-Time	93%	89.4%

The increase in part-time contracts is accounted for by their increased use in India.

It is useful to add that there is a widespread use of vertical part-time contracts lasting 8

months, which makes it possible to balance the Company's seasonal needs with staff's needs outside work.

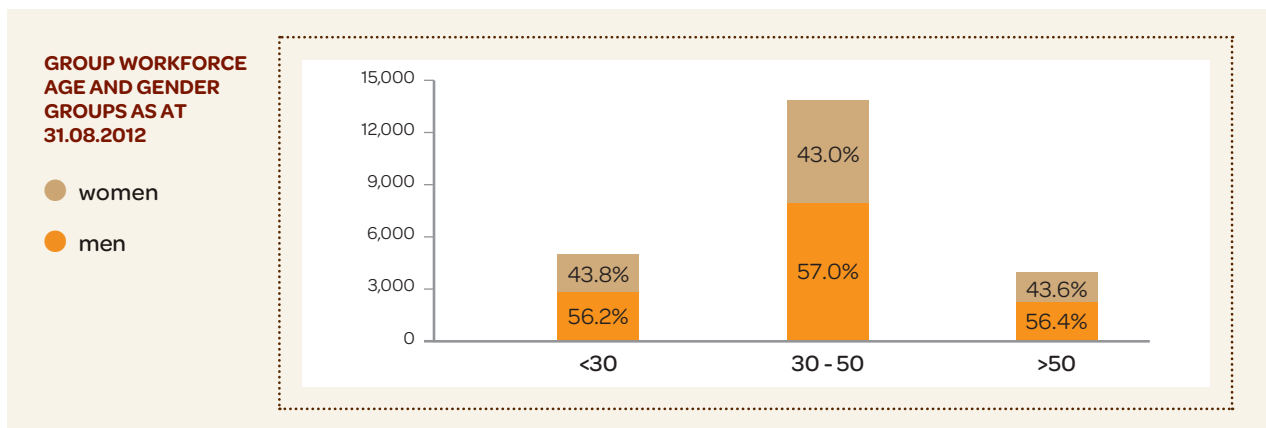
TOTAL GROUP WORKFORCE PER CATEGORY

CATEGORY	as at 31/08/2011		as at 31/08/2012	
	no. of staff	%	no. of staff	%
Manual workers	13,429	60.0%	13,360	58.5%
White collar workers	6,333	28.2%	6,792	29.7%
Middle manager	1,826	8.2%	1,878	8.2%
Senior manager	812	3.6%	820	3.6%
Totale	22,400	100%	22,850	100%

Senior managers perform roles in the Company that are characterised by a high degree of professionalism and independent decision-making and they contribute to the direction and development of company strategy.

AGE GROUPS

The chart below shows the distribution of age ranges among the Group workforce.



GROUP WORKFORCE PER AGE GROUPS

AGE GROUPS	as at 31/08/2011	as at 31/08/2012
	%	%
<30	22.4%	21.9%
30 - 50	60.6%	60.8%
>50	17.0%	17.3%
Totale	22,400	22,850

Of the 78 senior managers described in the chapter "Corporate Governance of the Group", 55% of the members of the committee are over the age of 60, 35% are between 50 and 60 and

10% are between 40 and 50 including the CEO of the Group. In these committees, the female presence corresponds to 2 women, which includes the president of the Board of Directors.

PRESENCE OF WOMEN AND MEN

Compared to the previous year, female employment in the Group has slightly decreased overall. This is mainly due to changes in short-

term and seasonal contracts in some countries. However, the number of women as white collar workers and managers is increasing.

GROUP WORKFORCE AS AT 31 AUGUST	2010/11			2011/12		
	Total no. of staff	Men %	Women %	Total no. of staff	Men %	Women %
Geographical area						
Europe	16,243	58.5%	41.5%	16,505	58.9%	41.1%
extra-Europe	6,157	50.9%	49.1%	6,345	51.1%	48.9%
Category						
Manual workers	13,429	52.4%	47.6%	13,360	53.3%	46.7%
White collar workers	6,333	56.8%	43.2%	6,792	55.8%	44.2%
Middle manager	1,826	70.8%	29.2%	1,878	70.4%	29.6%
Senior manager	812	88.4%	11.6%	820	87.9%	12.1%
Type of contract						
Permanent	17,742	60.4%	39.6%	17,852	60.3%	39.7%
Short-term	4,658	41.5%	58.5%	4,998	43.8%	56.2%
Part-Time/Full-Time						
Part-Time	1,655	19.2%	80.8%	2,421	32.4%	67.6%
Full-Time	20,745	59.4%	40.6%	20,429	59.6%	40.4%
Total workforce	22,400	56.4%	43.6%	22,850	56.7%	43.3%



STAFF TURNOVER

The following table shows the figures for male and female turnover in the workforce, divided according to geographical area and age group, excluding seasonal workers. The figures for staff leaving represent retirements, voluntary resignations and expiry of temporary contracts.

The figures for staff hiring represent new staff member appointments in the Group.

In the financial year 2011/12 the Ferrero Group hired 2,310 new staff members, of whom 1,246 Men (53.9%) and 1,064 Women (46.1%).

STAFF LEAVING AND HIRING RATE, PER AGE GROUP – EUROPE

2010/11						
EUROPE	Staff leaving			Staff hiring		
	Women	Men	Total	Women	Men	Total
<30	56	69	125	338	345	683
30 - 50	87	140	227	121	160	281
>50	72	121	193	11	5	16
Total	215	330	545	470	510	980
%	3.19%	3.47%	3.36%	6.98%	5.36%	6.03%

2011/12						
EUROPE	Staff leaving			Staff hiring		
	Women	Men	Total	Women	Men	Total
<30	57	76	133	177	239	416
30 - 50	138	166	304	150	171	321
>50	92	101	193	6	14	20
Total	287	343	630	333	424	757
%	4.23%	3.53%	3.82%	4.90%	4.36%	4.59%



STAFF LEAVING HIRING RATE, PER AGE GROUP – OUTSIDE EUROPE

2010/11						
OUTSIDE EUROPE	Staff leaving			Staff hiring		
	Women	Men	Total	Women	Men	Total
<30	177	166	343	322	315	637
30 - 50	204	255	459	280	308	588
>50	15	19	354	54	62	116
Total	396	440	836	656	685	1,341
%	13.10%	14.04%	13.58%	21.71%	21.85%	21.78%

2011/12						
OUTSIDE EUROPE	Staff leaving			Staff hiring		
	Women	Men	Total	Women	Men	Total
<30	207	172	379	371	404	775
30 - 50	256	310	566	328	386	714
>50	49	32	81	32	32	64
Total	512	514	1,026	731	822	1,553
%	16.50%	15.86%	16.18%	23.56%	25.36%	24.50%

STAFF LEAVING HIRING RATE, PER AGE GROUP – THE WHOLE GROUP

2010/11						
GROUP	Staff leaving			Staff hiring		
	Women	Men	Total	Women	Men	Total
<30	233	235	468	660	660	1,320
30 - 50	291	395	686	401	468	869
>50	87	1,410	227	65	67	132
Total	611	770	1,381	1,126	1,195	2,321
%	6.26%	6.09%	6.17%	11.54%	9.45%	10.36%

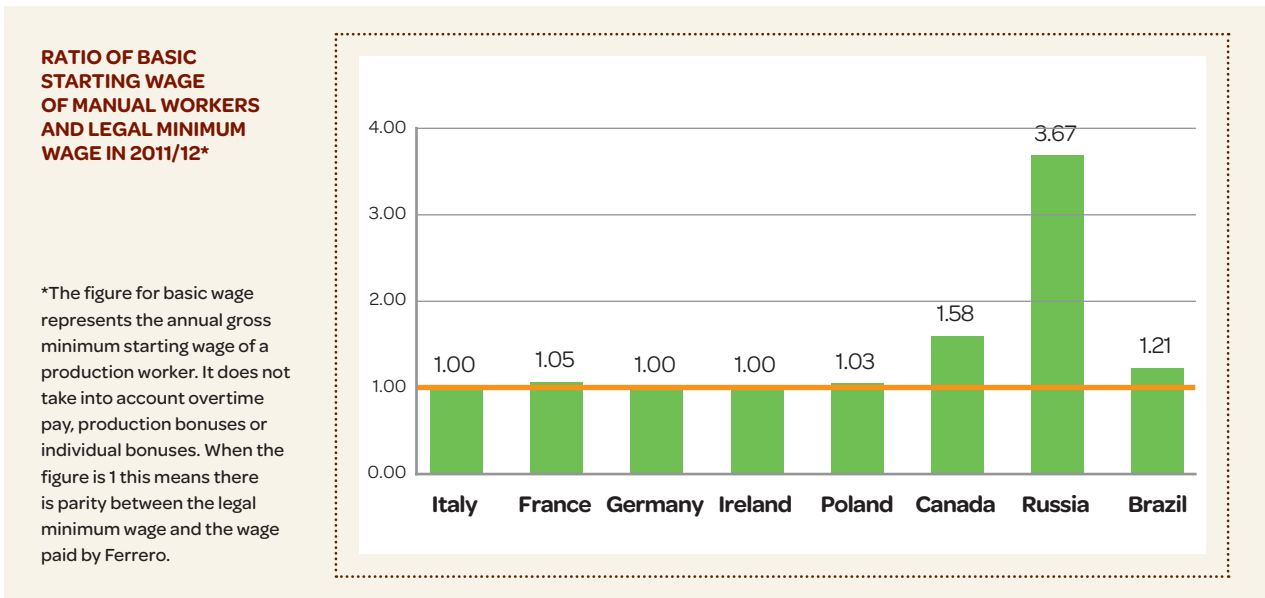
2011/12						
GROUP	Staff leaving			Staff hiring		
	Women	Men	Total	Women	Men	Total
<30	264	248	512	548	643	1,191
30 - 50	394	476	870	478	557	1,035
>50	141	133	274	38	46	84
Total	799	857	1,656	1,064	1,246	2,310
%	8.08%	6.61%	7.25%	10.76%	9.62%	10.11%

Data on staff returning to work after parental leave for both women and men at Ferrero will be available by 2014/15.

REMUNERATION

All of Ferrero’s production plants comply with the wage and salary standards set by law and national collective bargaining agreements, where present. In addition, its major production plants offer standardised company agreements such as performance bonuses, according to local practice providing employees with further advantages.

The graph below shows some examples of the ratio of minimum Ferrero wage to the minimum legal wage in individual countries where some of the more important Ferrero production plants are based.



The Ferrero Social Enterprises are not included in the above graph as their data are reported in the relevant chapter of this CSR report.

The table below shows the male to female staff average pay ratio⁶ with reference to the principal countries of the Group. In view of

the state of data collecting system on pay at Group level, to be completed by 2014/15, the data at present available are for a selection of countries: Italy, Germany, France, Poland, Ireland, Canada and the United States, **constituting about 70% of the total Group workforce.**

6 This ratio is calculated using the following formula: average men’s pay = 100 : average women’s pay = x. Where the ratio is less than 100, the average men’s pay is greater than the average women’s pay.

RATIO OF AVERAGE PAY PER GENDER AND CATEGORY

CATEGORY	Ratio of Men's to Women's pay as at 31 August 2011	Ratio of Men's to Women's pay as at 31 August 2012
Italy		
Manual workers	91.5	91.8
White collar workers	93.6	94.4
Middle management	94.7	95.1
Senior management	72.1	64.0
Germany		
Manual workers	76.7	77.6
White collar workers	82.2	83.1
Middle management	90.5	89.7
Senior management	85.9	89.4
France		
Manual workers	93.5	94.4
White collar workers	101.6	101.5
Middle management	84.7	87.0
Senior management	83.5	76.3
Poland		
Manual workers	68.8	69.0
White collar workers	90.5	91.4
Middle management	113.8	114.5
Senior management	55.4	67.4
Ireland		
Manual workers	n.d.	91.2
White collar workers	n.d.	83.3
Middle management	n.d.	73.8
Senior management	n.d.	n.a.
Canada		
Manual workers	n.d.	87.8
White collar workers	n.d.	90.3
Middle management	n.d.	99.8
Senior management	n.d.	89.8
USA		
Manual workers*	n.d.	89.6
White collar workers	n.d.	76.5
Middle management	n.d.	97.5
Senior management	n.d.	56.7

* This figure reflects the manual workers on the payroll at the confectionery production plant in the USA.

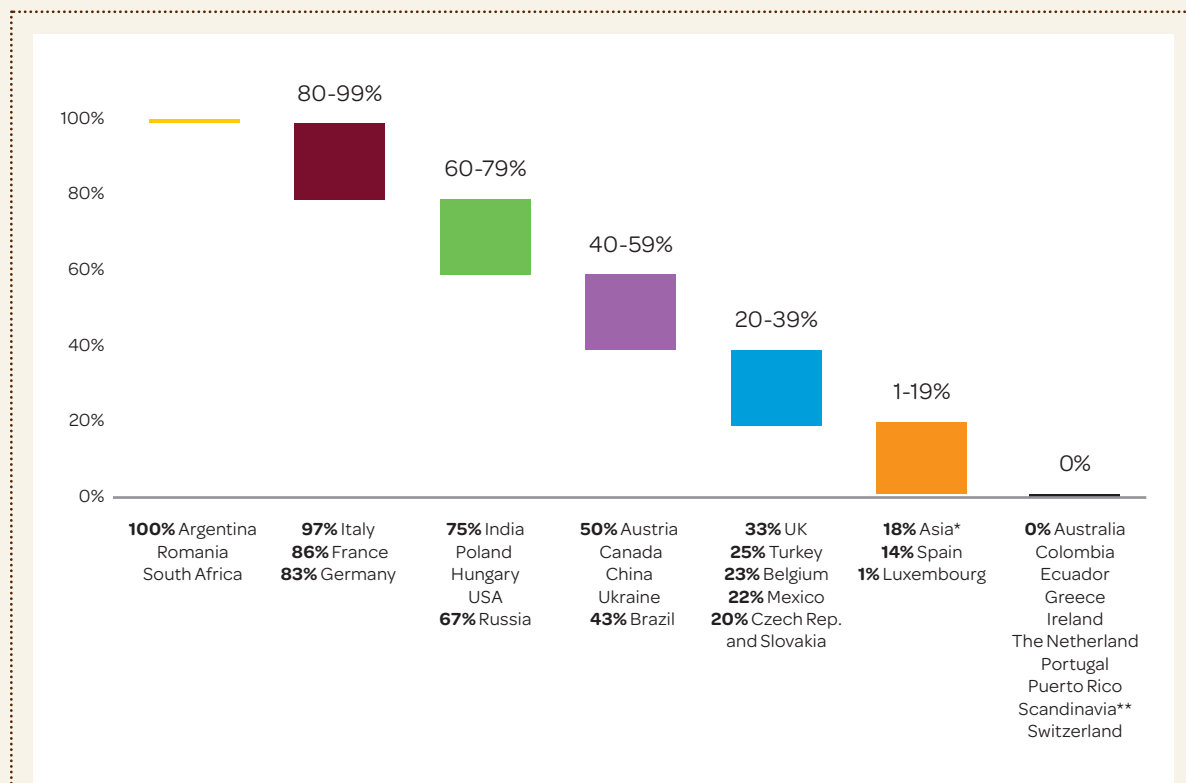
In the above average statistics, some disparities are caused by the higher number of men historically hired, which means that at present there are more senior men and consequently a higher average remuneration. This is particularly evident in the figures for “senior management”. Every year, the Group’s “middle management” and “senior management” undergo an assessment of their individual performance, to monitor the achievement of their set goals and their managerial conduct. This process also identifies the skills on which to focus in their future career development. **The process is gradually being extended to include**

the category of white collar workers as of 2013/14.

LOCAL HIRING

The table below shows the percentage of “senior management” hired locally, that is, having the nationality of the country in which they are hired. The figure covers the 820 “senior managers” of the Group. Note that in several smaller countries, there are only 1 or 2 senior managers. The countries not shown have no “senior manager”.

PERCENTAGE OF “SENIOR MANAGEMENT” HIRED LOCALLY AS AT 31.08.2012



* Asia includes Hong Kong, Singapore, South Korea and Taiwan
 ** Scandinavia includes: Denmark, Finland, Sweden and Norway



INDUSTRIAL RELATIONS

According to international policy, the minimum notice period given in the Group in the event of significant operational changes is in line with national or regional collective agreements and ranges from a minimum of 15 days to a maximum of 6 months.

In 2011/12 there has been no reported strike actions at any of Ferrero's production plants.

ACTIVITIES OF FERRERO'S EUROPEAN WORKS COUNCIL (EWC)

In May 2012 an EWC meeting was organised in Dublin, where the contents a new joint training programme were agreed for 2013 based on past years' positive experience. Its main points are that it confirms the methodology adopted in 2011 to have six national seminars and a concluding European seminar; which reinforces the sharing of values, including those set out in the 2011 Sustainability Report "Sharing Values to create Value"; and further deals with two topics which emerged during 2011: health and safety at work and the comparison of pension systems in the various countries.

The national training seminars, each lasting a day, were held between January and March 2013 as follows:

- ▶ 16 January: Arlon (Belgium),
- ▶ 29 January: Villers-Écalles (France),
- ▶ 14 February: Cork (Ireland),
- ▶ 26 February: Beslk (Poland),
- ▶ 5 March: Alba (Italy),
- ▶ 19 March: Stadtallendorf (Germany)

Each meeting was attended by local worker representatives, national Ferrero EWC members and local human resources managers.

The agenda, which was the same for all the meetings, was in three parts:

- ▶ The first part of the day was devoted to updating delegates on the new legal basis of EWC, the areas of cooperation that can be achieved in these organisations and a presentation of Ferrero's EWC's activities in the last years. The objective of this part was to make all local worker representatives aware of and able to contribute to the exercise of their rights to information and consultation and internal communication within Ferrero's EWC.
- ▶ The second part focused on discussing the 2011 Corporate Social Responsibility Report, with particular reference to the chapter on Human Resources. In particular, the participants discussed their knowledge of and participation in the health and safety policies and health and safety management systems and considered how Ferrero EWC could positively contribute to these policies.
- ▶ The third and final part of the day was devoted to a presentation on the national pension systems. In order to study this matter in greater detail and assist future comparison of the various systems, a structured questionnaire was sent and completed by the local worker representatives and members of the EWC, and presented on the day of national training.

The national training days confirmed the validity of this experience and reinforced the awareness and participation in the work that goes on in the EWC.

The latest joint seminar was held in Paris on 16 and 17 April 2013 which aimed at reinforcing reflection on Corporate Social Responsibility, with particular reference to the supply of raw materials, and comparing some of the practices in other EWC's.

At present the EWC represents about 72% of the Group's manual workers in the world and almost all of those working in Europe.

MEETING THE OBLIGATIONS UNDERTAKEN BY THE GROUP HAS TO DETERMINE PENSION PLANS

The Group determines contributory pension plans for all its Companies' staff.

Where employees leave the company prior to full vesting of the contributions under the plan, the contributions payable by the Group are reduced by the amounts of forfeited contributions. The only obligation of the Group, with respect to the retirement benefit plan, is to pay the accrued contributions.

Certain groups of employees receive leaving indemnities in accordance with the applicable laws of the respective countries in which the Group operates. The amount of pension benefits due are determined on the basis of actuarial valuations and covered by appropriate provisions and accruals recorded in the financial statements.

The benefits due to employees are fully vested at year-end and represent the current value of the Group's liability to employees, net of advance payments.

PROTECTION OF HEALTH AND SAFETY



A Health and Safety at Work Committee has been set up at Alba's production plant, in the context of the uniform company contract of the Italian company. This body, which comprises an equal number of company representatives and worker representatives, has been given the task of proposing and supporting initiatives to spread the Culture of Safety at all levels of the organisation.

Specifically over the course of 2012 the

Committee has proposed, developed and organised an innovative method of training called "SicuraMente – Siamo tutti attori della sicurezza" (Safely [literally Safe-Mind] - We are all the protagonists of safety), which was aimed at about 130 participants including workers and supervisors and took place in the Ferrero Foundation's Auditorium in Alba. By means of a tailor-made theatrical presentation, specifically created by a professional theatre company specialising in improvisation, several typical work situations were represented. These included a young worker joining the factory, the dynamics of a small accident with its implications and a useful discussion about accidents between a shift foreman and a female worker that had been avoided. For each scene, in a humorous but realistic style, several aspects of the Culture of Safety were dealt with, such as the importance of communication, analysis of accidents that occurred or had been avoided, training, etc.



Ferrero Social Enterprise - South Africa

In addition, the idea that “we are all protagonists of safety” was expressed, by explicitly inviting the audience to interact with the actors on the stage, suggesting more effective behaviour for them to enact, and evaluating in real time the effect of these proposals, having the scene repeated more than once in order to understand that true safety can only be achieved if everyone contributes.

Immediately after the performance, working groups were organised, which elaborated and presented specific proposals for improvements in safety at work.

This initiative was an immediate and resounding success because of its originality and the sense of identification between spectators and actors. This exercise became the starting point for the planning and creation of further awareness-raising and sharing initiatives to develop the culture of safety in the company.

ACCIDENT TRENDS AT WORK

The graphs below show the aggregated data on accidents for all the production plants in the Ferrero Group (Alba, Pozzuolo Martesana, Balvano, Sant’Angelo dei Lombardi, Stadtallendorf, Viller-Écalles, Cork, Arlon, Belsk, Quito, Lightow, La Pastora, Poços de Caldas, Bradford and Vladimir), excluding the Ferrero Social Enterprises.

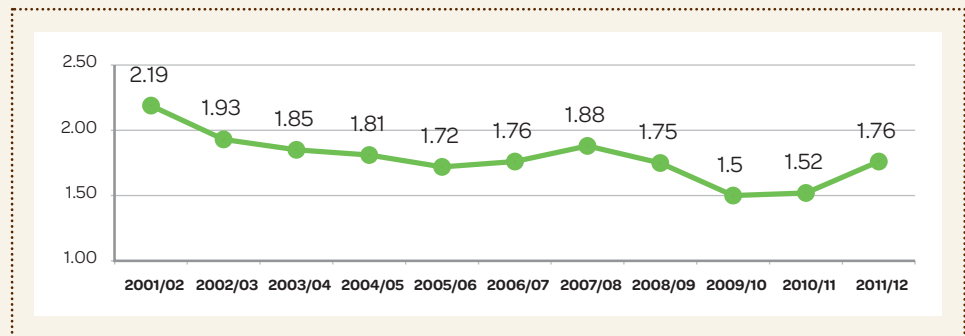
The accident frequency and seriousness indexes are calculated on the basis of the accidents and hours worked both by manual workers and white collar workers operating only in the aforementioned production plants.

The accidents considered are those that have led to more than 3 days absence from work, excluding the date the accident happened, and also include accidents when travelling.

No fatal accidents have been registered.

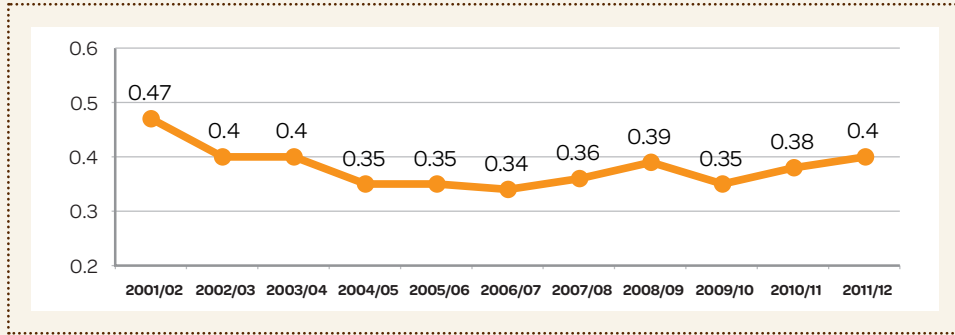
ACCIDENT FREQUENCY INDEX IN THE GROUP*

*The index of accident frequency represents, during the relevant period, the total number of accidents per 100,000 hours worked



SERIOUSNESS OF ACCIDENTS INDEX IN THE GROUP*

*Accident seriousness index represents, during the relevant period, the total number of absences due to accident per 1,000 hours worked



YEAR	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Index of frequency (per 100,000 hours)	2.19	1.93	1.85	1.81	1.72	1.76	1.88	1.75	1.5	1.52	1.76
Index of seriousness (per 1,000 hours)	0.47	0.4	0.4	0.35	0.35	0.34	0.36	0.39	0.35	0.38	0.4

Data relating to absenteeism and sick days, divided by type and geographical area, will be available by 2014/15.

DEVELOPMENT AND TRAINING

The Ferrero Learning Lab has continued to centrally coordinate the institutional and managerial training programmes for Ferrero personnel, in three main areas of intervention:

- » Corporate University
- » Commercial Operations and Management Services
- » Industrial Operations.

During the reporting year, the Learning Lab has been



responsible for devising and organising important training programmes mainly aimed for management, with more than 1,541 participants for a total of 118 training events. On the basis of the Group's database currently being developed, 51,588 training hours were recorded in 2011/12, pertaining solely to the initiatives managed by the Ferrero Learning Lab. Comprehensive data on the entire training programme of the Ferrero Group in terms of hours of training, in total and per capita, per category and type, will be available as from 2013/14.

FERRERO LEARNING LAB TRAINING PROGRAMMES

YEAR	Number of session	Number of participants	Types of training programme
2006/07	58	965	20
2007/08	91	1,433	21
2008/09	100	1,500	23
2009/10	157	2,707	25
2010/11	174	4,070	28
2011/12	118	1,541	34

The plan for a centralised system to manage training events has made progress and will be fully operational as of September 2014 and will progressively be rolled out to the various Companies in the Group.

The main categories that will be used to classify Group training will be the following divided into categories of employment, type and category of personnel:

- ▶ **Institutional:** This will gather the statistics of institutional training activities focussing on the development of staff's role in the culture and values of the Company;
- ▶ **Managerial Soft Skills:** This will gather the statistics of training activities focussing on the development of management's role;
- ▶ **Professional Know How:** This will gather the statistics of training activities focussing on the development of the role of people in non-managerial positions.

"Corporate University"



The Corporate University Catalogue renewed its institutional and managerial training programmes already available, continuing its central coordination in planning the content and delivery of the activities of these programmes, analysing feedback for continuous improvement and managing the faculty, which includes more than 100 internal speakers and certified providers with the highest level of expertise.

The institutional programmes delivered included in particular:

- » **Induction Capire Ferrero:** 63 new graduate recruits have taken part in *Capire* in the first year and a half since joining the Group. It is conducted in English, at Pino Torinese in Italy, lasts 7 weeks and welcomes all the Companies in the Group;

- » **Ferrerità:** this training experience brought the Culture and Values of the Group to 550 staff working a long way from headquarters, specifically in Brazil (Curitiba), China (Shanghai), Cameroon (Yaoundé), Spain (José de la Frontera) and 3 international editions that took place in Alba;
- » **Ferrero Academy:** a week of training for 29 newly appointed directors and managers who have become directors. This took place at Camogli (Italy), traditionally the setting for this programme;
- » **Nutrition Basics:** 23 middle managers and professionals in the fields of Marketing, Production, Sales, Trade Marketing and RD have taken part in this programme, delivered both in digital form and in a lecture hall.

The second part of the Catalogue is for managers.

This part of the offer, which is closely related to the set of soft skills required of management Ferrero and one of the first step on the road to personal growth, is aimed at strengthening organisational behaviour in terms of efficiency and personal development.

Starting from self-development, passing through team development, and finally the organisation's development, the offer has seen several initiatives, among which:

- ▶ Self-effectiveness
- ▶ Team working
- ▶ Presentation skills
- ▶ Presentation skills - follow up
- ▶ Problem solving results orientation
- ▶ People management phase 1
- ▶ People management phase 2
- ▶ Negotiation skills
- ▶ Project management essentials
- ▶ Team management
- ▶ Advanced people management

Since it is in line with the Company capability requirements, this training is managed internally by a teaching partnership with qualified external providers, selected from the national and international market, in order to ensure the effectiveness of the teaching and high levels of innovation in what constitutes the training ground of organisational learning for our managers.

“Commercial Operations”

The Ferrero Sales Academy has continued to develop and increased training sessions for all the commercial departments; it is a training project that is activated pari passu with openings and/or reorganisations of the sales force in the various countries, and is proving to be a support to the business.

It has now been three years since the creation of the Ferrero Sales Academy. The methodology of the project has been updated and improved: there is a certification process for the internal facilitators and local organisers work with the Ferrero Learning Lab in order to carry out the centralised training programmes in various locations.

In the Sales Department, the Induction programme, which is centrally managed, has been expanding. This is a programme to enhance staff’s awareness of Ferrero practice in sales and marketing. It is available to colleagues, mostly based outside Europe, who have key positions in the commercial structures and have recently been appointed to the Ferrero Group. The programme allows them to stay in Europe (in Alba, Luxembourg or another representative market for the commercial practices in operation: Germany, France, Italy, or the UK) for an average period of two weeks. In 2011/12, 48 staff members from China, Brazil, India, Turkey, Argentina, Mexico, Russia, the Ukraine and Luxembourg, took part.

“Management Services”

The following programmes are still ongoing:

- ▶ The X-Generation programme for the IT Department
- ▶ The Finance Young Graduate Programme (FYGP) for the Finance Department

The FX-Academy programme which started in 2010 concluded after 20 months. The purpose of the programme, with sessions held every three months in a lecture hall, is to develop and reinforce managerial capabilities and the Middle Managers business partner role in the Finance Department. The mix of personnel coming from various countries of the Group is aimed at fostering integration and sharing knowledge within the Finance community. At the end of the course, participants took part in a development process that enabled them to gain knowledge of the managerial capabilities acquired by moments of reflection and the imposition of individual development plans. Middle Managers in the FX-Academy programme also participated in the mentoring scheme to become mentors of the junior Finance personnel of the Finance Young Graduate programme. The purpose is to develop capabilities in human resources management.

“Industrial Operations”

The “Library Operations” project continued during 2011/12. It aims to collect, organise and disseminate the “Knowledge” and “Know-how” of the Ferrero industrial world. It has constantly been evolving both in terms of number of available modules and countries involved; 2 new training modules have been designed and developed now amounting up to 30 availabilities in the catalogue. In new production plants such as the one in South Africa, training sessions have been organised, dedicated to delivering the



modules on Quality, Hygiene and Sanitisation. In parallel, work has been on going to put in place a common process of certification of local trainers, by means of “Train the Trainer” sessions.

The training programme continues to extend in order to support the organisational changes at the principal production plants of the Group. New activities have been implemented to reinforce certain new ways of working and behaviour required by the new model, such as team work and inter-departmental integration. Ad hoc initiatives have been developed for the Professional Families (Technicians, SSP, Manual Technicians, Purchasing, Packaging) whose purpose is to contribute to the sharing of know-how, procedures and best practice and facilitate the building of professional networks.

“The Ferrero intercultural way to connection”

This is the title of the Corporate University initiative which aims to enable the Ferrero staff to work effectively, by means of an intercultural approach.

Indeed, Ferrero’s development strategy, now and for the years to come, needs to reinforce intercultural capabilities in order to enable staff to effectively handle relations and communicate effectively with the most remote cultures while respecting and valuing the diversity of others. This is vital for ensuring continuous improvement of business performance.

The design process which started in February 2011, with a careful analysis and benchmarking both inside and outside the company, has led to the selection of a strategic international partner, with whom a framework of for training

sessions has been set up. It is intended to target different professionals, different departments and different levels of seniority both at corporate level and at Business Unit and Operations level, by means of a systematic process of involvement.

This approach has included aspects such as Training, People Management and Elements of Distinctive Culture, with a view to globalisation. A variety of modules has therefore been designed as pilots, devoted to a very wide selection of target departments in various geographical areas.

Within every initiative, the use of the lecture and training needs has been emphasised, by the mix of different seniorities (Top Managers and Young Graduate Potentials), gender (Women and Men) and ages (over 50’s and new graduate recruits) in order to replicate the experience of diversity and to trigger the spread of awareness in the company organisation.

The “Intercultura” Project

In the academic year 2011/12 the Group continued its, almost ten-year, collaboration with *Intercultura*, and offered staff children of an opportunity to study for a period abroad.

Italy participated in this initiative as in previous years, offering 2 one-year study bursaries, as did France, with 2 two-month bursaries, and Germany, with 3 one-year study bursaries.

TECHNICAL AND PROFESSIONAL TRAINING

In addition to the projects coordinated by the Training Laboratory, important initiatives have been put in place at local Group facilities, both industrial and commercial, mainly in order to develop technical and professional capabilities. Among the principal initiatives were courses in human resources management, food safety,

industrial safety, production management, plant maintenance, health and safety at work, IT applications and languages.

The table below shows total and per capita hours of training for manual workers and white collar workers at the Group facilities. At present the Group's computer data systems are not equipped to trace the data for all facilities; these will be available for 2012/13.

AVERAGE ANNUAL HOURS OF TRAINING PER PRODUCTION PLANT

COUNTRY	2010/11		2011/12	
	Hours/Year	Average hour / Member of staff	Hours/Year	Average hour / Member of staff
Italy	31,232	8	22,791	5.8
Poland	12,922	13	18,100	16.3
Russia	1,197	7.5	3,300	18.6
Brazil	1,202	8	901	2.3
Belgium	3,855	11	3,987	6.4
Canada*	6,075	13.5	4,965	6.2
Argentina	3,075	8	1,788	4.6
Ireland	6,317	30	2,283	9.5
Ecuador	5,732	13	1,724	4
Germany	35,501	10.5	32,345	13.2
France	4,619	18.5	2,604	7.2
Australia**	169	2	960	12.5

* The figure for Canada only concerns manual workers

** The figure for Australia does not include training at the place of work



PEOPLE WITH DISABILITIES

In addition to complying with the legal obligations to employ disabled people in certain European countries, including Italy, Germany and France, there is an increasing number of initiatives within the Group in favour of associations that are active in this field. Some of the main ones are listed below.

In **Argentina**, Ferrero collaborates with "CEDEMIL", a non-profit organisation that provides work opportunities for disabled people. Thanks to this collaboration, Ferrero has appointed disabled people to them positions on the production line of Kinder Sorpresa.

In **Australia**, Ferrero collaborates with "Brainwave", a charity that supports children with cerebral diseases and their families. During 2012, Ferrero made various donations for children with such diseases. A group of Ferrero staff at the Sydney office volunteered at a series of events promoted by the "Brainwave" charity, such as "Camp Brainwave NSW", a camp for the recreation and amusement of the children supported by the charity and their families, a gala fund-raising event and the Christmas Luna Parks in Sydney and Melbourne.

In **Belgium**, Ferrero cooperates with the local government for the purpose of integrating disabled people into the professional world. Every year, during the peak period of production, Ferrero collaborates with two organisations, called E.T.A. (*Entreprise Travail Adapté*) that employ disabled workers Ferrero Belgium takes on 30-60 disabled people who carry out tasks connected with packaging of the seasonal products or those sold on particular occasions.

In **Brazil**, Ferrero maintains close relations with local organisations for integrating disabled people in businesses. The sales department has activated a plan of action: 1) organise meetings and raise awareness of staff management; 2) follow more closely the progress of disabled staff; 3) create special procedures for hiring and selecting disabled people.

In **Canada**, Ferrero supports the organisation "Reach for the Rainbow" which supports the integration of children and young people with disabilities into society, through summer camps. With this objective in mind, Ferrero collected funds for the "Crystal Ball Gala", which raised the amount of 1.1 million dollars.

In **Colombia** and **Ecuador**, in 2011/12, Ferrero supported more than 9,000 children with different abilities and in vulnerable situations. In Ecuador, Ferrero collaborates with the office of the Vice President of the Republic and various centres and foundations including: "Fundación Operación Sonrisa", "Centro de Rehabilitación Integral (CEREHIN)", "Fundación El Triángulo", "Fundación AMI" e la "Fundación FIDAL". In Colombia, Ferrero collaborates with the charities: "Corporación Matamoros", "Fundación Simón", "Fundación Tiempo de Juego", "Fundación Víctimas Visibles", "Fundación Sueños de Esperanza", "Fundación Huellas con Futuro" and the "Asociación de Cónyuges diplomáticos acreditados en el país (ACDAC)".

In **France**, the production plant of Villers-Écalles continues to include disabled people in its workforce. The percentage of disabled staff has actually risen to 9.4% (an increase of 2% in 2012 compared with 2011). Ferrero has also

signed a partnership agreement involving the office at Mont-Saint-Aignan, the warehouse at Grand Quevilly and a local rehabilitation centre for disabled people, in order to promote the hiring of disabled people. This year also, Ferrero took part in the event organised by "HANDISUP" in order to promote the integration of disabled people into the professional world and, for the second time, organised the "Disability Week" to promote awareness on this matter and combat prejudice.

In **Germany** Ferrero provides its staff the opportunity to help and support initiatives in favour of differently abled people in the context of the "Company Volunteer Programme" started in 2012 and promotes "Social Day" event. Some of the Ferrero staff helped refurbished the internal spaces of the "Lebenshilfe Frankfurt", a care home for mentally disabled people, and worked as volunteers at the "Werkstätten Hainbachtal" centre and restoring a garden to provide success for the disabled. Ferrero also organises excursions in collaboration with a local charity for the blind.



In **Italy**, Ferrero continues to support various initiatives involving disabled people, collaborating with the voluntary organisation in Alba "SportABILI", which organises sports and recreational activities for all types of disability. Ferrero welcomed this organisation at its Research Centre in Alba for the presentation of a seminar entitled "Sport for All". In addition, a collaboration has been initiated with the "Cooperativa EMMAUS", which will start in 2012/13, providing disabled people access to the facilities at the Ferrero Sports Centre. It should be emphasised that, with the profits from

football and tennis games played by athletes of the region, the Ferrero Sports Centre also supports a Bolivian project entitled: "Un gol al maltrato: escuela de calcio, escuela de vida".

In the near future Ferrero is planning a collaboration with the organisation "UISP Sports for all" and the Departments of Mental Health of the Piedmont regions and Valle D'Aosta to host the finals championship "Mad about Football" which will have about 400 participants.

In **Russia**, Ferrero supports cultural and sporting events organised by "Special Olympics", a charity for disabled people and people with special needs from the Vladimir region by offering various products. In 2012 Ferrero offered its products to 500 disabled people who took part in the "World Day of Differently Abled People" invited by the Vladimir local council.

In the **United States** Ferrero raised funds for the annual event organised by the charity "Resources for Community Living", to help develop mentally and physically disabled people in Illinois whose autonomy and independence is at serious risk. Ferrero also raised funds for the charity "Easter Deals NJ", which provides professional training for disabled people, and for "Ride for Autism", the charity bicycle tour whose aim is to raise awareness of autism in New Jersey. Ferrero also raised funds for the "Academy Learning Center" to supply multimedia scholastic materials to autistic students. Finally, Ferrero supports the event "Helen Keller 5K Run" organised by the charity "Lions of Illinois-Chicago Lighthouse for the Blind", which provides the best rehabilitative treatment and learning instruments for blind and disabled children and adults.

LENGTH OF SERVICE

The Ferrero Group is marked by a particularly positive internal atmosphere and by the strong link that has been established between staff and the Ferrero family consolidated over the years. In 2012, a formal **token of gratitude was awarded to 225 staff members for 25 years**

of service in the Ferrero Group, to 168 staff members for 30 years of service, to 74 staff members for 35 years and to 30 staff members for 40 years.

The table below shows statistics of the average length of service of staff⁷ at the Group's* production plants as at 31 August 2012.

CATEGORY	Average length of service (years and months)		
	Women	Men	Total
ITALY: Alba since 1946, Pozzuolo Martesana since 1965, Balvano since 1985, S. Angelo dei Lombardi since 1985			
Manual workers	12 years, 8 months	17 years	15 years, 1 month
White collar workers	15 years, 2 months	18 years, 4 months	17 years, 1 month
Middle management	17 years	19 years, 3 months	18 years, 10 months
Senior management	14 years, 5 months	20 years, 3 months	19 years, 8 months
GERMANY: Stadtallendorf since 1956			
Manual workers	11 years, 5 months	12 years, 7 months	12 years
White collar workers	11 years, 11 months	16 years, 6 months	15 years, 2 months
Middle management	18 years, 2 months	17 years, 6 months	17 years, 7 months
Senior management	n.a.	21 years	21 years
FRANCE: Villers-Écalles since 1960			
Manual workers	18 years, 3 months	16 years, 1 month	17 years
White collar workers	14 years, 6 months	18 years, 2 months	16 years, 8 months
Middle management	5 years, 3 months	10 years, 1 month	8 years, 3 months
Senior management	n.a.	3 years	3 years
AUSTRALIA: Lithgow since 1974			
Manual workers	8 years, 8 months	7 years, 10 months	8 years, 3 months
White collar workers	9 years, 4 months	11 years, 5 months	10 years, 4 months
Middle management	n.a.	16 years	16 years
Senior management	n.a.	29 years, 8 months	29 years, 8 months
IRELAND: Cork since 1975			
Manual workers	12 years, 9 months	10 years, 3 months	11 years, 2 months
White collar workers	11 years, 6 months	15 years, 2 months	13 years, 10 months
Middle management	15 years, 2 months	23 years, 3 months	21 years, 5 months
Senior management	n.a.	35 years, 6 months	35 years, 6 months

⁷ The average is calculated by stating for each staff member working as at 31 August 2012, their length of service from the date they joined the Ferrero Group until 31 August 2012.



CATEGORY	Average length of service (years and months)		
	Women	Men	Total
BELGIUM: Arlon since 1989			
Manual workers	10 years, 7 months	13 years, 9 months	12 years, 1 month
White collar workers	17 years, 2 months	19 years, 5 months	18 years, 1 month
Middle management	21 years, 10 months	21 years, 8 months	21 years, 9 months
Senior management	n.a.	18 years, 6 months	18 years, 6 months
ARGENTINA: La Pastora since 1992			
Manual workers	7 years, 4 months	7 years, 5 months	7 years, 5 months
White collar workers	8 years, 7 months	9 years, 5 months	9 years, 2 months
Middle management	6 years, 11 months	8 years	7 years, 9 months
Senior management	n.a.	n.a.	n.a.
BRAZIL: Poços de Caldas since 1994			
Manual workers	3 years, 9 months	4 years, 2 months	3 years, 11 months
White collar workers	8 years, 1 month	8 years	8 years
Middle management	n.a.	11 years, 7 months	11 years, 7 months
Senior management	n.a.	1 year, 5 months	1 year, 5 months
CANADA: Brantford since 2006			
Manual workers	4 years, 2 months	3 years, 3 months	3 years, 8 months
White collar workers	4 years, 6 months	6 years, 2 months	5 years, 3 months
Middle management	6 years, 10 months	15 years, 1 month	13 years, 11 months
Senior management	7 years, 6 months	14 years, 4 months	13 years
RUSSIA: Vladimir since 2009			
Manual workers	1 year, 10 months	2 years, 1 month	2 years
White collar workers	2 years, 5 months	2 years, 8 months	2 years, 7 months
Middle management	5 years, 7 months	2 years, 7 months	4 years, 7 months
Senior management	n.a.	3 years, 9 months	3 years, 9 months

* Ecuador, Poland and the Social Enterprises are not included in the list of production plants; their data will be available from 2012/13.

The 4-pillars

The Ferrero Group

Ferrero
women and menSustainable
agricultural practicesMinimising
environmental impactC. S. R. of the
Ferrero GroupFerrero
Rocher

Countries

NEXT STEPS BY 2015

Continuing with the current projects and objectives set out in the previous CSR Report, we shall continue to operate in the following fields:

- » Initiatives for promoting a **“Culture of Diversity”**, including training courses for management, particularly to develop an intercultural competence: during the period of 2012, a series of pilot courses were held as part of Ferrero's Corporate University modules and are now included in catalogue both for the managerial training and induction of recent young graduates;
- » Initiatives to promote employment for **disabled workers**, including training projects with schools in the territory and partnerships with third party operators that employ them; in addition to the initiatives already on going in several countries and described in last year's Report, there was an increased collaboration, over the course of 2012, with external suppliers, especially from the production plant in Alba.
- » Reinforcement of the projects already on going for **employment of young people**, by initiatives in partnership with Masters or Universities to promote access to the courses for successful students. There are already numerous initiatives already on going in individual countries, such as alternating school-work classes, work experience days and scholarships, that will be further developed;
- » Initiatives in the context of work planning, to **promote study courses** for worker-students;
- » Developing a **policy of Group welfare** defining common objectives and safeguarding local identities: to be developed over the course of the next business year 2013/14;
- » Extension of the voluntary initiatives for **health and safety at work**, whose aim is to spread the culture of safety and involve a greater number of workers: in addition to the activities described with reference to Italy (The Safety Commission), in the spring of 2013 a course of local training at EWC Ferrero was organised, in which these matters were discussed with a view to sharing good practice among the various production plants.

THE FERRERO RECREATIONAL SPORTS CLUB

The *“Gruppo Sportivo Ricreativo Ferrero”*, referred to below as *“G.S.R. Ferrero A.S.D.”*⁸, was founded in Alba in March 1984 with the objective of enabling staff to meet in their spare time and practice sporting and recreational activities.



Entrance to the G.R.S. Ferrero A.S.D

⁸ Associazione Sportiva Dilettantistica: Amateur Sports Club

The Sports Club, which is located only 300 metres away from the production plant in Alba and next to the Ferrero Foundation, has a **surface area of 8,600m², including 7 sport fields** (football, indoor and outdoor tennis and bocce, the Italian form of bowls).



The sports club seen from above with the Ferrero factory and Ferrero Foundation

During the year 2011/12, the Sports Club opened its doors to **6,000 members**, the majority of whom were current and retired Ferrero's staff, accompanied by their family members. A quota of memberships is also set aside **for non-Ferrero employees**, friends of staff, offering the same terms.



A membership card.

The Sports Club is open every day, including weekends and holidays, and offers its members

a wide choice of **sporting activities** including: football, cycling, swimming, *pallapugno* (Italian game, *nft*), fishing, running, tennis, tourism, motor biking and golf; and recreational activities including: painting and culture, photography and cinema, mountain excursions and numismatics. These activities can be found on the Group website My.ferrero.com which records approximately 3,000 hits per month!



The covered tennis court and the open football field

The presence of highly qualified staff ensures that the sporting activities are safely carried out in complete safety. In addition, every activity is coordinated by a Managerial body, which is made up of Ferrero staff with different degrees of training and qualifications. The Sports Club allows its members, especially Ferrero staff, to make the best use of their free time, devoting themselves to the leisure

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activities of their choice, immediately after the working day, which also maintains and reinforces exchanges and interaction between colleagues. In parallel, the Club encourages all members, including elderly, to exercise and maintain an active and healthy lifestyle, by offering them opportunities to share a pastime or an excursion and thus promoting exchanges between the generations.

The financing of the Sports Club mainly comes from the contribution made by Ferrero S.p.A., which accounts for approximately 75%, while the rest comes from members' subscriptions. The registration fee of the Sports Club can cost 5€/per year per member, including insurance.

To ensure maximum safety, the infrastructure regularly undergoes maintenance controls by internal company maintenance units and if necessary by some basic contractors. There are also new investments regularly made through specific orders, to adapt it to

the requirements of new regulations and/or to make better use of the installations and structures.

Finally, it should be noted that the Sports Club is affiliated to the CSEN (*Centro Sportivo Educativo Nazionale* - National Sports Education Centre) and the CRAL system, which provides reduced prices for members at other sports centres and official retailers.



SUSTAINABLE AGRICULTURAL PRACTICES

The hazelnut
tree fruit

FERRERO

SHARING VALUES TO CREATE VALUE

SUSTAINABLE AGRICULTURAL PRACTICES

Ferrero has always preferred to establish direct, **long-term commercial relationships** with producers and suppliers of raw materials, based on dialogue and transparency.

As already stressed in previous CSR reports, the Ferrero **Code of Business Conduct** includes clear requirements concerning the excellent quality and freshness of raw materials and meticulous compliance with the principles of ethics and sustainability (for the full text of the Code of Business Conduct, visit www.csr.ferrero.com).

The Code is accompanied by a Plan for common practices agreed on by all those – inside or outside the Group itself – who are involved in the supply chain. That Plan, known as the **ABCDE Plan (A Business Code Dialogue Engagement)**, will further strengthen the Group's relationships with raw material suppliers, and it needs to be implemented by the end of 2013.

Through the ABCDE Plan and other measures, Ferrero will promote a commitment to support **good farming practices** defined as: “the application of available knowledge to the

utilisation of natural resources in a sustainable way for the production of safe, healthy food and non-food agricultural products in a humane manner, while achieving economic viability and social stability” (FAO, Good Agricultural Practices, June 2002).

OUR MAIN INGREDIENTS

The fundamental parameters we apply in selecting our agricultural raw materials are: **excellence in quality and full respect for human rights and sustainability.**



This chapter highlights the initiatives carried out by Ferrero for each raw material, in line with the following goals:

RAW MATERIALS	GOALS	TIMEFRAME	STATUS
MILK	30% from integrated supply chain	2012	Achieved
COFFEE	100% certified as sustainable	2013	To be achieved 2 years ahead of schedule
EGGS	100% eggs from barn hens in respect of animal welfare	2014	On track
PALM OIL	100% certified as sustainable	2014	To be achieved 1 year ahead of schedule
COCOA	100% certified as sustainable	2020	On track
HAZELNUTS	Implementation of the traceability plan for 100% of hazelnuts	2020	On track
CANE SUGAR	100% from sustainable sources	2020	New
SOY LECITHIN	GMO free	Already in place	Already in place

PALM OIL

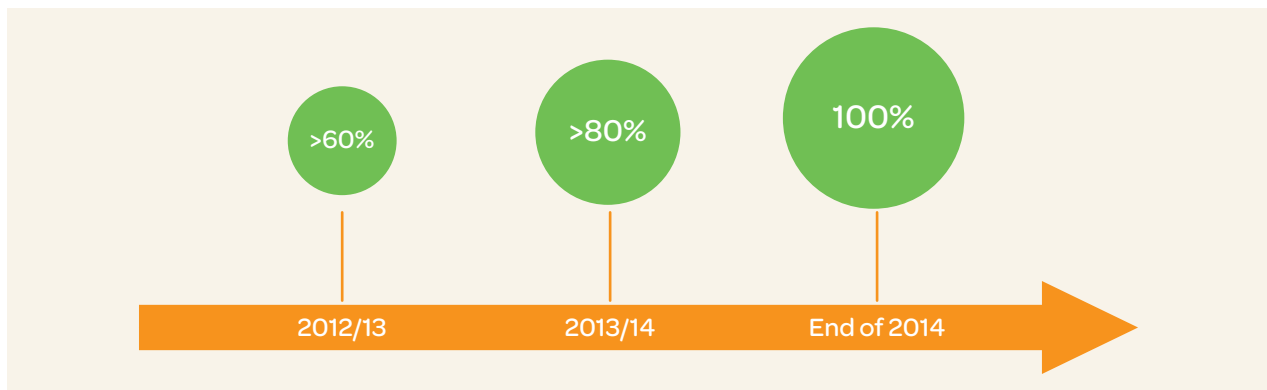
In our first three CSR reports, we already published our anticipated time frame for achieving 100% sourcing of certified segregated sustainable palm oil by 2015.

We are now in a position to ensure that this goal will be reached by the end of 2014, approximately one year earlier.

The diagram below shows the percentages of certified segregated sustainable palm oil to be sourced, within the respective time frames.



Palm oil fruit



At present, the Group requires approximately **150,000 tons per year**, which is sourced from Malaysia (the Malaysian Peninsula), Papua New Guinea and Brazil.

The quantities sourced, as at 30 April 2013, were approximately 75,000 tons, which met 50% of the Group's requirement. This datum is thus in line with the objective of 60% set for 31 August 2013.

This is also due to the fact that palm oil is derived from the pressing of the fruit of the palm, a process, in some respects, similar to that with which the olive oil is extracted by pressing olives. Ferrero has developed **an exclusive technique of palm oil fractionation** which makes it pos-

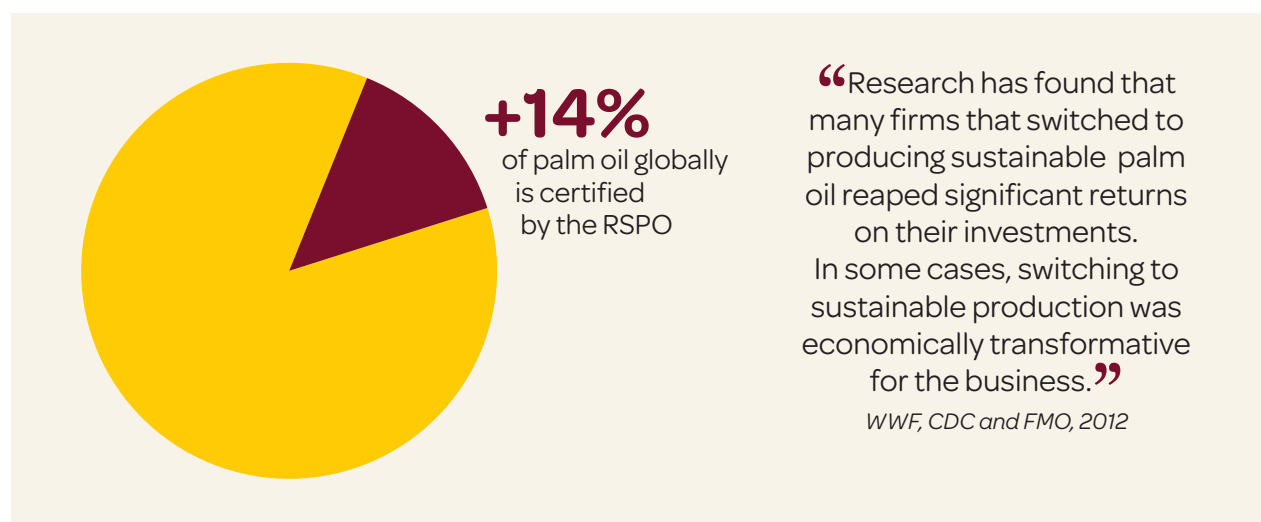
sible to keep the organoleptic qualities of the product intact, while increasing creaminess and **avoiding the use of hydrogenated fats**. As one of the few technical solutions available for avoiding the use of hydrogenated fats available today, palm oil offers organoleptic, technical and stabilising advantages, which are superior to those of other oils.

We have worked extensively with our suppliers in order to have RSPO (the Roundtable on Sustainable Palm Oil) certified fully segregated sustainable palm oil, which means that it can be fully traced along the supply chain from our production plants back to the plantations of origin, which are also certified according to the RSPO standards.

The Ferrero Group joined the RSPO (www.rspo.org) in the end of 2005. The organisation is a multi-stakeholder organisation established “to promote the production and use of sustainable palm oil for People, the Planet and Prosperity”.

The RSPO includes all the actors involved in the palm oil supply chain: farmers, processing and export industries, manufacturers of consumer goods, the distribution chains, banks and investors, NGOs active in environmental, social

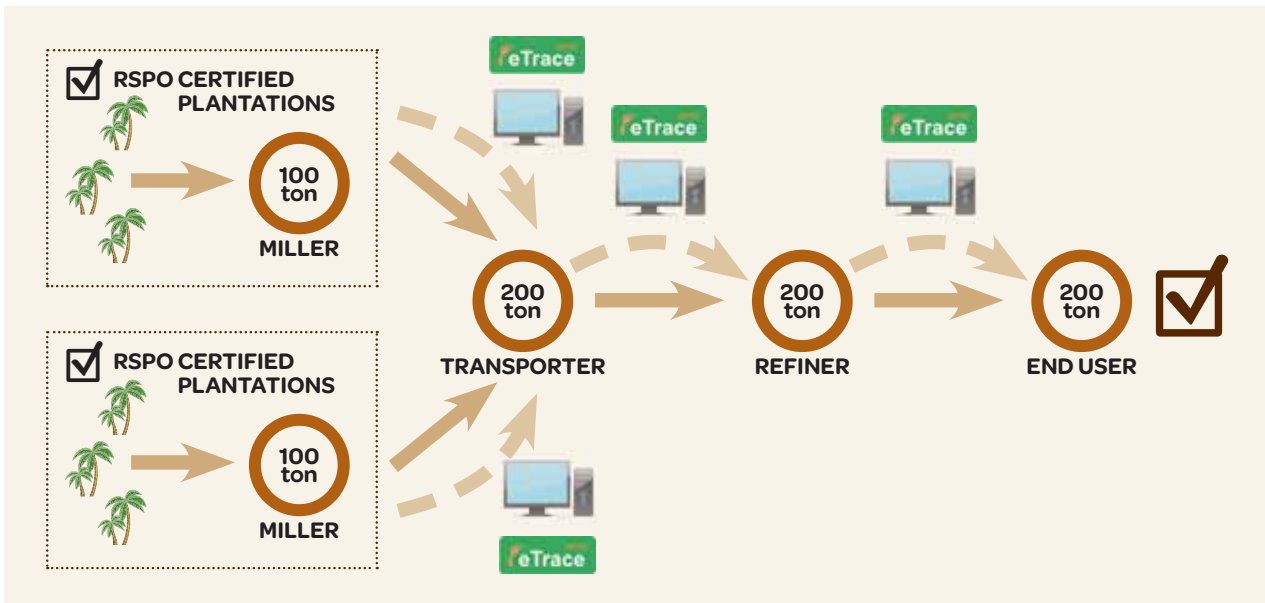
and development cooperation sectors. The RSPO's task is to define an international standard that enables the certification of production and transformation of palm oil according to solid environmental and social sustainability criteria, to prevent the destruction of tropical forests, biodiversity and respect the rights of communities that inhabit production regions. The members of RSPO obtain a certificate of sustainability only after undergoing an audit carried out by independent auditors.



Of the various systems of sourcing recognised by RSPO, **Ferrero has chosen the most challenging process: purchasing palm oil that is certified as segregated and sustainable.**

The certified palm oil needs to be “segregated” in order to ensure it can be traced in a transparent manner. This implies that the sustainable palm oil is kept physically separate from non-certified palm oil, all along the complex supply chain, as follows:

- ▶ from the plantations of origin;
- ▶ in the mills where the fruit is pressed;
- ▶ during transport to the port of embarkation;
- ▶ in the ships in which it is carried in special tanks;
- ▶ at the refineries where it is processed;
- ▶ at the establishments where it is to be used in manufacturing the end product;
- ▶ up to the final product, which contains exclusively palm oil that is certified as segregated sustainable.



The internet platform “e-Trace” allows the process to be transparent, indicating the volumes of sustainable palm oil all along the supply chain.

Access to this platform is only possible for RSPO members who have been certified for their own

supply chain. This guarantees that any purchase or sale transaction of sustainable palm oil takes place between authorised contractors.

The vendor, the purchaser and the type of fractionation agreed, in addition to the generality of the transaction, are clearly visible thanks to this system, thus allowing to trace back.



STATEMENT BY DARREL WEBBER, SECRETARY GENERAL OF THE RSPO:

“RSPO welcomes the **progress made by Ferrero in certifying its European production facilities and moving towards a segregated supply chain.** Leading companies and brands have a crucial role to play in committing towards sourcing of sustainable palm oil

and playing a responsible role towards the sector and its consumers at large. **The steps taken by companies like Ferrero should be commended and encouraged so that other organisations are encouraged to emulate similar commitments.”**

- The 4-pillars
- The Ferrero Group
- Ferrero women and men
- Sustainable agricultural practices
- Minimising environmental impact
- C. S. R. of the Ferrero Group
- Ferrero Rocher
- Countries

OUR PARTNERS ALONG THE SUPPLY CHAIN

Thanks to the collaboration with our business partners, we have been able to bring forward our ambitious goal to 2014. We are now able to purchase and use segregated sustainable palm oil for fractionation, necessary for its use in our products, while also complying with the qualitative standards required by the Group's guidelines.

Our main suppliers of palm oil are:



ISF (Intercontinental Specialty Fats), RSPO member since 2004 and certified by the "RSPO Supply chain Certification Standard" since 2011; certification carried by SGS.



New Britain Palm Oil Limited, a founder member of RSPO, certified by RSPO since 2008; certification carried by British Standards International.



AAK, a founding member of the RSPO and since 2002 a member of the United Nations Global Compact. For its business with Ferrero, the certification is carried out by Control Union Certification.

RSPO certified segregated sustainable palm oil is now available in larger volumes, **which has made it possible to activate certification of Ferrero's production lines.**

At the time of writing the present CSR report, all the palm oil used in the production of **Nutella in our production plants in Alba (Italy), Villers-Écalles (France) and Stadtallendorf (Germany) is certified as sustainable and fully segregated by the RSPO.**



RSPO – 1106110*

Thanks to this certification, the RSPO trademark has been issued: **the production of Nutella in the said production plants physically contains 100% RSPO certified as sustainable and segregated palm oil.**



* RSPO Certification code for Ferrero.

FERRERO'S PRODUCTION PLANTS AND PALM OIL CERTIFIED AS SUSTAINABLE AND SEGREGATED

Ferrero has contacted **SGS S.A.**, world leader in certification, to independently verify the management and logistics of the use of segregated palm oil at the Ferrero production plants.

To show the ongoing certification process for the supply chain of palm oil certified as sustainable and segregated within our production plants, we show below the plan for Nutella production in the 9 production plants that currently produce it in the world:

PRODUCTION PLANTS	RSPO SEGREGATED PALM OIL
Alba (Italy), Villers-Écalles (France), Stadallendorf (Germany)	since March 2013
Sant'Angelo dei Lombardi (Italy), Belsk (Poland) e Vladimir (Russia)	from July 2013
Lightow (Australia), Poços de Caldas (Brazil), Brantford (Canada)	by the end of 2013

NEXT STEPS

During 2014 and in order to reach our 100% objective, only segregated sustainable palm oil, purchased by Ferrero, will be sent to each of our production plants for every product where the recipe requires it.



The Ferrero Group is drawing up a **“Palm Oil Charter”, to be completed by 2015**, as a means of publicising its policy on the matter. Considering that it is now possible to trace the origin of the palm oil from the plantations of origin up to the finished product, always within the context of the RSPO, Ferrero intends to communicate clearly on the aspects of sustainability activated at the plantations. By the end of 2015, Ferrero will be operating with large and small suppliers, emphasising the respect of human rights, the reduction of emissions, agricultural practices and generally in order to ensure sustainability in the plantations supplying it, in the most comprehensive way possible and involving the stakeholders concerned.

COCOA

Ferrero's commitment for sustainable cocoa

Every year, Ferrero purchases more than 100,000 tons of cocoa beans which are then transformed in our own factories. Therefore, our major priorities are to ensure not only that we source high quality cocoa, but that we help farmers acquire the necessary skills and knowledge to achieve this in a sustainable way, while also improving their livelihood.

To meet our 2020 goal of 100% sustainable certified cocoa, we work closely with a number of certification bodies and organisations to promote sustainability throughout our whole cocoa supply chain, starting from farmers and their communities. This goal will be achieved through independent and credible third party verification of our cocoa sourcing, which will aim to ensure among other issues, that trafficking, the worst forms of child labour and forced adult labour will not occur in its cocoa supply chain. Thanks to our long term partnership with our suppliers and involvement in numerous projects we are now well on our way towards achieving this goal, according to the following timetable:



PERCENTAGE OF COCOA VERIFIED ON TOTAL VOLUME	YEARS	STANDARDS & PROJECTS FOR DELIVERY OF VERIFICATION	COCOA PRODUCING COUNTRIES
20%	2011/2013		
40%	2013/2015	UTZ Certified, Rainforest Alliance, Certification Capacity Enhancement, Source Trust and others	Mainly from Ivory Coast, Ghana, Nigeria, Ecuador
60%	2015/2017		
80%	2017/2019		
100%	2020		

OUR PARTNERS WITHIN THE SUPPLY CHAIN

Ferrero is working with schemes and certification manuals such as UTZ, Rainforest Alliance and CCE (Certification Capacity Enhancement) together with suppliers, cooperatives and partners such as "Source Trust" (www.sourcetrust.org). Other models in supporting farmers, like the "Maquita Foundation" (www.fundmcch.com.ec) in Ecuador, continue to be of fundamental importance in South America.

In 2011/12 Ferrero sourced approximately 25% of its cocoa under such activities:

- ▶ 5% cocoa certified UTZ or Rainforest Alliance
- ▶ 4% CCE scheme and Maquita Foundation scheme
- ▶ 16% traceable Cocoa through Source Trust and other traders

For 2012/13 Ferrero will source approximately 40% of its cocoa under such schemes:

- ▶ 25% cocoa certified UTZ or Rainforest Alliance
- ▶ 5% CCE scheme and Maquita Foundation scheme
- ▶ 10% traceable Cocoa through Source Trust and other traders



NEXT STEPS

In addition to our sustainable sourcing activities, we have started a pilot project with "Fairtrade" (www.fairtrade.net) in the Ivory Coast. Other initiatives with new partners and new origins have also been initiated.

SUSTAINABLE COCOA FOR FERRERO PRODUCTS

The volumes of certified cocoa which will be acquired by Ferrero during 2012/13, is equivalent to the volumes¹ needed for two of our well-loved products, **Nutella** and **Ferrero Rocher**, in their respective 5 most important markets.

FARMERS' LIVING CONDITIONS

In the majority of the producing countries, cocoa is usually grown on small, family-run farms (90-95% smallholders with 4-5 million farmers worldwide according to World Cocoa Foundation). Farmers today face a number of challenges including a lack of good planting material, decline in productivity of cocoa farms, aging trees and insufficient farm management skills and practices. As a result, farmers in some areas have started to switch to other crops with higher income and technical support. Migration from rural to urban areas is also increasing as the youth finds farming to be a less and less attractive lifestyle.

¹ Forecasts based on 2011/12 volumes.

In order **to support farmers and their communities**, we are working closely with our suppliers to:

- ▶ **ensure that the worst forms of child labour, trafficking and forced adult labour will not occur in the cocoa supply chain.**

Under its Code of Business Conduct, Ferrero confirms its strong determination to contribute to the elimination of child labour, starting from its worst forms, and of all forms of slavery, human trafficking, forced or compulsory and prison labour. **Ferrero's Code of Business Conduct is based on the principles of the ILO's Minimum Age Convention No. 138 and the Worst Forms of Child Labour Convention No. 182.** Through this Code, Ferrero is working with all its partners throughout the supply chain to be compliant with these requirements. Ferrero's Code of Business Conduct is available on www.ferrero.com/social-responsibility/code-business-conduct/

- ▶ provide farmers with the necessary skills **to produce high quality and sustainable cocoa** certifiable by UTZ or Rainforest Alliance.

By doing so, farmers should be able to improve agricultural practices thus increasing the quality and the yield of their cocoa but also learn new business skills and benefit from a higher income. This in turn encourages farmers to rehabilitate their farms and also new farmers to start producing cocoa, including future generations who also benefit from the experience of more senior farmers. Local communities benefit from improved infrastructure and are able to invest in healthcare and education for their children.

Ferrero also pays additional premiums in order to source sustainable and traceable cocoa. These premiums partly go directly to farmers and partly help fund projects and services in order to improve better farming practices and living conditions.

Ferrero continues its engagements and commitments through a collective industry-wide approach (as follows) but also through specific projects in producing countries (see last part of this section).



SUSTAINABLE SOURCING ORIGINS

COLLECTIVE APPROACH

In addition to our private partnership projects, Ferrero continues to support a “collective industry-wide” approach.

1. World Cocoa Foundation



World Cocoa Foundation

Ferrero is an executive board member of the World Cocoa Foundation (www.worldcocoafoundation.org), since 2006.

Founded in 2000, the World Cocoa Foundation (WCF) is an international membership organisation representing more than 100 member companies across the cocoa value chain. WCF is committed to creating a sustainable cocoa economy by putting farmers first - promoting agricultural and environmental stewardship, and strengthening development in cocoa-growing communities.

WCF operates at the local and global level, bridging the needs of cocoa farmers and their families with the needs of the cocoa industry and the environment. WCF works through public-private partnerships that bring together donors, industry members, producing country governments, research institutes and non-governmental organisations to achieve its goals. WCF supports programmes that work with farmers at the farm level, prior to sale or commercialisation of their cocoa. In this way, the programmes provide farmers with the skills they need to operate productive farms and make sound business decisions.

Within WCF’s flagship programmes, Ferrero financially supports the **African Cocoa Initiative** (ACI), which is funded by USAID with support from the Dutch Sustainable Trade Initiative (IDH), along with 14 cocoa and chocolate companies. The five-year programme has a total budget of \$13.5 million and is active in four countries (Cameroon, Ghana, Ivory Coast, and Nigeria).



Cocoa Farmers

THE MAIN GOALS ARE:

- ✓ **Strengthening national public-private partnership (PPP) platforms for investing in agriculture and cocoa:** convening public and private sector partners to implement a comprehensive roadmap toward sustainable cocoa. National platforms will use resources and expertise to drive a cohesive cocoa sector support system.
- ✓ **Improving cocoa productivity through better planting material:** performing an inventory of national planting material stock and mobilising available certified, improved varieties to cocoa farmers.
- ✓ **Enhancing public and private sector extension and farmer training services:** promoting best cocoa farming and management practices in national curricula and increasing the capacity of in-country public and private sector agriculture training services.
- ✓ **Foster market-driven farming input supply services:** conducting an inventory of in-country certified agro-dealers and supporting expansion of more accessible and efficient channels to distribute much needed inputs like fertiliser.



2. International Cocoa Initiative

As already mentioned in previous CSR reports, Ferrero is also a board member of the International Cocoa Initiative - ICI (www.cocoainitiative.org)

Established in 2002, the International Cocoa Initiative (ICI) is a unique partnership between civil society and the chocolate industry, **working together for the fight against child labour and forced adult labour in cocoa production.** ICI's community empowerment model has proved effective in bringing about critical change in farming practices.

ICI's membership is currently composed of 19 companies, contributing partners and civil society organisations. The International Labour Organisation (ILO) is an advisor to the ICI Board.



Through awareness-raising, mobilisation and community action, during 2012, ICI was able to promote, amongst other things:

- ▶ **324** development actions implemented by the communities themselves
- ▶ **192** development actions supported by local authorities and development actors
- ▶ the construction or rehabilitation of **205** school classrooms leading to improved schooling capacity for **10,050** children
- ▶ the installation of **1,789** new school desks and benches contributing to improved learning conditions for **3,578** children
- ▶ the construction of **40** teachers' houses

ICI's activities in Côte d'Ivoire and Ghana reached more than **800,000** people in **331** cocoa-growing communities. In 2013, ICI aims to expand its work to 160 additional communities.

During the past year, ICI reinforced its presence in Côte d'Ivoire and Ghana; supported the governments in these countries in their coordination, prevention and mitigation efforts; provided training on child labour to 141 cocoa-company and government staff members; piloted innovative projects on child labour monitoring and child protection profiling; and started new partnerships with cocoa certifiers.

Shared responsibility and collective action, at all levels of the cocoa supply chain, is now recognised as the optimum model for delivering positive change and ensuring a safer and brighter future for the children of cocoa farmers everywhere.

In addition to our engagement with WCF and ICI, we continue our global work within the “Post Protocol Activities” framework:

3. “Framework of Action to Support the Implementation of the Harkin-Engel Protocol”

The United States Department of Labour, Senator Tom Harkin, Representative Eliot Engel, the Government of the Republic of Ivory Coast, the Government of the Republic of Ghana and International Chocolate and Cocoa industries have joined together in a partnership to reduce the worst forms of child labour in Ghana and Ivory Coast by 70%, by 2020. That Framework is a “roadmap to remediation,” and it reaffirms our shared commitment to work in a collaborative and transparent manner to eliminate the worst

forms of child labour in cocoa growing areas in Ivory Coast and Ghana, including support for the collection of incidence data, the provision of education and other remediation services for vulnerable children, and support for sustainable improvements in the livelihoods of vulnerable children.

In order to accelerate work to achieve these goals, the United States Department of labour committed 10 million dollars in 2010 to a new ILO-IPEC project focused against child labour in cocoa communities. The International Chocolate and Cocoa Industry committed 7 million dollars in new funding over 5 years and with the further possibility of an additional 3 million dollars. The Governments of Ivory Coast and Ghana committed to allocate the necessary human and financial resources to support their



National Plans of Action” in coordination with Framework stakeholders.

Ferrero’s commitment within the “Framework of Action” will be through its project “Ferrero Cocoa Community Commitment – F3C” partnering with Source Trust (see below for more details).

4. CEN – ISO Project on sustainable and traceable cocoa

CAOBISCO, the Association of Chocolate, Biscuit and Confectionery Industries of Europe, and its members, including Ferrero, are working with CEN, the European Committee for Standardisation, to develop a global standard for sustainable and traceable cocoa.

This standard will serve as a strong framework to promote production practices which recognise the continually evolving needs of both producers and consumers. In turn, it will play an important role in the collective efforts to protect children from the dangers of child labour.

In 2012, the CEN process established a parallel process in ISO (International Standards Organisation). Ferrero supports CAOBISCO to:

- ▶ obtain full engagement of cocoa producing countries;
- ▶ to recognise existing certifiers.

CAOBISCO and its members are working hard to ensure the standard is delivered in a timely manner to meet supply chain demands without adding unnecessary complexity to certified cocoa supply chains, prioritising above all the needs of and impacts on cocoa farmers.

5. German Initiative on Sustainable Cocoa: GISCO

The German Initiative on Sustainable Cocoa (GISCO), launched in June 2012, is an alliance of industrial and grocery trade companies, the German Federal Government and civil society groups. Ferrero is an active member of this initiative, which purpose is to survey and analyse the numerous projects already existing in the area of sustainable cocoa production, promote existing initiatives and support and further develop the “Certification Capacity Enhancement” method to ultimately support the increased production of sustainable cocoa in response to the growing demand.

Ferrero is one of the founding members and has been strongly involved from the beginning in different working groups to support GISCO. The *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) will take on the role of secretariat for two years.

GISCO is intended to foster cooperation of all actors in the sector. The aim of the broad-based initiative is to significantly increase the share of sustainably produced cocoa, based on cooperation with partner countries (e.g. Côte d’Ivoire, Ghana, Nigeria). The forum will be commissioned to develop a common understanding of sustainability in the cocoa sector and drawing up a corresponding curriculum for training measures in the producer countries. The forum will moreover evaluate existing approaches aimed at strengthening sustainability in the cocoa sector in general. The most efficient measures will then be documented and disseminated as best practices.

More information is available at: <http://www.bmelv.de/SharedDocs/Standardartikel/EN/International/Sustainable-Cocoa-Forum.html>

6. Abidjan cocoa Declaration

The West African cocoa supply chains face a number of challenges, which need to be tackled in order to reduce the prevalence of the worst forms of child labour and human rights violations. As part of this objective, Ferrero attended the first World Cocoa Conference in Abidjan, supported by the Government of Ivory Coast. The purpose of the conference was to highlight the importance of cooperation be-



tween all the actors of the cocoa supply chain to move towards a more sustainable production and in particular help smallholder farmers, men and women, move out of poverty.

The conference was an opportunity to bring together the key stakeholders of the cocoa supply chain – 1,200 delegates from 46 countries attended – including governments, producers, suppliers, civil societies and chocolate manufacturers. As an outcome of the conference, participants were invited to sign the Abidjan Cocoa Declaration, a voluntary agreement to work towards transforming the cocoa supply chain towards a more sustainable business for all parties involved.

By signing the Declaration, Ferrero reaffirms its commitment to sourcing sustainable cocoa and ensuring that the worst forms of child labour and forced labour do not occur in its supply chain.

SPECIFIC PROJECTS IN THE IVORY COAST, GHANA AND NIGERIA

Ivory Coast

Noble Resources S.A. has been one of our main cocoa suppliers in Ivory Coast for several years. In 2011/12, thanks to this partnership, 700 farmers in Ivory Coast were able to supply over 1,000 tons of UTZ Certified cocoa. Three farmer groups were trained on sustainable cocoa production to improve the performance of their farms, obtain access to healthcare and education and preserve the forest habitat of their cocoa farms.

In addition, we can already announce that between 2012 and 2013 the programme expanded to include more farmers from the cooper-

atives already involved and introduced new cooperatives. In 2013, 2,914 farmers from 6 different cooperatives have been trained to produce UTZ Certified cocoa, amounting to approximately 10,000 tons.

For more information on Noble Resources, please visit <http://www.thisisnoble.com/>

CARBON NEUTRAL PROJECT

In 2011/12 we were able to purchase 7,500 tons of carbon neutral cocoa from Ivory Coast, helping to reduce our carbon footprint and mitigate the effects of climate change. Together with Noble Resources, we are working to map the most effective ways to reduce and neutralise our carbon footprint all the way from the farmers we purchase from. Together with independent third party certification through TÜV NORD, the leading carbon certification body, the project is now expanding in scope to reach out to more communities to supply more cocoa that is a climate-friendly and a resource efficient product.

To achieve this, data was collected from 10 suppliers, transport routes and warehouses. Energy use and emissions were calculated, emissions reduction initiatives implemented, the footprint was verified, and then the emissions were offset through energy efficient projects in India and China. The major emission sources in our supply chain are land use and land use change, fertiliser and pesticides used during cultivation, fuel and electricity used by machinery, warehouses, processing facilities and transportation.

BUILDING A SCHOOL

As mentioned in our third CSR report, we have contributed to the building of a school in cooperation with Noble Resources/COCAF IVOIRE and one of its partners, cocoa cooperative "Coopérative Anonklon de Bianouan" (COABIA), in a village of the Ivory Coast.



Sinikossou School

COABIA is the first provider of cocoa with UTZ Certification for COCAF IVOIRE.



Located in the east, close to the border of Ghana, Sinikossou is a rural cocoa producing community which is home to over 250 farmers within the COABIA cooperative.

The school provides education to **120 children** mostly from cocoa farming families and its construction forms part of our overall objectives to improve community infrastructure in the areas from which we purchase cocoa beans.

The school opened its doors on 24 September 2012, in time for the 2012/13 school year.

The cost for building and opening the school was equal to: 11,643,000 FCFA, of which 6,135,000 FCFA was financed by Ferrero, 3,008,000 FCFA was financed by "Noble Resources/COCAF IVOIRE" and 2,500,000 FCFA by "COABIA".



With other partners such as **Touton and Armajaro, we have sourced over 3,000 tons of Rainforest Alliance certified cocoa beans.**

Ghana

SOURCE TRUST

In Ghana, Ferrero works directly with farmer organisations in partnership with Source Trust, a non-profit organisation. The aim is to address agricultural, social, environmental and business issues through a portfolio of carefully designed interventions identified through a community action planning process. Source Trust's projects pave the way for long-term, sustainable cocoa production, whilst enhancing farmers' business prospects.

With Ferrero's support, Source Trust is providing farmer training on good agricultural, environmental and social practices to help farmers improve the yield and quality of their crops. By 2016, Ferrero is committed to delivering training to **13,000 cocoa farmers from 11 districts in Ghana**, which will allow farmers to achieve certification under the **UTZ standard**. In addition to training, farmers have access to improved planting materials, including higher quality and stronger cocoa seedlings, which allows farmers to replace old and unproductive trees by newer varieties thus limiting deforestation to expand the plantations.

In collaboration with the Ghana Education Service, Ferrero supports Source Trust's Village Resource Centres (VRC) programme, funding centres with computers and internet connectivity that can be used by schools, farmers and the wider community to develop IT skills and learning. The units are situated in rural schools with no access to IT facilities to provide practical IT teaching and learning to the students and also serve as a platform for delivering training to cocoa farmers through audio-visual training materials on good agricultural, environmental and social practices. This is also used as a tool to raise awareness about the worst forms of child labour and offers modules on prevention.

To date, five rural schools have benefitted from Village Resource Centres – VRC -, with further plans in place to deliver VRC across 11 districts.

FERRERO COCOA COMMUNITY COMMITMENT PROJECT IN GHANA (F3C)

F3C, which stands for Ferrero Cocoa Community Commitment, is a public-private partnership between Ferrero International and Source Trust Ghana in consultation with the Government of Ghana, specifically to contribute towards the achievement of the 2009-2015 National Plan of Action for the Elimination of the Worst Forms of Child Labour (NPECLC).

Ferrero is one of the first private companies to partner with NPECLC, as part of an historic partnership between the global chocolate and cocoa industry, U.S. Department of Labour, U.S. Senator Tom Harkin and U.S. Representative Eliot Engel. Ferrero has reaffirmed its commitment to promote responsible cocoa farming by investing in the Ferrero Cocoa Community Commitment programme which aims to reach more than 35,000 people in Ghana, of which 8,800 farmers, 1,760 women

and 26,400 children, by 2015.

Ferrero's investment will ensure that number of NPECLC field-tested pilot communities will increase from 30 to 150, making a significant contribution to Ghana's 2009-2015 National Plan of Action (NPA) for the Elimination of the Worst Forms of Child Labour (WFCL) including on its four project elements:

1. Promoting the development, implementation, sustainability of Child Labour Monitoring System (CLMS).
2. Sensitising communities on WFCL.
3. Educating and training people as a means of preventing involvement in WFCL.
4. Providing sustainable livelihood services to households with children under 18 with intent of supporting the withdrawal or prevention of children from WFCL.

The F3C project is an important part of the general Source Trust programme in Ghana.



GEOTRACEABILITY

To gain a better understanding of our cocoa supply chain and help identify the best way to reach out to farmers who can benefit from the training programmes, in Ghana, Ferrero is committed to tracing cocoa by using the GeoTraceability farm mapping system. To date, 3,500 cocoa farmers have been fully mapped and are supplying Ferrero with traceable cocoa.

The individual smallholder farms producing this cocoa are mapped using handheld Geographical Information Systems devices and a range of farm data is collected, for example, tree age and planting density, disease prevalence and farming practices. This allows Ferrero and Source Trust to gain important insight into the socio-economic situations of cocoa farmers and this information is used to tailor agricultural and community interventions more closely to the needs of the farmers and their community, and monitor the outcomes of Ferrero's investments in those interventions 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 GeoTraceability system and will supply fully traceable and UTZ Certified beans to Ferrero. When the cocoa is produced, it is bagged and barcoded at farming community level for tracing onwards along the supply chain, allowing Ferrero to track their cocoa as it travels from farming community to their factory and ensuring traceability is maintained throughout.

NOBLE RESOURCES

Ferrero is also working with Noble Resources in Ghana, where 3,200 farmers are being trained in good agricultural practices in preparation for the 2012/13 cocoa season through Certification Capacity Enhancement (CCE) training curriculum. 85 communities in total are part of the programme to produce high quality sustainable cocoa beans from the *Ahafo-Ano North and South districts in Ashanti region of Ghana* that will improve productivity, and develop producers business and organisational skills.

The training programme allows farmers to make better use of their land and improve their quality of life. Farmer business schools have been set up where already trained and experienced farmers are able to train other farmers. There is also a focus on gender awareness training to encourage more women to be involved in the cocoa business. To increase food security, farmers are encouraged to diversify through the production of cassava and maize.

Female membership has increased from 23% to 27% and overall farmer incomes are increasing due to the production of cassava and maize alongside cocoa, helping to improve overall household incomes and livelihoods in the communities. Diversification activities serve as real incentives for farmers to pursue sustainable cocoa activities and remain committed to producing cocoa long term.

This experience in West Africa combines sustainable cocoa production with training to address food security and gender issues and for Ferrero it has become a model example of sustainable cocoa production.

Nigeria

FADU PROJECT (KOKODOLA)

As mentioned in the third CSR Report, Ferrero is supporting the “FADU” project together with leading international companies, within “The Cocoa Productivity and Quality Program (CPQP)” and under the lead of IDH (Sustainable Trade Initiative, www.idhsustainabletrade.com), with Continaf (www.continaf.com), Petra Foods Ltd (www.petrafoods.com), Oxfam Novib (www.oxfamnovib.nl), FADU (<http://fadunigeria.org/>) and Solidaridad West Africa (<http://www.solidaridadnetwork.org/westafrica>).

The key targets and objectives are:

- ▶ To improve cocoa production and quality
- ▶ To improve access to finance and inputs
- ▶ To raise the professionalization of the farmers groups
- ▶ To address social issues and empower vulnerable groups
- ▶ To set up multi-stakeholders platforms at national level
- ▶ And to reach the following results:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4
Outreach	1,500	3,500	5,500	7,500
Number of new farmers	1,500	2,000	2,000	2,000
Average ha / farmer	1.5	1.5	1.5	1.5
Total certified Cocoa volumes (MT)	900	2,400	4,400	7,200

The main project results in 2012 were as follows:

	TARGET	MALE	FEMALE	TOTAL
Number of certified farmers	1,500	1,274	387	1,661
Hectares UTZ certified as on certificate	2,200	n.a.	n.a.	2,948
Average yield kg per hectare	400	325	289	320
Average age of farmers		52	50	51
Average Ha / farmer		2.3	1.7	2.15

FADU FARMERS CONVERTING TO: Sustainable Cocoa in Osun and Ondo in Nigeria



The 4-pillars

The Ferrero Group

Ferrero women and men

Sustainable agricultural practices

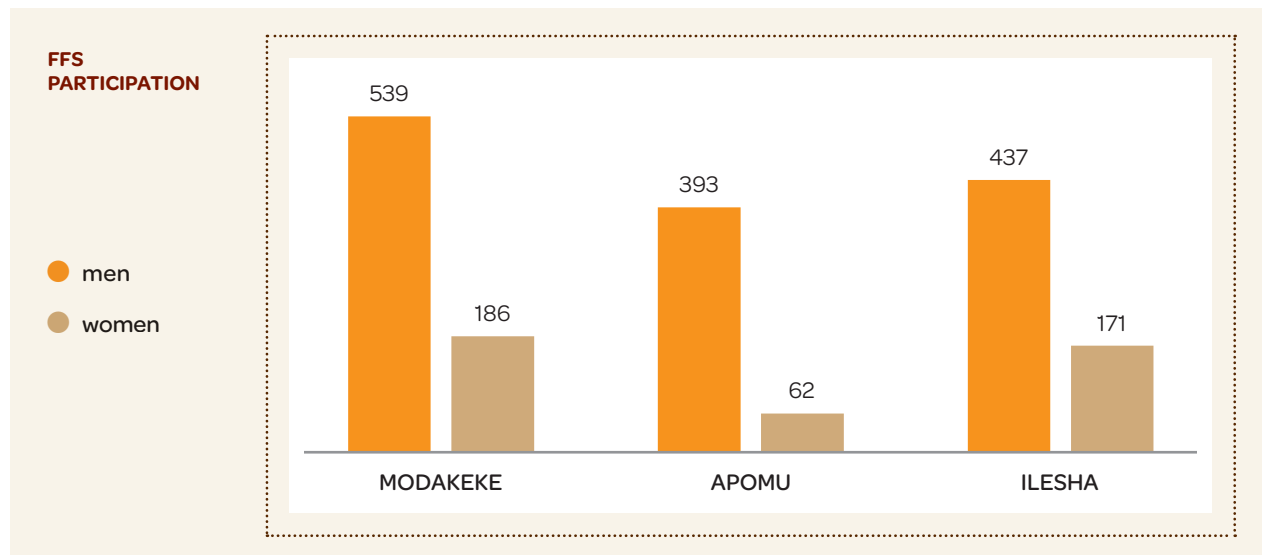
Minimising environmental impact

C. S. R. of the Ferrero Group

Ferrero Rocher

Countries

Many training activities have been organised in the regions covered by the project with the following participation rates:



The targets of 2013 of the FADU project are the following:

TARGETS 2013	
Number of new farmers 1st year certified UTZ (30% women)	2,000
Number of farmers certified 2nd year UTZ	1,500
Regeneration (ha)	3,550
Number new seedlings	38,776
Number of Demo plots (10 per zone)	30
Number of Pruning Teams (Year 1 & 2)	462
IDH Fertilizer pilot (Ha)	60

Ferrero keeps focusing on its strong commitment and, wherever possible, aims to accelerate the sourcing of certified sustainable cocoa beans and set up new projects with other partners in various producing countries.



Farmers during a training session

HAZELNUTS

As one of the world's largest users of hazelnuts, **Ferrero has adopted a plan to achieve 100% traceability for its hazelnut supply by 2020.**

This objective implies a detailed sourcing strategy based on the implementation of a dedicated project, the Ferrero Farming Values (FFV) plan that is based on the following principles:

- ▶ **ensure excellence in processing hazelnuts**, starting from the field and the post-harvest operations. This in collaboration with farmers and hazelnut processors will contribute to respect freshness, quality and safety standards;
- ▶ **respect, and make suppliers respect, work and labour conditions** in compliance with all applicable International Conventions, laws, regulations and local rules;
- ▶ **avoid any use of child labour and the full respect of human rights**, starting from the worst forms, illegal, forced or prison labour

as well as promoting gender equity;

- ▶ **implement a work safety scheme** that could be integrated upstream by each supplier in its supply chain to guarantee safety, services and updated information to each stakeholder.

Ferrero's plan towards full traceability foresees detailed programmes activated directly on the ground of the producing countries. The HBD plantations will be the starting point to access those countries where hazelnut cultivation is promoted mainly by Ferrero.

As already mentioned in the previous CSR reports during the current reporting year, **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. This process is guaranteed by frequent visits by Ferrero and second party carried out at supplier level during the year.



The Ferrero Farming Values plan for the Turkish hazelnut supply chain involves two phases:

1. the development of a responsible sourcing standard, audit methodology and reporting protocols;
2. the implementation phase which will assess labour practices among hazelnut farmers and processors, and encompass environmental performance and economic transparency indicators through fields visits.

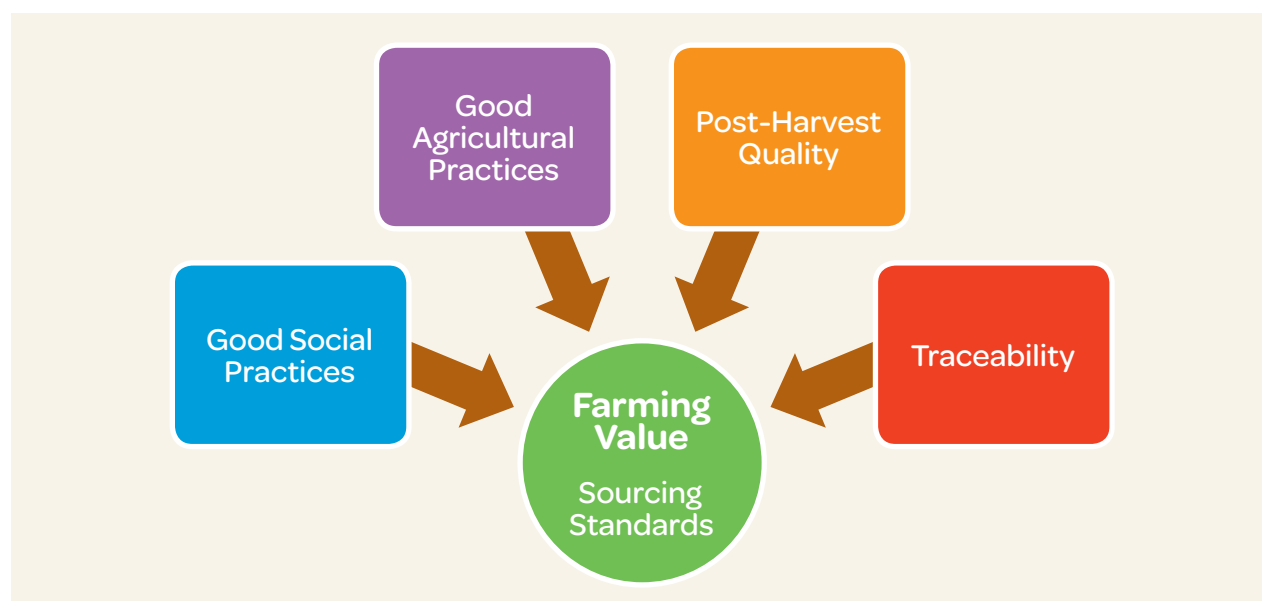
Our plan for sustainable procurement, includes the involvement of a leading global certification firm "Scientific Certification System" (SCS Global Services, www.scsglobalservices.com/),

commissioned to develop concrete actions on the ground in Turkey.

Phase 1 started, with SCS' involvement, in 2012 with the assessment of the baseline scenario. To fully implement the principles set out in the responsible sourcing standard, Ferrero has adopted an approach developed on 4 pillars:

- ▶ Good Agricultural Practices,
- ▶ Good Social Practices,
- ▶ Post-Harvest Quality,
- ▶ Traceability.

SCS will provide third-party verification of Ferrero's efforts to promote improved labour management and production practices with participating farms.



"Ferrero Farming Values" (FFV) plan implies that:

- ▶ Hazelnuts should be traceable at all times, from the origin (the farmer) up to the Ferrero factory gate,
- ▶ Traceable hazelnuts should be recognised as "premium products" all along the supply chain.

To maintain the highest quality of hazelnuts, we have developed unique roasting processes and technologies in order **to allow the aroma and the flavour of this essential ingredient to be developed to the fullest degree**. To know more about it, see the next section "Ferrero Agricultural Enterprises for the cultivation of hazelnuts" of the present report.

PUBLIC-PRIVATE PARTNERSHIP AGREEMENT FOR TURKEY

The International Labour Organization (ILO) and the Association of Chocolate, Biscuit and Confectionery Industries of Europe (CAOBISCO) have signed a project cooperation "Public-Private Partnership (PPP) agreement" on 22 April 2013, to contribute to the elimination of the worst forms of child labour (WFCL) in seasonal commercial agriculture in hazelnut harvesting in Turkey.

The PPP will complement an ongoing project of the ILO and the Government of Netherlands. This project is being implemented jointly by the Turkish Ministry of Labour and Social Security and the ILO in the Black Sea region province of Ordu. The project activities to be implemented with CAOBISCO funding will cover a 12 month period between April 2013 and April 2014.

As a member of CAOBISCO, Ferrero actively supports the ILO project intervention programme.



The hazelnut flower

DESCRIPTION OF THE PROJECT

The overall purpose of this project is to contribute to the elimination of worst forms of child labour in seasonal commercial agriculture in line with the Turkish Government's strategy drawn by **National Plan for the elimination of worst forms of child labour by 2015**.

The objectives of the project are to:

- ▶ Enhance local capacity to eliminate the presence of children from the worst forms of child labour in seasonal commercial agriculture in hazelnut production in Ordu;
- ▶ Prevent at-risk children from participating in such work through the capacity building of public institutions linked to Ordu Governorate, Ordu Municipality, Ordu Chamber of Agriculture, local NGOs and develop monitoring models and partnerships in close collaboration with the Ministry of Labour and Social Security (MoLSS).

SUGAR

Ferrero continues to maintain strong relations with numerous agricultural cooperatives and sugar producers established within the European Union. **In some cases, like in Germany and Italy, we have been working with the same suppliers for over 40 years.**

The sugar bought by Ferrero can be broken down approximately as follows: **75% beet sugar and 25% refined cane sugar.**

Community agreements in support of developing countries have facilitated the development of sourcing from third countries and Ferrero has put in place selection procedures of new suppliers in various regions of the world on the basis of the same strict quality criteria.

In accordance with the Group's strategy which

ensures no genetically modified organisms (GMO) are used, the Group sources exclusively GMO-free sugar.

As mentioned in previous CSR reports, Ferrero participates in the multi-stakeholder organisation "Bonsucro - Better Sugar Cane Initiative" (www.bonsucro.com). Bonsucro's mission is to define a certification scheme with global indicators for sustainability in the production chain of sugar cane. Bonsucro's members, including Ferrero, aim to establish a certification scheme to improve economic, environmental and social conditions all along the supply chain. Ferrero's first concrete contribution to this important initiative is to buy 5,000 Bonsucro credits, in 2012/13.



The Group’s aim is to achieve 100% of refined cane sugar from sustainable sources by 2020, in

accordance with the following timeframe:

YEAR	% SUSTAINABLE PROCUREMENT
2012/2014	10%
2014/2016	40%
2016/2018	70%
2018/2020	100%

NEW SOUTH WALES SUGAR MILLING COOPERATIVE MANILDRA HARWOOD SUGARS

Recently the New South Wales Sugar Milling Cooperative and Manildra Harwood Sugars announced that they became the first in Australasia to become Bonsucro certified. The Bonsucro certification is obtained by strict audit by an independent certification body as being in compliance with the Bonsucro Standard.

Customers who purchase Bonsucro Certified Sugar are assured that the product they receive has been ethically, environmentally and economically manufactured in a sustainable way by all involved within the supply chain from the farmer to the customer.

The Cooperative is now delighted to announce that a key customer, Ferrero, is supporting this important sustainable initiative through the purchase of 5,000 Bonsucro credits in what will be the first trade in Australasia.

Being the fourth largest confectionery group in the world, Ferrero has a very clear practice of supporting the highest quality products and careful selection of the finest raw materials and through this purchase is supporting and rewarding the local industry through their commitment to the certification process. By

supporting those sugar cane producers who implement good agricultural practices and farm management, companies like Ferrero encourage better farming practices, increased yields, better quality, less impact on the environment, better social working circumstances and a more efficient way of production.

Chairman of Sunshine Sugar Mr Ian Causley said “The certification and subsequent agreement with Ferrero is an important part of the Cooperative’s continuous improvement program targeting social and environmental improvement. We congratulate Ferrero on being the first customer to participate in a process that is beneficial to all facets and levels of the community. We are proud that an Australian grower-owned enterprise in conjunction with our partners, Australian icon Manildra Group, has been able to lead the way in such a responsible manner. Personally I think that having the makers of my favourite chocolate as our first Bonsucro partner is a very positive move.”

Bonsucro CEO Nick Goodall welcomed the sale “Congratulations to Sunshine Sugar and Ferrero for demonstrating their commitment and support for the sustainable production of sugarcane”.



MILK

The Group sources its milk from carefully selected suppliers in milk-producing areas, who are constantly monitored and are extremely reliable. This ensures ideal freshness and the finest quality for a product that is so delicate and precious, especially for children.

Long-term relationships with our suppliers enable us to achieve over time a programme of mutual growth and development, thereby developing a **supply chain that is short, well-managed and sustainable**.

As already mentioned in our previous CSR reports, Ferrero's supply chain project is ongoing and setting itself ever more difficult challenges to match its description as "Integrated Supply Chain". The main objectives are:

- ▶ to foster loyalty and monitor and manage the entire supply chain from the field to the breeder to the producer of semi-finished products (whole and skimmed powdered milk and anhydrous butter) paying a fair price and controlling speculation;
- ▶ always guarantee excellent quality and traceability for our final customer.

Ferrero has achieved its objective of sourcing 30% from the "Integrated Supply Chain" by the end of 2012, as set out in previous CSR reports and the project now aims to evolve towards a "short, controlled and sustainable" supply chain by the end of 2015.

The objectives of the "Integrated and Sustainable Supply Chain" for 2013-2015 are to develop and consolidate the actions required to reach the standard defined under Ferrero's protocol to acquire 30,000 tons in the three areas characterising the supply chain:

- ▶ "short": using the data to trace through a documented process, included the distance between involved entities, with a programme of documental implementation of the agricultural company;
- ▶ "controlled": referring to the "Ferrero Quality" as regards the chemicals and microbiological limits;
- ▶ "sustainable": monitoring of animal welfare indices and environmental sustainability. In particular the animal welfare indices that Ferrero aims to put in place through a monitoring system will be divided into the following categories: animal feeding, corporate facilities, animal health and animal behaviour.



COFFEE

The amount of coffee purchased by Ferrero, although quite minimal compared to other raw materials such as cocoa, is in complete conformity with our values and commitments.

We believe it is important to source coffee which:

- ▶ meets our high quality standards
- ▶ is produced sustainably and is certified as such.

Well aware of the social and environmental issues which can occur in coffee farming, we have set our goal to **source 100 % certified sustainable coffee by 2013 so nearly two years in advance** from the deadline originally foreseen.



Over the past years, considerable progress has been made in training and certifying coffee producers, in **South and Central America where we source from**, thus allowing us to increase the amount of sustainable coffee purchased to the point **that we will reach our target by end of 2013**.

All coffee sourced in 2012/13 was certified by UTZ.

UTZ has an online traceability system (the Good Inside Portal) where all registered members have to administer their sales and purchases of UTZ coffee. This helps us identify not only where our coffee beans originate from, but it also serves as an additional assurance that the coffee was produced sustainably, with respect for people and planet. Farmers are trained to adopt better farming practices, and in this way enabled to improve their livelihoods and provide a better quality of life for their families, while safeguarding the environment and securing the earth's natural resources.

The UTZ Certified program provides the assurance of responsible production and sourcing that consumers expect. This will also have an impact on the local community, with new infrastructures being built and the local economy being boosted.

EGGS

Ferrero mainly uses eggs for its bakery products, which represents only a small percentage of our total volume of raw materials. Nevertheless, being sensitive to issues of animal welfare and in particular the welfare of laying hens, Ferrero has decided to voluntarily adopt a roadmap programme to source its eggs sustainably as already announced in our previous CSR report. The programme included the purchase of eggs from cage free hens living in barns according to the following timescale:

- ▶ **40% By September 2012**
- ▶ **60% By September 2013**
- ▶ **100% By September 2014**

With these targets in mind, we have been working together with our suppliers to achieve our annual objective. This is also in line with our commitment to maintain, where possible, a long

lasting working relationship with our suppliers rather than contracting others who would already meet with our new requirements.

Thanks to this work, **we are pleased to say that by November 2012 we exceeded our initial target with more than 44% of our total volume of eggs being sourced from hens living in barns and the quantity is steadily growing.**

For this reason, we are confident that we are well on track for achieving our ultimate goal in 2014: 60% of eggs from hens living in barns by September 2013.

We continue our dialogue with some experienced NGOs active on animal welfare.

Our sourcing programme is in line with our plan, respecting the deadlines and quantities highlighted above.



SOYA LECITHIN

Soya lecithin is a mixture of phospholipids extracted from soya seeds.

It is a natural emulsifier, whose main function is to improve the working and preserving qualities of the finished product.

In addition to having a positive influence on some of the technical processes, soya lecithin also has positive nutritional advantages. Indeed its role is essential; for example it has a positive influence on the metabolism of cholesterol.

Ferrero sources lecithin in Brazil and India and uses it in the production of chocolates, fondants and bakery products.

The supply chain and production is as follows:

- ▶ selection of the seeds,
- ▶ cultivation of the soya,
- ▶ delivery to the factories for extraction,
- ▶ standardisation of the lecithin obtained,
- ▶ delivery to Ferrero's production plants.

As shown below, the process guaranteeing the absence of genetically modified organisms is

validated at every step of the chain.

For every stage of the chain, documented procedures and analytical monitoring tests are defined and certified to guarantee the **NON GMO** origin of the product.

Ferrero:

- ▶ Sources raw materials only from suppliers who are able to prove that they do not use genetically modified crops;
- ▶ Requires the supplier to provide an analysis from accredited laboratories for **every consignment** leaving their premises;
- ▶ Carries out 2 internal analyses of every consignment:
 - ✓ on a sample before dispatch;
 - ✓ on a sample taken before unloading.

Only when **all the results** (from supplier, pre-dispatch and on arrival) are negative, can the material be used in Ferrero's production processes.



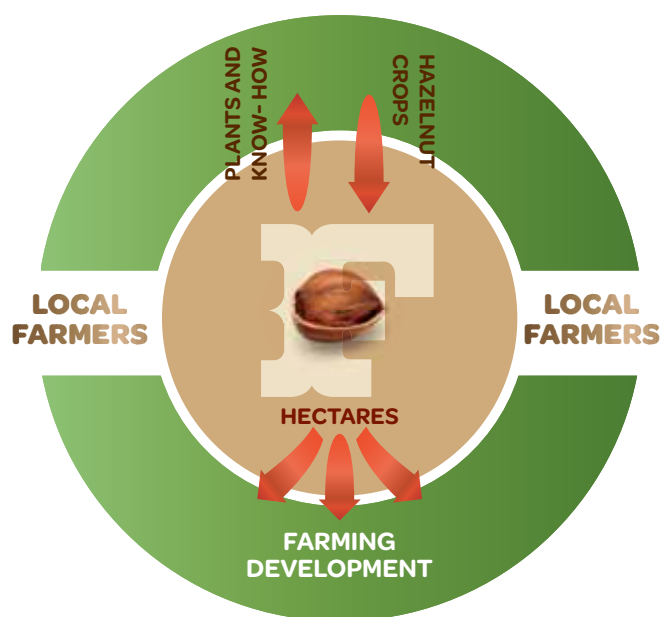
Soybeans

FERRERO

AGRICULTURAL ENTERPRISES FOR THE CULTIVATION OF HAZELNUTS

The part that Ferrero plays in the development of the hazelnut industry is carried on according to a strategy that has been tried and tested over more than a decade in several countries of the world. It can be summarised as follows:

- ▶ The purchase and management of pilot farms: the pilot farms, managed directly by Ferrero's Hazelnuts Business Development (HBD), have the following three functions:
 1. **experimentation**: to ascertain the adaptability of different varieties of hazelnut to the local agricultural climate and to experiment with different agronomic techniques;
 2. **demonstration**: to incentivise and promote the cultivation of hazelnuts with local operators;
 3. **productivity**: to guarantee a significant part of the hazelnut harvest for Ferrero while still facilitating the sale of it at market prices.
- ▶ The tree nursery business: saplings of selected varieties grown in Ferrero/HBD's nurseries are sold to local cultivators at a fair price¹. In addition to selling the saplings, Ferrero offers farmers technical assistance for cultivating their plantations.
- ▶ Research and training: Ferrero collaborates with national and international research institutions on various matters relating to the technical management of the hazelnut plantations. In addition there are training and publication sessions with farmers in collaboration with international projects and local training institutions.



The positive results obtained so far by the HBD projects are partly due to the nature of hazelnut cultivation, which can be a valid option not only for large agricultural enterprises but also for small and medium-sized rural farms. **The cultivation of hazelnuts can produce excellent results** with less production input than with the cultivation of other crops.

The main agricultural-economic features of this cultivation can be summarised as follows:

- ▶ At the height of their productivity, after 7-10 years of growing, hazelnut plantations can generate **profits² of more than 1,000 €/ha** in marginal conditions of production (compared with 300-700 €/ha provided by annual cultivation without irrigation) **and more than 2,500 €/ha** under intensive cultivation. Note that a **hazelnut tree can live on average 50 years**.

¹ Which only covers direct costs and standard structural costs.

² Value of saleable produce, net of costs of agronomic assistance and business management.

- ▶ The **quantity of water needed for hazelnut plantations** is significantly less than that of fruit orchards (5-7 thousand cubic metres per year per hectare as opposed to 8-12 thousand and more for intensively cultivated orchards). This makes the cultivation of hazelnuts well-adapted to areas with limited water resources or even without irrigation and to agricultural climates that have an annual precipitation of 700-900 mm, if adequately distributed throughout the growing cycle of the plant.
- ▶ The hazelnut tree is also less demanding than other trees in terms of routine **plant health checks**; it requires not more than 4 treatments (intensive fruit orchards require more than eight). The same applies to **nitrogen fertiliser**: the hazelnut tree requires about 80 units of nitrogen fertilizer whereas fruit trees require 120 or more.
- ▶ **The workforce** needed to manage a hazelnut plantation varies greatly according to the agricultural model of the enterprise. It ranges from 420 hours per hectare per year (52 days) in situations where there is little use of machinery, as in family-run hazelnut plantations, to 175 hours per hectare (21 days) for intensive and highly mechanised cultivation.
- ▶ Because of its modest needs for technical intervention and longevity of the plantations, the hazelnut cultivation is considered as having a **low environmental impact** and hence suitable for cultivation in agriculturally and ecologically sensitive zones (such as hills and foothills) and can be used in the context of carbon credit initiatives.

The most limiting factor in the expansion of hazelnut plantations is the **long pre-production phase**; it takes 4-5 years to achieve significant production and 7-10 years to reach the stage of full production (which is characteristic of all fruits and nuts that grow in shells).

Ferrero, in addition to selling saplings at a fair price, thus reducing by more than 50% the farmers' plant purchasing costs, intends to facilitate with national and international financial institutions, the creation of ad-hoc credit instruments to enable the cultivators to make their investment on easier terms.

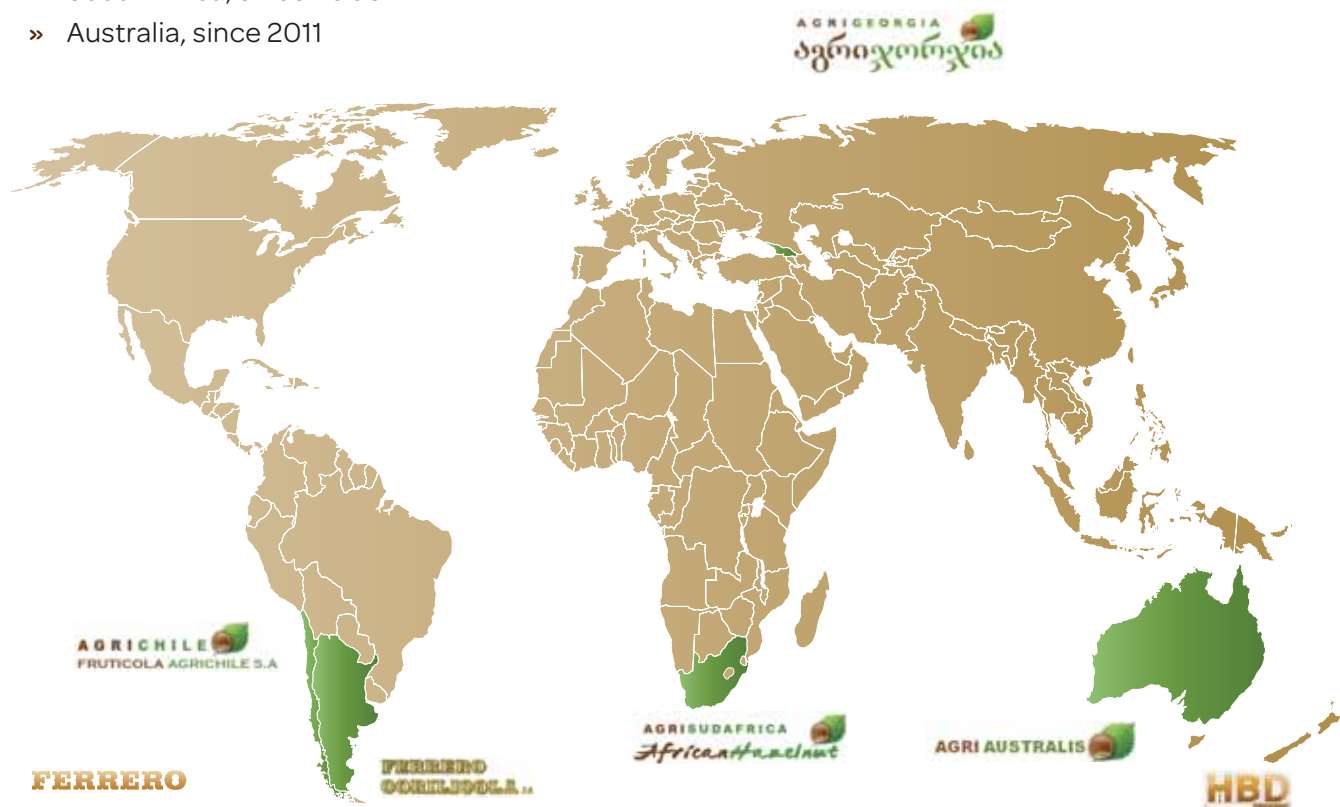


A FEW DETAILS OF THE FERRERO AGRICULTURAL ESTABLISHMENTS

The Ferrero agricultural establishments, called "Agri" have been operational in:

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

with a total of **9,000 hectares of arable land that is available** and for the most part already planted, exclusively for the production of hazelnuts. **More than 1,000 people** work there, including the seasonal agricultural workers.



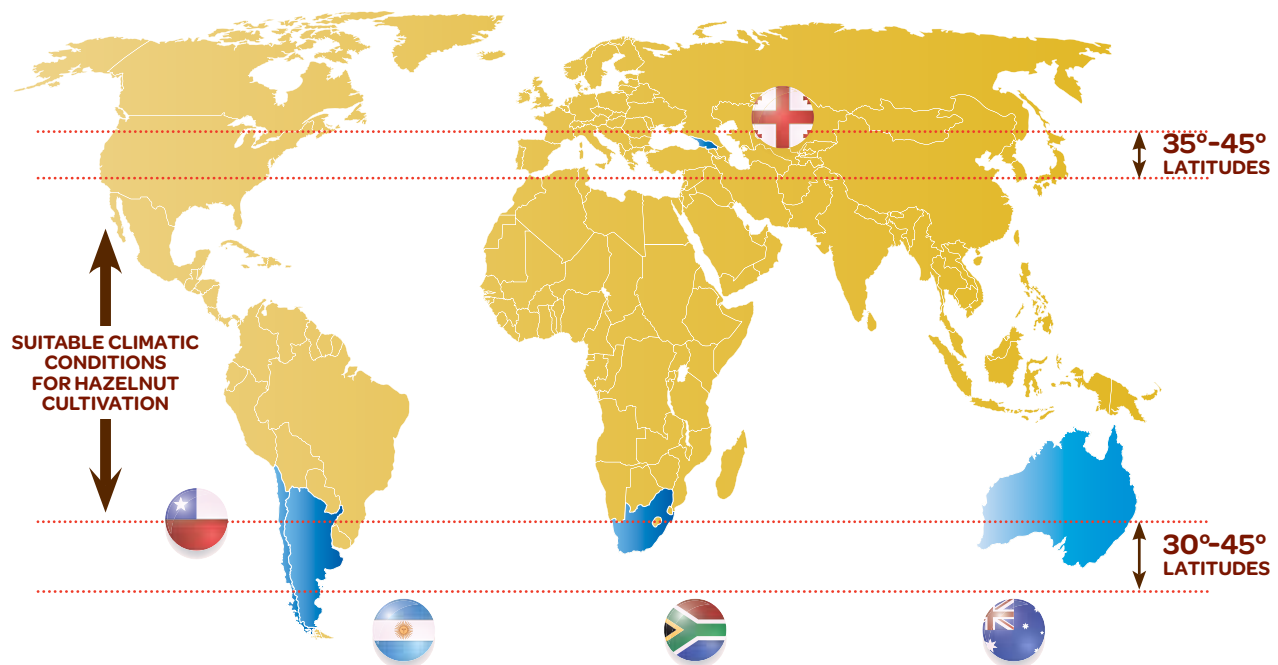
Ferrero has decided to invest in these plantations in order to have access to hazelnuts that are:

- ▶ of excellent quality, always fresh, all over the world;
- ▶ even in the European counter production season.

Since Ferrero's products do not use either flavours or preservatives, the availability of agricultural raw materials of excellent quality throughout the year, has always been a Group priority.

The areas of land for cultivation have been chosen on the basis of a series of climatic, environmental and logistical reasons, including:

- » the ideal temperatures for hazelnut growth;
 - » the nature of the soils;
 - » the biodiversity of the areas intended for cultivation and the absence of forests or protected areas;
 - » the prior presence of specialist growers;
- and of course, to criteria linked to respect for human rights in the relevant countries, the risks of investment there and a cost-benefit analysis.



The philosophy of the **“3F: Food, Fibre, Fuel”** inspires the organisation of the plantations, which produce hazelnuts, wood and fuel, making them independent. The hazelnut shells are also used to heat the buildings. The presence of the hazelnut plantations helps to combat soil erosion and landslides.

The **“Millennium Ecosystem Assessment”** (MA)³, commissioned by the United Nations, defines the criteria for the most sustainable management of the natural environment. Among these criteria, **“Food, Fibre, Fuel”** is named as a means for slowing down the unstoppable degradation of terrestrial ecosystems.

³ The Millennium Ecosystem Assessment (MA) was called for by United Nations Secretary-General Kofi Annan in 2000. Initiated in 2001, the objective of the MA was to assess the consequences of changes in the ecosystem for human well-being and the scientific basis for the intervention needed to enhance the conservation and sustainable use of those systems and their contribution to human well-being. The MA has involved the work of more than 1,360 experts worldwide. Their findings, contained in five technical volumes and six synthesis reports, provide a state-of-the-art scientific appraisal of the condition and trends in the world's ecosystems. For further information see the website <http://www.unep.org/maweb/en/index.aspx>.

THE HAZELNUT VALUE CHAIN

The graph below shows the five main stages of hazelnut production.



PEOPLE AT THE FERRERO AGRICULTURAL COMPANIES

The Ferrero agricultural companies employ, as at 31 August 2012, a total of 1,012 people, of whom 595 in Georgia, 372 in Chile, 34 in South Africa, 9 in Argentina and 2 in Australia. **More than 77% of them are farmers.**



FARMERS IN THE FERRERO AGRICULTURAL ENTERPRISES AS AT 31.08.2012

COUNTRY	ARGENTINA	AUSTRALIA	CHILE	GEORGIA	SOUTH AFRICA	TOTAL
Agricultural agents	89%	100%	86%	70%	100%	77%
Total	9	2	372	595	34	1,012

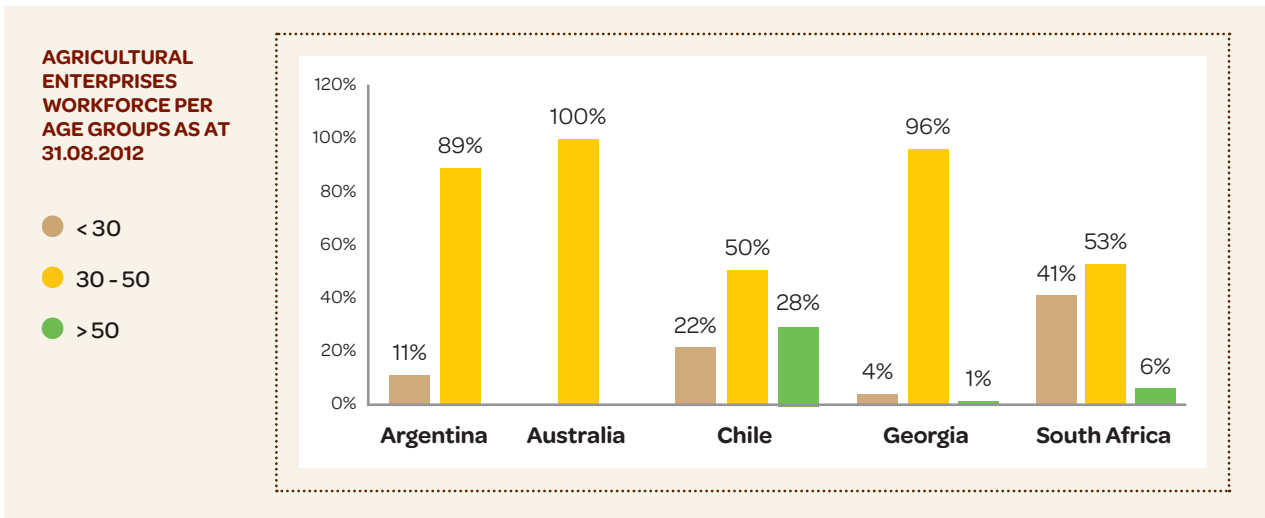
The tables below show the breakdown of employees in the agricultural companies per gender and age.

WOMEN EMPLOYED PER PROFESSIONAL CATEGORY IN THE AGRICULTURAL ENTERPRISES AS AT 31.08.2012

Professional category	Men	Women	Total	Woman as %
Manual labourers	646	125	771	16%
White collar workers	172	31	203	15%
Middle management	25	7	32	22%
Senior management	6	0	6	0%
Total	849	163	1,012	16%

As at 31 August 2012, **the percentage of women in the workforce was 16%**. Specifically in Chile and Georgia, the two companies with

the highest number of personnel, women represent respectively 22% and 12% of the total workforce.



The highest concentration of employees, about 77%, are in the 30-50 age range.

41% of the current employment contracts in the Group's agricultural enterprises are long-term.

AGRICULTURAL ENTERPRISES WORKFORCE PER TYPE OF CONTRACT AS AT 31.08.2012

Type of contract	Argentina	Australia	Chile	Georgia	South Africa
Long-term	100%	50%	47%	33%	100%
Short-term	0%	50%	53%	67%	0%
Total	9	2	372	595	34



The 4-pillars

The Ferrero Group

Ferrero women and men

Sustainable agricultural practices

Minimising environmental impact

C. S. R. of the Ferrero Group

Ferrero Rocher

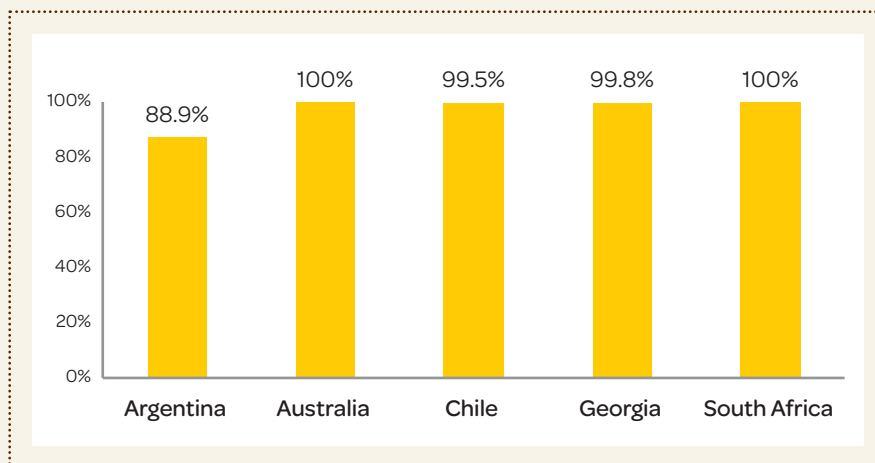
Countries

In the year in question, **a total of 58 employees were taken on and there was a low turnout rate of 2.4%.**

Ferrero tends to give priority when taking on employees at the "Agri", to people belonging

to the local communities. **99.6% of the total personnel of the Ferrero agricultural companies, as at 31 August 2012, had been hired locally, that is, their nationality is that of the country in which the business is operating.**

LOCALLY HIRED STAFF AS PERCENTAGES OF TOTAL WORKFORCE AS AT 31.08.2012



THE TRAINING GIVEN TO FARMERS

Ferrero pays a great deal of attention to the training of the farmers operating in the "Agri", taking into account the different local circumstances and different categories of cultivators already present in the areas involved.

In view of the recent production plant of the agricultural enterprises, Ferrero's current pilot projects are concentrated mainly in Georgia and Chile.

In **Georgia**, through a project with USAID (the United States Agency for International Development), called EPI (Economic Prosperity Initiative), Ferrero has already developed local training initiatives which will reach 2,000 farmers by 2014.

In 2012, 800 farmers benefited from this programme.



USAID
FROM THE AMERICAN PEOPLE



The **training course** in hazelnut cultivation for **Georgian farmers** is structured as follows:

- ▶ participation of **differently sized agricultural enterprises**: from a few to hundreds of hectares;
- ▶ **selection of the farmers** taking part in the course, giving precedence to those who have already cultivated hazelnuts as their main source of income;
- ▶ activating the **micro-credit system at subsidised interest rates for farmers** for purchase of machinery;

- ▶ starting the training of **specialist technicians** who in turn will train the farmers.



The EPI training programme puts the hazelnut farmer at the centre of the local agricultural system, thereby improving professionalism and motivation. This has enabled:

- » **an improvement in the quality of the hazelnuts**, by introducing modern techniques of cultivation;
- » the development of initiatives for farmers to join together **in the facilitated purchase of instruments and products to be used in cultivation**.

One of the possible future developments of the programme is the extension of the initiatives described above to the Georgian hazelnut growing world, which consists of a thousand dozens of cultivators.

In Chile, AgriChile is directly dealing with about **200 growers**. These are really modern agricultural entrepreneurs, each owning between 50 and 500 hectares dedicated to the cultivation of hazelnuts. To develop the local cultivation of hazelnuts and constantly

improve the quality, AgriChile has developed a programme of exchange of agricultural practices and agronomic techniques between Ferrero's agronomists and the local growers.



This programme concludes every year with AgriChile's offer to purchase local hazelnuts at global market prices.



It is expected that by 2020 our investments in Chile's hazelnut industry will place this country among the first in the world in terms of cultivated land.



OBTAINING "CARBON CREDITS"

The project **"Afforestation with Hazelnut Plantations in Western Georgia"** has enabled:

- ▶ the absorption of atmospheric CO₂ emissions through the natural processes of photosynthesis, which enables the long-term storage of the hazelnut trees' woody biomass;
- ▶ the recuperation of land in an advanced state of degradation along the coast of the Black Sea, which is now dedicated to plantations.

AgriGeorgia has already obtained 500,000 carbon credits on the basis of the Carbon Fix Standard, following an independent validation conducted by *Tüv Süd*.

Further information on the project is available at the following address in several languages:



www.climateprojects.info/GE-HAP.





MINIMISING ENVIRONMENTAL IMPACT

The hazelnut flower

FERRERO

SHARING VALUES TO CREATE VALUE

MINIMISING ENVIRONMENTAL IMPACT

ENVIRONMENTAL SUSTAINABILITY

The Group has set up a specific "Department of Environmental Sustainability of the Product" with a view to establishing a sustainable production plan and ensuring that it is consistent with and extends the existing strategic plans.

The plan with which the Group has decided to meet this challenge consists of seven strategic areas, covering the entire value chain of the

product. Several areas are now being monitored (Social Enterprises and Technical Investments), and/or measured (Raw Materials, Packaging, Production, Logistics and Surprises) and in many cases already have defined specific objectives and related measurements: raw materials, packaging, production, logistics, technical investments, MPG Surprises and Ferrero Social Enterprises.

PRINCIPAL AREAS CONCERNING THE PRODUCT SUSTAINABILITY DEPARTMENT



Ferrero's main objective is to incorporate a product's approach to the general approach of the Group in such a way as to pursue the goal of maximum innovation.

With this aim in view, Ferrero is to take part, over the course of 2013, in the **ENVIFOOD**

PROTOCOL test, in order to contribute to the implementation of a European methodology for conducting analyses of the environmental impact of food and drink products, which will enable Ferrero and all the participants to communicate on a scientific basis and with an agreed methodology.

Facts about the ENVI FOOD PROTOCOL:

The European Food Sustainable Consumption and Production Round Table's **Draft ENVIFOOD PROTOCOL** is the first ever harmonised framework assessment methodology developed for the environmental assessment of food and drink products. Adopted on 21 November 2012, it will contribute to helping businesses and consumers understand the environmental impact of food and drink products and support informed choices, thereby fostering more sustainable consumption and production patterns.

The pilot project was launched on 27 March 2013 with 21 organisations agreeing to test the draft Protocol. Participants include a wide range of food and drink manufacturers, trade associations and research institutes, including Ferrero.

Among the many products that will be assessed using the ENVIFOOD Protocol are coffee, dairy, soy, chocolate, pet food, wine and baby food products.

PILOT TESTING OF THE ENVIFOOD PROTOCOL

This is based on modifications to existing assessments, or new ones, carried out on the product(s) of their choice. Participants volunteering to test the ENVIFOOD Protocol are not obliged to communicate the results of their assessments.

Following the testing and consultation, the Round Table will evaluate the input collected via a standardised questionnaire and will revise the ENVIFOOD Protocol based on the results.

Participation in the testing is free and no funding or technical assistance is available to support the participation of organisations in the testing phase:

- ▶ **27 March - 30 September 2013:** Testing of the ENVIFOOD Protocol performed
- ▶ **Rest of 2013:** Analysis of results and integrating changes in ENVIFOOD Protocol
- ▶ **End 2013:** Publication of final version of the Protocol

For more information please visit:

<http://www.food-scp.eu>



FERRERO

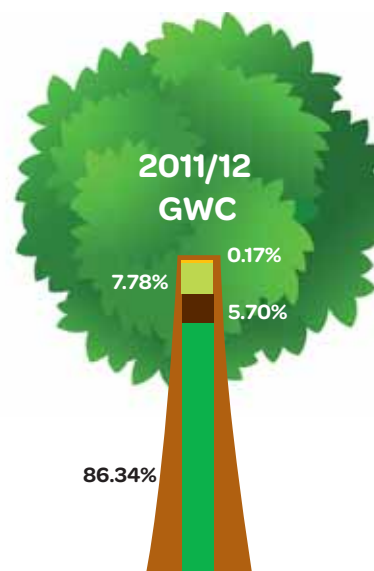
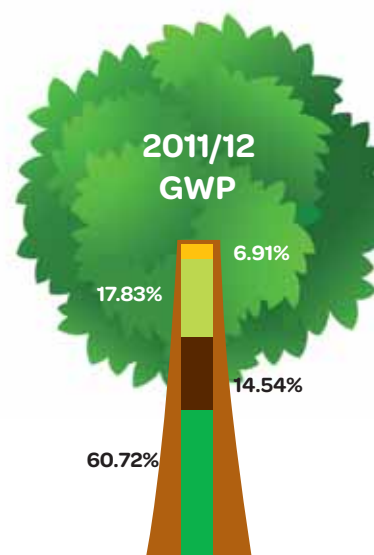
We consider product innovation, excellence and safety to be, along with environmental protection, the main sustainable competitiveness factors at a global industry level. Specifically, improving environmental sustainability requires a profound understanding of the interactions between the products and the ecosystem along their entire life cycle, from production of the raw materials to management of the end of their useful life.

In working with the logic of the life cycle, Ferrero has for years been using Life Cycle Assessment (LCA). This is a scientifically and internationally recognised protocol, capable of supporting policy decisions in the most objective way possible and identifying critical points in the product chain. In the calculation set out below, **Ferrero has applied the LCA methodology as regulated by the ISO standards in the 14040 series.**

In order to measure environmental impact along the entire length of the value chain, Ferrero has identified three relevant indicators in the most sensitive areas:

- » **Gross Energy Requirement (GER)**
- » **Global Warming Potential (GWP)** from direct and indirect emissions of greenhouse gases¹
- » direct and indirect **Global Water Consumption (GWC)**

The table on the right shows the values of these indicators divided according to their percentage impact on the value chain:



in %

RAW MATERIALS	PACKAGING
PRODUCTION	TRANSPORT

¹ GWP per 100 years, calculated in equivalent kg of CO₂.

Note: transport means the transport of agricultural raw materials and packaging materials from suppliers to Ferrero's establishments and transport of the finished products from Ferrero's establishments to customers.

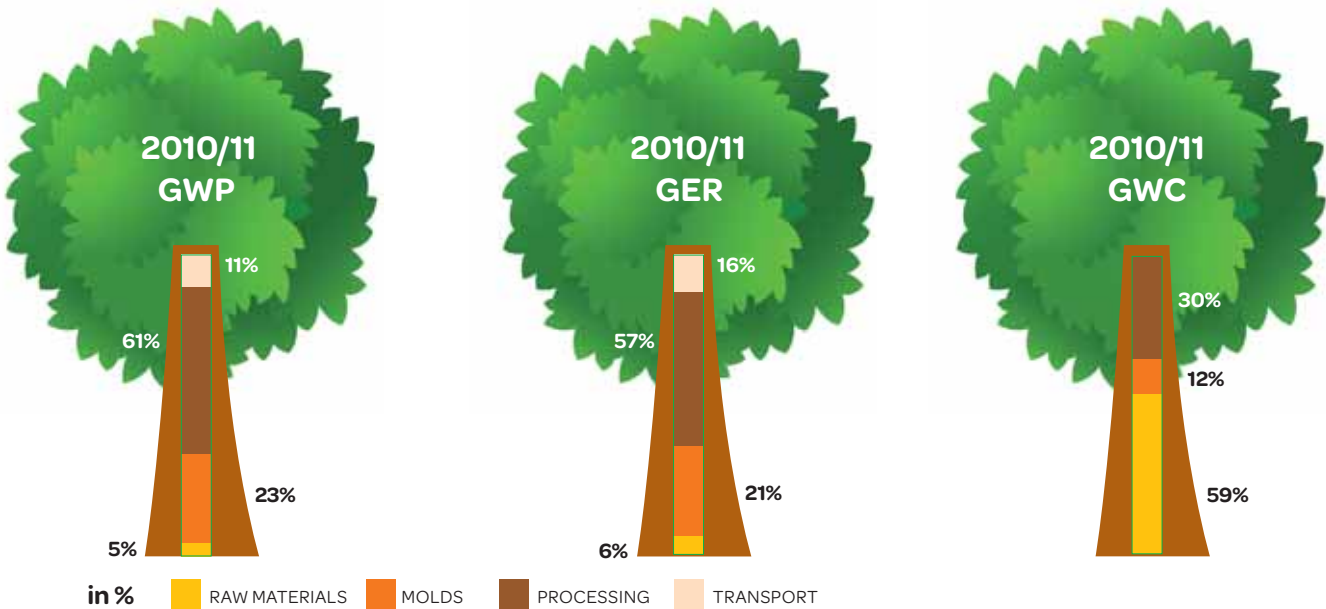
According to Ferrero’s estimates, in the life cycle of a confectionery product, less than 20% of environmental impact derives from the “processing” stage, that is, from manufacturing of the product, whereas about 70% of the impact derives from the phase of production of agricultural raw materials and packaging. This demonstrates the importance of collaborating with all the agents in the supply chain.

The Ferrero Group has therefore set itself challenging goals in terms of the traceability and sustainability of the supply chain of the **principal agricultural raw materials and those for paper and cardboard**. Ferrero is conducting Life

Cycle Assessment (LCA) studies of the principal raw materials used by the Group in order to gain a better understanding of its supply chains and foster continuous improvement.

This year, the environmental performance analysis of the Ferrero toys, the “surprises” present in some of the Kinder products (Kinder Joy/Merendero, Kinder Surprise and the Kinder GranSorpresa eggs), was updated.

The figures refer to the year 2011/12² for placing the surprises on the market and include the entire life cycle of the surprises, from production of the raw materials and packages to the processes of packaging and transport.



CLIMATE CHANGE

Climate change affects the food chain in various ways. The main implications for Ferrero depend inter alia on the following factors: availability of high quality raw materials, policies of the countries producing the agricultural raw materials, management of CO₂ emissions, availability of water and international policy on waste disposal and packaging. Ferrero takes part in regional and international round tables

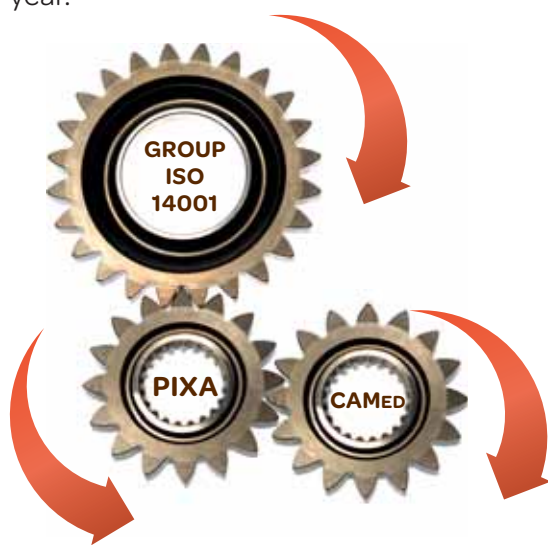
so as to exploit its own resources to face these challenges, and puts specific programmes and plans into action. This is the basis of our objectives and plans for 2020. (To learn more about our environmental policy, please see below and for more information about our programmes to assist farmers see the chapter on “Sustainable Agricultural Practices” in the present Report).

² These data refer to the year 2010/11 as all the stages in the cycle of the surprises take place one year before the year of sale.

THE GROUP'S ENVIRONMENTAL PERFORMANCE

There are 15 production plants within the scope of analysis of this chapter, in Europe, the Americas and Oceania (for a complete list of production plants see the chapter 'The Ferrero Group')³.

Here are the principal developments of this year.



Of these 15 establishments, 11 have an Environmental Management System certified according to ISO 14001, "Environmental management systems - Requirements with guidance for use", and their activity covers about 90% of Ferrero's production.

Starting from this year, the aim of having all our sites individually certified by 2020 has been transformed into a plan for **Group ISO 14001 Certification**, which foresees a single certificate for Ferrero's production system starting in 2013, including, **by 2017, 4 sites not yet certified.**

For this purpose, in addition to the "Environmental Policy" document published in previous years, we have centrally drawn up a

management manual and new procedures, which aims to give a general overview of energy management, the water cycle, waste disposal, emissions into the atmosphere and prevention of soil contamination, together with an analysis of the data and environmental objectives pertaining to Ferrero's sites.

The first project to have been launched in this direction is that of fostering more and more communication within the Group, by means of initiatives whose purpose is to harmonise the methods for an effective control of environmental impact, and promote integration and exchange of know-how and best practice.

Within this project, **P.I.X.A. (the Programme of Internal Exchange of Auditors)** was set up. This is a programme that enables the exchange of internal environmental auditors, thanks to the creation of a team of auditors consisting of central officers and technicians coming from production plants other than the one being subjected to internal auditing. This promotes the exchange of social, cultural and professional experiences between our staff.

For the same purpose, a **Community** has been created on the Company's intranet, exclusively for environmental matters, on which the Group posts local, internal and external documents, regulations and certifications concerning the production plants.

The second project focused on gathering and processing environmental data. In order to analyse the data within a unified processing system, it was necessary not only to gather the same information from all sites but to have a common criterion of comparison.

The project called **C.A.M.E.D. (Collection, Analysis and Management of Environmental Data)** has answered this requirement, with the

³ For further details of the scope of analysis, see the technical note at the end of this chapter.

creation of a computer programme devoted to the gathering of environmental data, which is the same for all the production plants in the Group, thus improving data flows and ensuring their security.

This system has also been certified an ISO 14001 Certificate for the production plants. The system facilitates comparison between the central and local departments of the Group and promotes discussion of the data and exchanges between production plants, not least during the audits.

The Group's increasing efforts are further attested by the achievement in **November 2012, by our establishment at Villers-Écalles (France) of the ISO 50001:2011 Certificate**, as described in *"Environmental management systems - Requirements with guidance for use"*. **At the date of writing this CSR report, the German establishment at Stadtallendorf has also successfully passed the audit for this certification.** Both these projects are coordinated by a working group of central and

local technicians, in order to create a common management method for the Group.

ENVIRONMENTAL PERFORMANCE OF THE FERRERO PRODUCTION PLANTS

As already communicated in previous editions of this Report, **starting with the present CSR Report, the data in the present chapter refer to the period 1 September 2011 - 31 August 2012 and no longer to the calendar year⁴**, but the scope of the data analysis has remained the same as in previous years.

The KPI (Key Performance Indicators) are reported below, divided into categories. They make it possible also to describe and analyse the environmental performance of each production plant compared with its own trend over the years and compared with the Group, so as to promote continuous improvement.

ENERGY CONSUMPTION

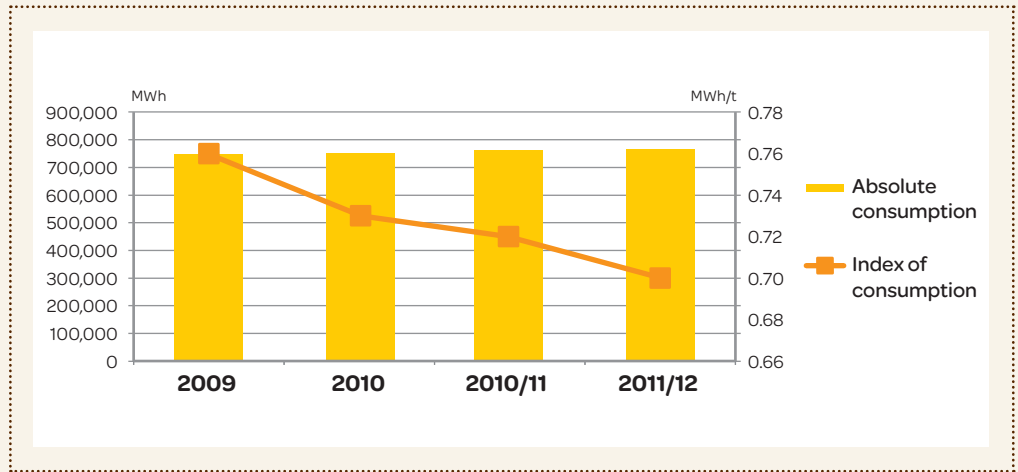
		2009	2010	2010/11	2011/12
Consumption of electrical energy	MWh	747,625	751,452	761,897	763,758
Index of consumption of electrical energy	MWh/t	0.76	0.73	0.72	0.70
Consumption of thermal energy	MWh	965,356	952,752	971,400	968,898
Index of consumption of thermal energy	MWh/t	0.98	0.92	0.92	0.88

Energy consumption at Ferrero's production plants is presented in absolute values in line with those of the previous years, despite the increase in production; in fact the relevant

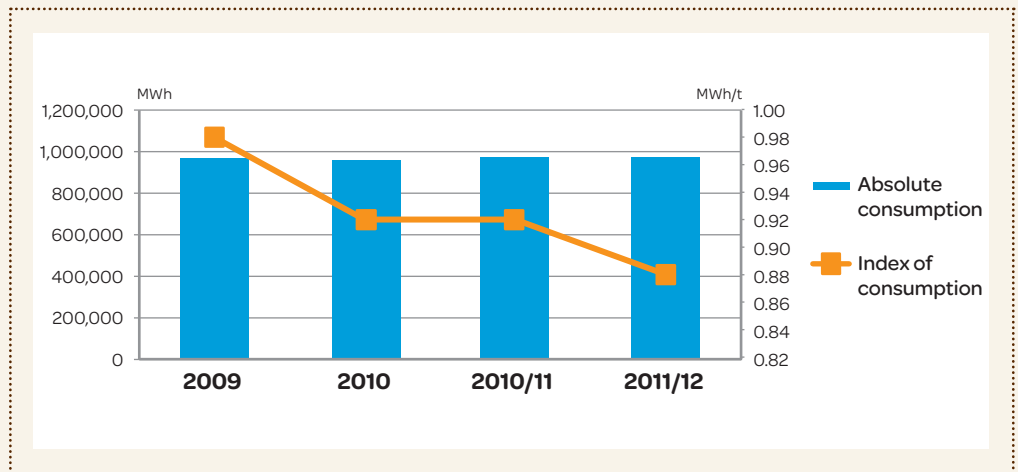
indicators show a positive trend of reduced overall consumption, which this year was 1.58 MWh/t.

⁴ Starting from the present Report, the data contained in the present chapter refer to the period 1 September 2011 - 31 August 2012 and not to the calendar year as in previous editions. This change, which makes it possible to synchronise the reporting in this chapter with that in the rest of this CSR report, involves the partial overlap of the periods 2010 and 2010/11; one should therefore take into account the comparability limit of the data pertaining to the two periods.

ELECTRICAL ENERGY



THERMAL ENERGY



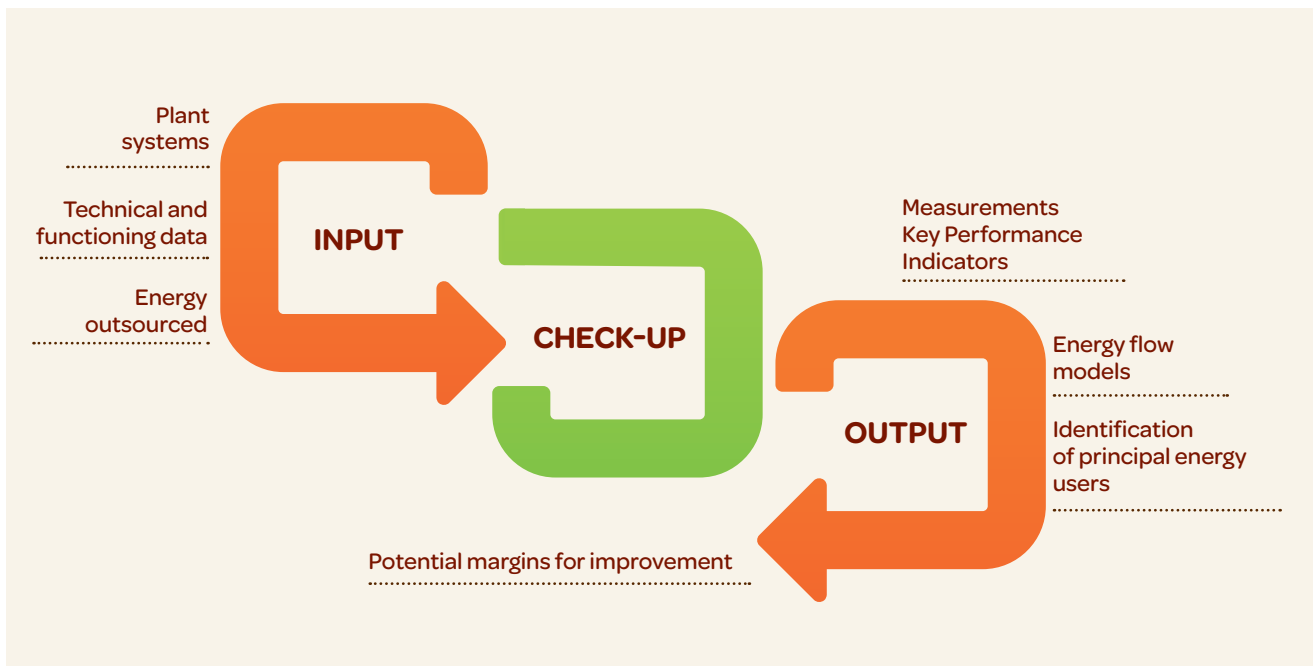
The target of reducing energy consumption by 5% per unit of product, by 2020 compared with 2009 has this year been reached and surpassed.



To pursue our intention of the efficient use of energy, the process of energy check-ups is proceeding and has now been carried out at 14 production plants, covering more than 99% of the total energy requirement. In three production plants an update of the check-up has either already been carried out or is in the process of

being carried out. In this way the Group is close to reaching its objective of carrying out energy check-ups in all its establishments by 2020.

The check-ups provide an instant picture of the flows of energy crossing our sites and are the basis for action to manage consumption and improve the efficiency of energy use.



We identify by means of the energy check-up the principal users of energy in the production plants, calculate the value of the KPI (Key Performance Indicators) we have defined, and identify the potential margins for improvement. The resulting improvements over the last years have been the installation of high efficiency engines and inverters, the optimisation of: the functioning of

refrigeration plants and the installation of new and more efficient ones, the lighting of rooms with high efficiency lamps, the insulation of the tubes transporting fluids at particular temperatures, the recovery of thermal energy from processing and service plants and the construction of new buildings and adaptation of existing structures in accordance with energy efficiency criteria.

- The 4-pillars
- The Ferrero Group
- Ferrero women and men
- Sustainable agricultural practices
- Minimising environmental impact
- C. S. R. of the Ferrero Group
- Ferrero Rocher
- Countries

MANAGEMENT AND CONSERVATION OF WATER

		2009	2010	2010/11	2011/12
Water consumption	m ³	5,171,117	4,788,176	4,334,380	4,156,350
Taken from rivers	%	23.3%	27.6%	17.2%	19.0%
Taken from ground water	%	41.2%	32.4%	36.8%	33.3%
Taken from aqueduct	%	35.4%	40.0%	46.0%	47.6%
Index of water consumption	m ³ /t	5.26	4.63	4.10	3.79
Waste water	m ³	2,981,574	3,183,841	3,173,836	3,012,981
Into main drain	%		94.0%	93.2%	92.8%
To surface water	%		5.7%	6.0%	6.2%
In or underground	%		0.3%	0.7%	1.0%
Index of waste water	m ³ /t	3.03	3.08	3.00	2.74

The Ferrero's production plants are exerting themselves continually:

- » to reduce their water requirement
- » to apply at all sites the tried and tested methods of water conservation, such as Cleaning In Place (CIP), installing automatic taps and using refrigeration plants that recycle water (for example with evaporation chimneys).

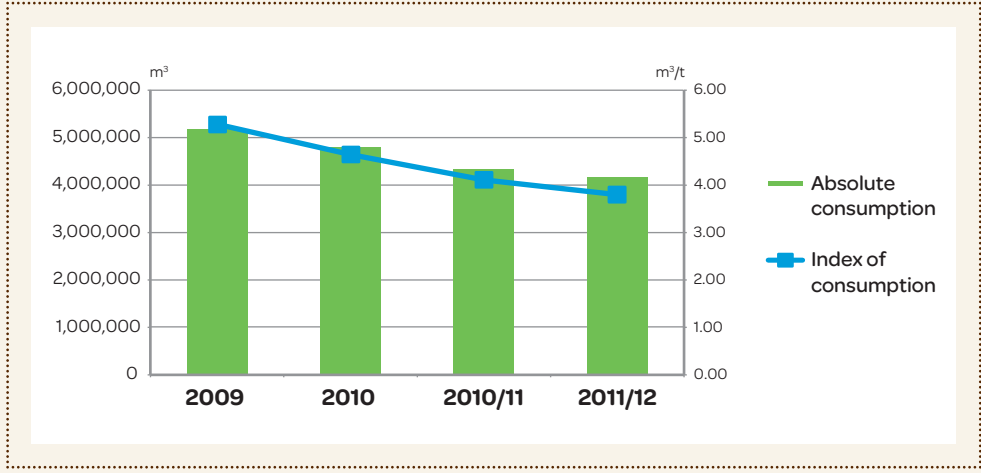
Extractions of surface water, which are not to the point where they would deplete the relevant bodies of water, have been reduced by 34%, compared with 2009. Where possible, the Group intends to minimise the extraction from vulnerable sources such as ground water, thus reducing the impact on users. In parallel,

our production plants continue to apply and research forms of water recycling, which at present are limited.

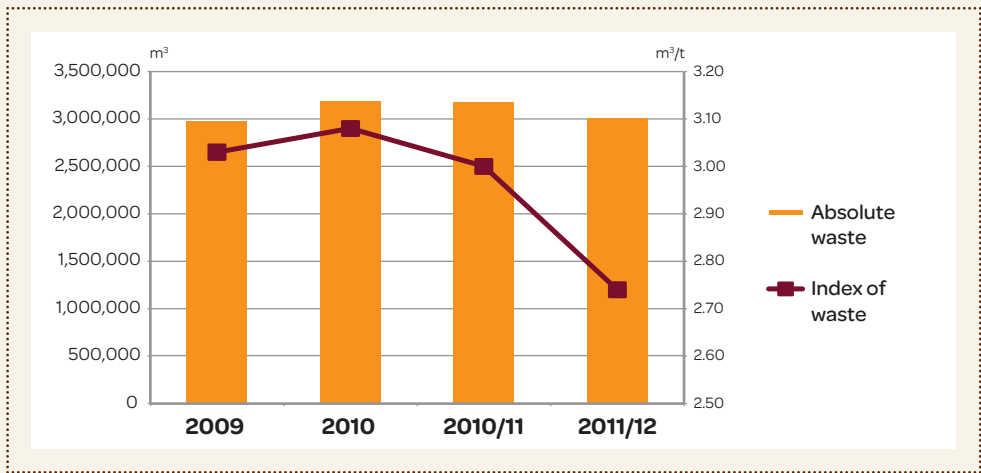
The waste water, which has no toxic or dangerous content, is of a composition that is easily purified. These characteristics, which are typical of confectionery manufacturing using vegetable raw materials, enables many establishments to send their waste water to external water treatment plants, thus facilitating the biological process of external treatment and avoiding the use of chemical substances, while further improving the cleanliness of the establishment. Observing the trend, the indexes of water consumption are progressively diminishing, the index having fallen from 5.26 m³/t in 2009 to 3.79 m³/t in the last year.



WATER CONSUMPTION



WASTE WATER



The objective of reducing water consumption per unit of product by 20% by 2020, compared with 2009, has this year been achieved

and surpassed. The water saved at our production plants in these years could fill the Arena of Verona eight times⁵.



⁵ Figure calculated by comparing the water consumption of the Ferrero Group's establishments from 1 January 2009 to 31 August 2012 with the volumes that the Group would have consumed if the index of water consumption had remained constant at the 2009 value.

The chief interventions have been to improve the refrigeration circuits, eliminate losses from

the distribution networks and improve existing plant.

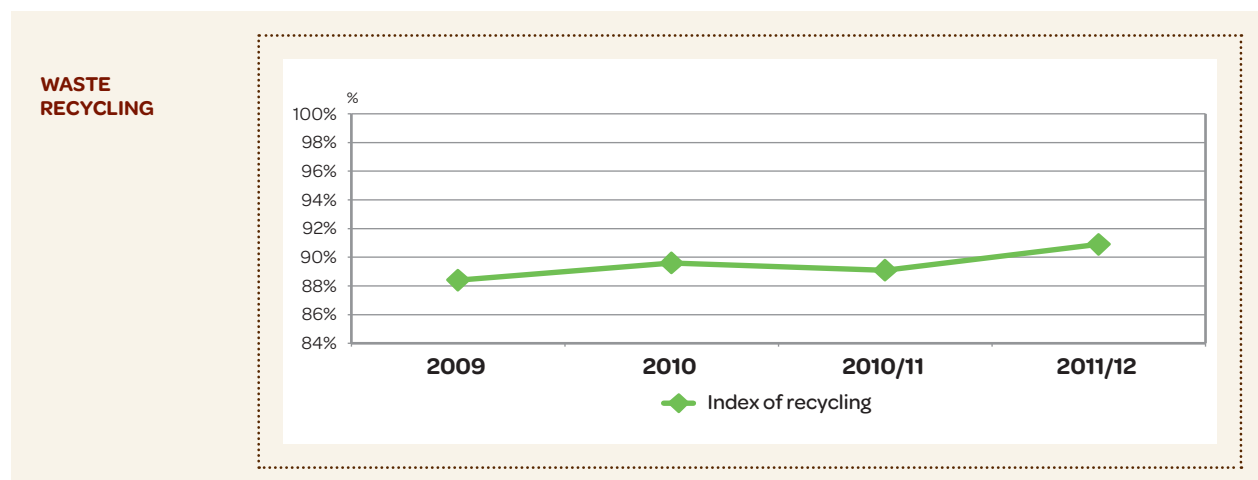
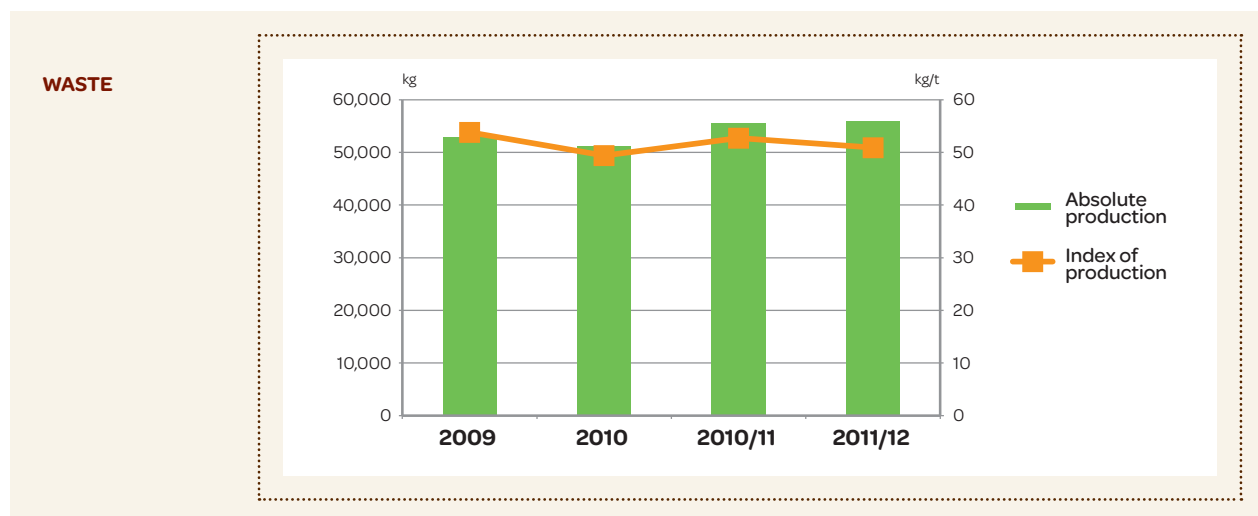
MANAGEMENT AND PREVENTION OF WASTE

		2009	2010	2010/11	2011/12
Waste at the 15 production plants	t	52,947	51,116	55,632	55,908
Index of waste production	Kg/t	53.8	49.4	52.7	50.9
Index of waste recycling	%	88.4%	89.6%	89.1%	90.9%

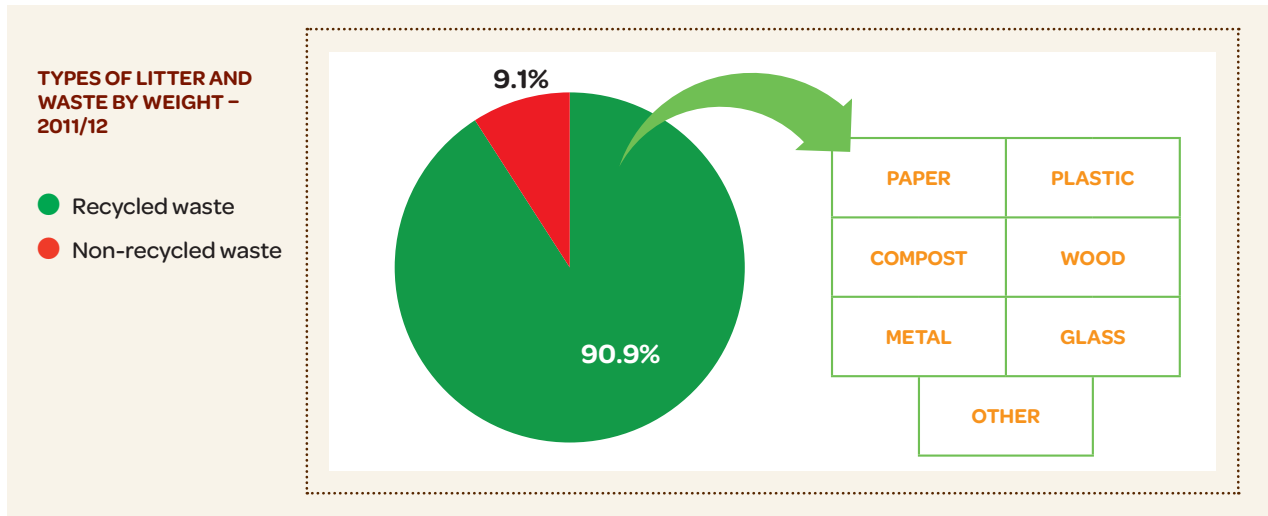
Increased production has led in the last few years to an increase in waste production. The index, by contrast, shows a positive trend: 50.9 kg/t in 2011/12.

The Group constantly maintains its efforts to

reduce every form of wastage of resources, concentrating on ways of prevention and focusing attention on recycling, as is shown in the **increased percentage of waste recycling that this year has exceeded 90%.**



The pie chart below shows the categories of waste produced by our production plants; the recycled waste is represented in green.



Compared with the data published in previous editions of this Report, the differentiated waste collection in our production plants has led, to date, to the identification and management of 98 different categories of separated waste; this level of detail has been reached in order to maximise the environmental value of the waste. In the last year the same criterion has been adopted in all production plants for the collection of data relating to the waste categories. The non-recycled waste consists primarily of non-differentiated waste, residue from water purification, detergents and lubricants.

As in the past, much attention has been paid to recycling paper, plastic, glass and metal in the specific supply chain managed by consortia, and to the recycling by composting and, where possible, to the recovery of energy.

The main actions of prevention are raising awareness in all staff, improving efficiency of the production and packaging lines, and finally sending the inevitable residue of

production into the supply chain of animal feed.

To conclude, it is stressed that in 2011/12 there have been no significant leaks of substances into the environment or accidents in any of the 15 production plants, nor have there been any external complaints.

BIODIVERSITY

On the basis of an internal analysis⁶, it is noted that none of the 18 Ferrero production plants include within their boundaries protected areas or areas of high biodiversity, nor do they cause significant environmental impact on such areas. There are only two cases of protected areas adjacent to Ferrero production plants, (less than 3 km away), and Ferrero’s activities do not have any significant environmental impact on these; they are “Boucles de la Seine Normande Regional Nature Park” in France and the “Brant Conservation Authority Area” in Canada.

⁶ The analysis includes the 18 Ferrero establishments that were operational as at 31 August 2012. The analysis which was carried out at the beginning of 2012, will be updated in 2014, and so biannually.



ENERGY AND THE ENVIRONMENT

In the year 2011/12, Energhe⁷ has consolidated its activities in Europe and progressively extended its activities at the production plants in the countries outside the EU.

THE EVOLUTION OF THE POWER GENERATING INSTALLATIONS

The construction of new power generating installations has proceeded; they are exclusively high efficiency or using renewable energy, because of the environmental benefits.

The table below shows the electric power in MW, divided per country and per source, of the installations actually in use or under construction at the date of this Report.



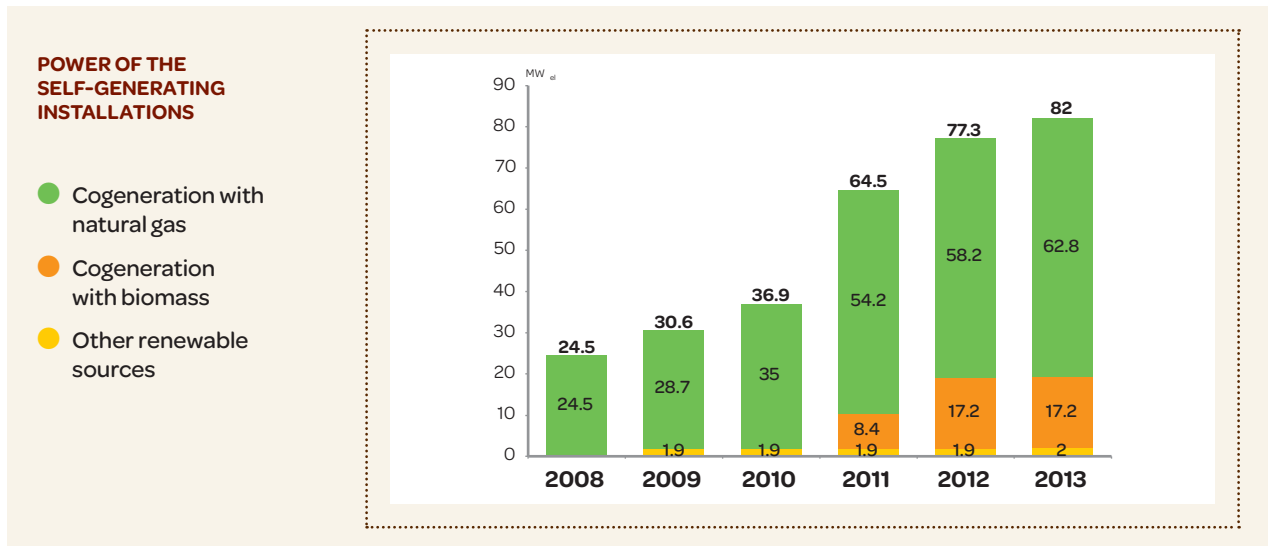
LIST OF INSTALLATIONS BUILT OR UNDER CONSTRUCTION AT THE PRODUCTION SITES				
MW	natural gas	liquid biomass	photovoltaic panels	wind turbines
Italy	34.6*	17.2	1.30	
Germany	13		0.63	
Poland	5.6			0.03
Belgium	4.2			
Canada	4.6**			
Australia	0.7			
Total per source	62.7	17.2	1.93	0.03
Total		81.86		

* Includes 25 MW from Alba Power which is 51% of power (the Ferrero percentage holding in the company Alba Power S.p.A.).
 ** Under construction.



⁷ Energhe: a Ferrero Group company.

The table below shows the capacity of self-generation that has progressively become operational as of 2008.



THE DEVELOPMENT OF NEW PROJECTS

During 2012 at the Stadtallendorf production plant, a new photovoltaic installation became operational with potential power generation of 27 KW_{peak}.

At our Brantford (Canada) production plant, construction of a third-generation high efficiency natural gas electricity generating plant (4.6 MWe) has started; it is expected to be operational in 2013.

Italy and Poland have continued to develop plans for installing wind turbines. The expected power to be generated by the latter and operational date will depend on licensing and on the effect of new regulations coming into force.

Technical and environmental studies have continued for the planning of installations to cogenerate electricity from biogas obtained from the anaerobic digestion of the by-products of our industrial processes.

The findings of fermentation tests and the national political trend in favour of prioritising the use of industrial by-products seem to point towards their greater usefulness in animal feed than in the power supply.

The consideration of further self-generation plants continues (high efficiency cogeneration or from renewable sources) at the other production plants (Ireland, Mexico, Brazil, Russia) which confirms the interest of the Group in embracing any opportunities for the reduction of CO₂ emissions from its processes.

OTHER ACTIONS/ INFORMATION

Certifications

The self-generation installations at Stadtallendorf, Belsk and Arlon are included in the ambit of the ISO 14001 Certification of these production plants.

Alba Power has confirmed Certifications ISO 14000 and EMAS. As at the date of writing this CSR Report, the establishment at Stadtallendorf has passed the audit for Certificate ISO 50001.

Research activities

Ferrero is engaged in many beneficial exchanges at international level with the academic and scientific research world.



In Italy, collaboration continues with universities and industrial partners on a research project to assess different technologies for obtaining energy from the by-products of our industrial processes.

We continue to observe the research developments in the field of plant-based liquid biomass that is not in competition with the food industry (algae).

OBJECTIVES FOR 2013/14

The objectives for 2013, stated in the previous editions of the CSR report, have been reformulated.

This reformulation is necessary to take into account the problem reported in the previous paragraph for cogenerate biogas plans from by-products and the effects of the following factors:

- ▶ new regulations coming into force that have placed restrictions on the development of initiatives for generating installations;
- ▶ uncertainties in the licensing processes.

These factors have made it necessary to modify certain plans and in other cases are slowing their development.

The current objectives for self-generation of electrical power: 85 MW, of which 25% from renewable sources, to be achieved in 2013/14.

For production of electrical energy the new objectives are as follows:

- ▶ by 2013/14, 75% of the electricity consumed by all the European establishments in the Group (Belgium, France, Germany, Ireland, Italy and Poland, not including Russia or Turkey) to be self-generated, of which 25% from renewable sources.
- ▶ by 2020: implementation of an energy plan at world level, compatible with the local contexts of present and future production plants.

ALBA POWER AND CENTRALISED HEATING OF THE TOWN OF ALBA

During the present year Alba Power has continued its activity. The high efficiency cogeneration plant was built in 2007 through a partnership between Ferrero and the company managing local public services.

The plant is one of the few in Italy that, thanks to the energy it produces used both for civil central heating and for the improvement of energy efficiency of an industrial site, has obtained the award of "green certificates" and energy efficiency certificates.

Alba Power's purpose is to provide electrical and thermal energy to Ferrero's production plant in Alba, thermal energy to the central heating network of the city of Alba and electricity to end customers.

Since becoming operational the plant has produced more than 5 million MWh (electrical and thermal) and thanks to its high efficiency has significantly contributed to reducing CO₂ emissions.

The main statistics for the centralised heating of Alba are: more than 820 buildings, including homes, offices, businesses, shopping centres, schools and the hospital, which are connected by a network of more than 30 km of pipe work, heating almost 4,000,000 cubic metres by the central heating system and providing electrical power to end users of about 100 MW.

The advantages are obvious:

- » for the environment, a reduction in CO₂ emissions because of domestic central heating systems being switched off;
- » for individual users, who are no longer burdened by the inconveniences and costs of a domestic central heating system (annual inspections, maintenance, replacement every ten years), as it has been replaced by a simple heat exchange system.

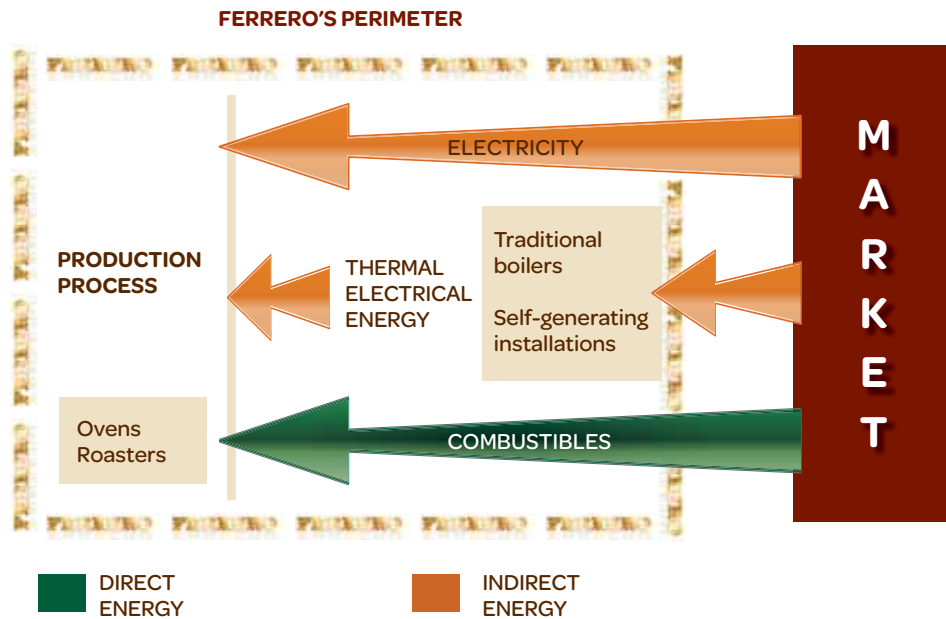
POWER GENERATION AND PURCHASING

The following terms are used in the present CSR Report:

▶ **direct energy**, exclusively consumed in the production process in ovens and roasters;

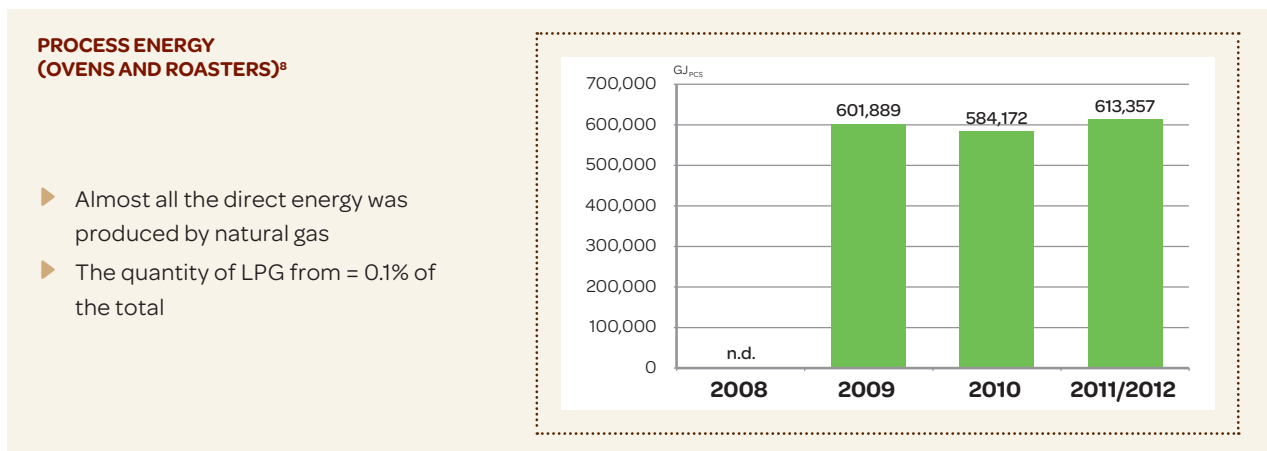
▶ **indirect energy**,

- ✓ **thermal**, in the form of steam and hot water, completely self-generated;
- ✓ **electrical**, partly self-generated and part purchased on the market.



DIRECT ENERGY

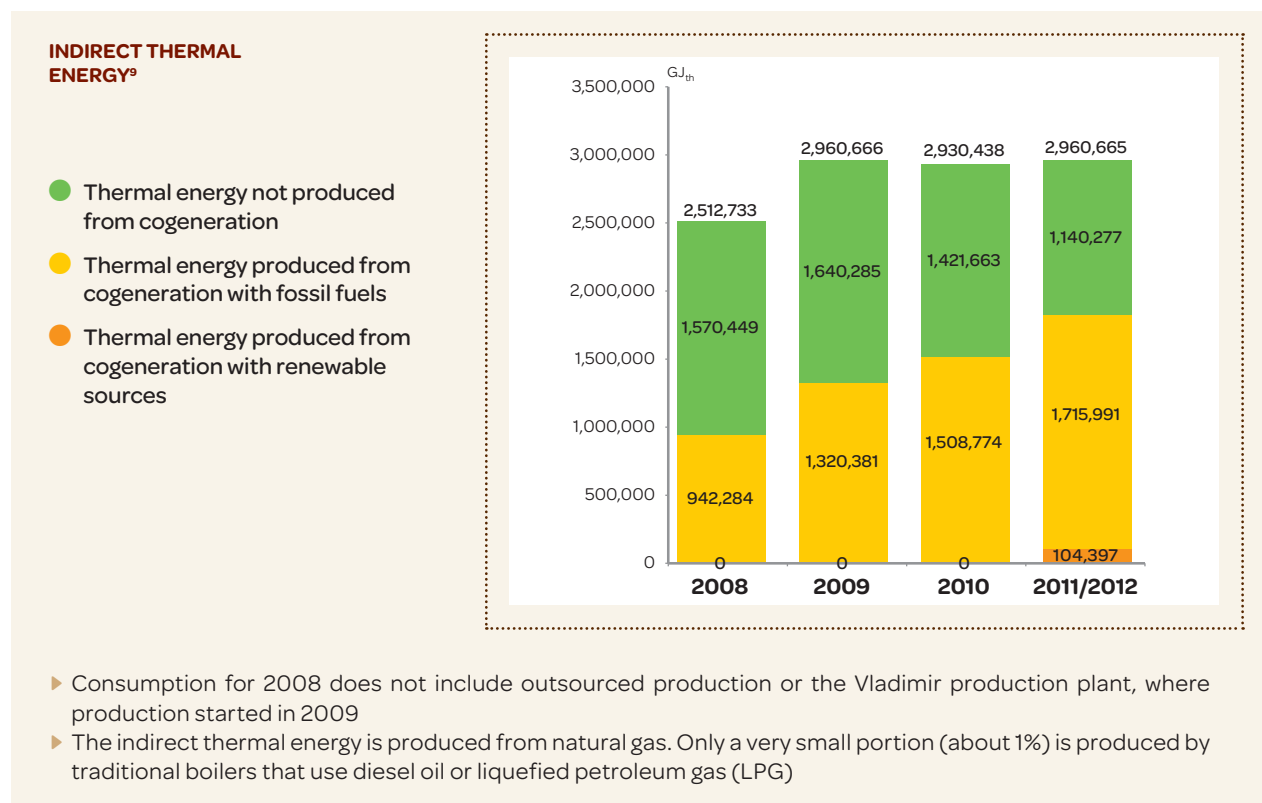
The chart below shows annual consumption of direct energy.



8 The 2011/12 data refer to the period 1 September 2011 - 31 August 2012 whereas the years for comparison, 2010, 2009 and 2008 refer to the calendar year from 1 January to 31 December; one should therefore take into account the comparability limits of the data pertaining to the two periods.

INDIRECT THERMAL ENERGY

Thermal energy in the form of steam and hot water is totally self-generated in traditional boilers or high efficiency cogeneration plants.



This shows:

- ▶ the progressive increase of thermal energy produced in high efficiency cogeneration installations;
- ▶ the production of thermal energy from renewable sources;
- ▶ production of thermal energy in line with that of previous years despite the increase in volumes of production, which demonstrates the efficiency of our processing.

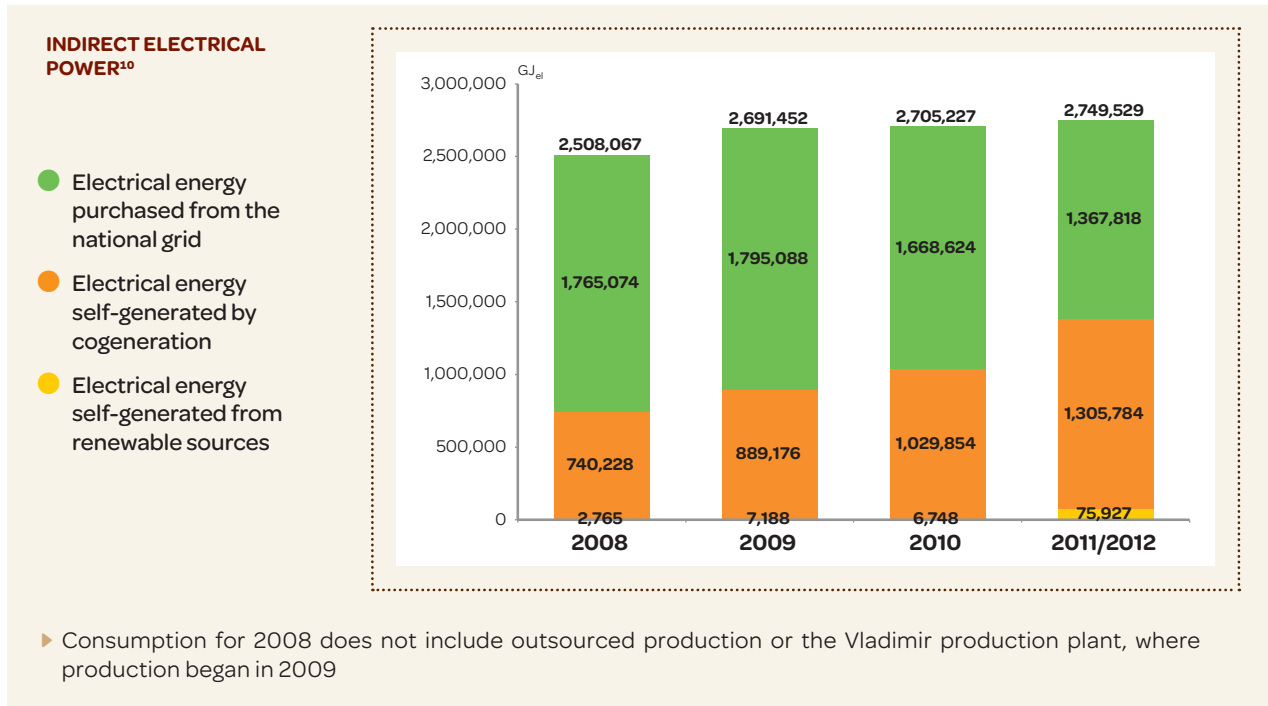


⁹ The data for 2011/12 refer to the period 1 September 2011 - 31 August 2012, whereas the years for comparison, 2010, 2009 and 2008 refer to the calendar year 1 January to 31 December; one should therefore take into account the comparability limits of the data relating to these periods.

INDIRECT ELECTRICAL ENERGY

The electrical energy is partly self-generated (in high efficiency cogeneration installations or from renewable sources) and partly purchased on the market.

The environmental characteristics (primary energy used and CO₂ emissions) of the purchased part depend on the composition of the electricity generating facilities of each country.



Note:

- the progressive increase in self-generated electrical power in high efficiency cogeneration installations or from renewable sources;
- consumption of electrical power (self-generated and purchased) in line with previous years, despite the increase in volumes of production, which demonstrates the efficiency of our processes.



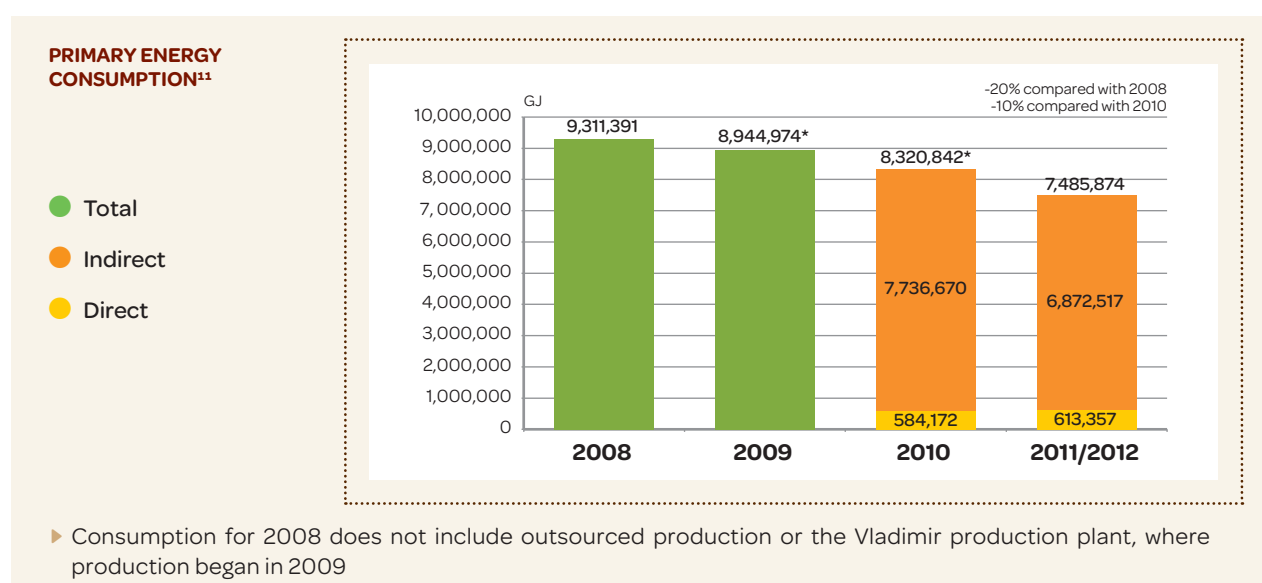
¹⁰ The data for 2011/12 refer to the period 1 September 2011 - 31 August 2012, whereas the comparison years, 2010, 2009 and 2008 refer to the calendar year 1 January to 31 December; one should therefore take into account the comparability limits of the data relating to these periods.

THE BENEFITS OBTAINED

The gradual entry into service of high efficiency co-generation plants or plants using renewable sources, together with changes to the production processes to increase energy efficiency, continue to improve the energy-saving and environmental performance of the Group. This results in a reduction of consumption of primary energy and of CO₂ emissions. These reductions,

which are expressed in absolute values, are even greater if one considers that the trend of annual volumes of production is continually increasing.

The graph below takes into account the contribution provided by the electrical energy purchased on the market for the Stadallendorf production plant, which is certified as 100% from renewable sources.



¹¹ The data for 2011/12 refer to the period 1 September 2011 - 31 August 2012, whereas comparison years, 2010, 2009 and 2008 refer to the calendar year 1 January to 31 December; one should therefore take into account the comparability limit of the data relating to these periods.

* Primary energy consumption for 2009 and 2010 has been recalculated on the basis of an update of the data on outsourced production, subsequent to the CSR report of 2011.

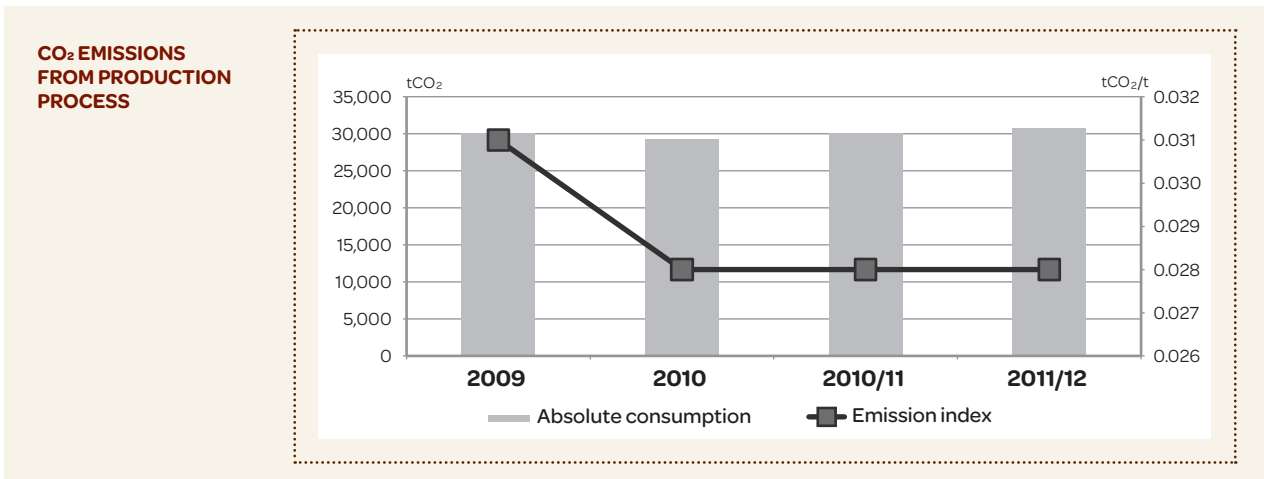
CO₂ EMISSIONS

DIRECT EMISSIONS

		2009	2010	2010/11	2011/12
Direct CO₂ emissions from plant in the production process	tCO ₂	30,135	29,254	30,092	30,738
Index of direct emissions of CO₂ from plant in the production process	tCO ₂ /t	0.031	0.028	0.028	0.028
ODP from consumption of refrigerant gases	g _{R11eq} /t	0.33	0.22	0.19	0.15
GWP from consumption of refrigerant gases	tCO _{2eq} /t	0.022	0.019	0.017	0.013

The data from our establishments show a constant downward trend in the index of CO₂ emissions derived from the production processes, using two indicators concerning transient emissions of the gases used in the refrigeration systems, ODP (Ozone Depletion Potential, which is the potential destruction of the atmospheric ozone due to the emission of

a substance into the air, expressed in terms of R11 equivalent, gas with ODP equal to 1) and GWP (Global Warming Potential, which is the contribution to the greenhouse effect made by a refrigerating gas released into the atmosphere expressed in terms of CO₂ equivalent).



The 4 pillars

The Ferrero Group

Ferrero women and men

Sustainable agricultural practices

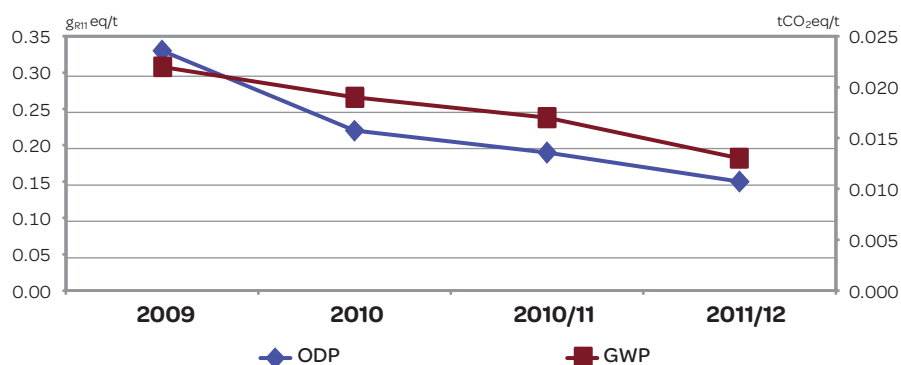
Minimising environmental impact

C. S. R. of the Ferrero Group

Ferrero Rocher

Countries

ODP AND GWP



We continue to apply the principles of prevention at source and management, by the most appropriate techniques of extraction, such as filters, cyclones and wet scrubbing,¹² for the containment of the substances present in the emissions (mainly food dust and volatile organic compounds).

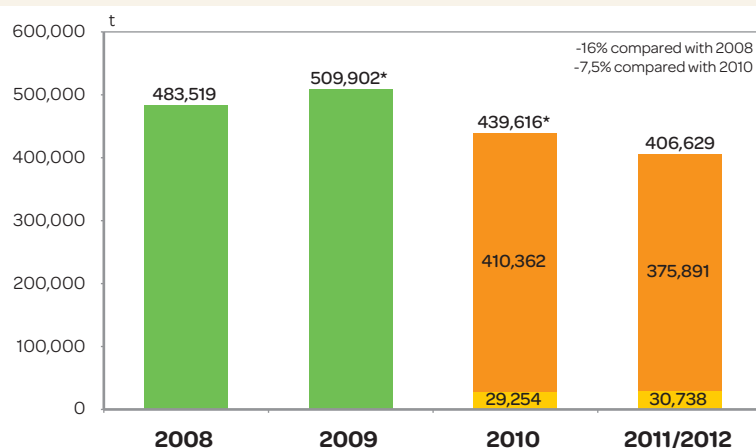
TOTAL EMISSIONS DERIVING FROM PRODUCTION

The graph below shows the total annual emissions deriving from the Ferrero Group's production:

EMISSIONS OF CO₂¹³

- Total
- Indirect
- Direct

► The 2008 emissions do not include outsourced production or the Vladimir production plant, where production started in 2009



The reduction of CO₂ emissions obtained from 2010 (almost 33,000 tons) is equal to the total emissions produced in one year by about 14,000 cars of medium cylinder capacity.

¹² The cyclones are extraction systems without moving parts, in which the effluent gas takes a spiral course; the particles present in it deposit themselves on the walls by centrifugal force and fall due to gravity. Wet scrubbers carry out a sort of "washing" of the effluent: in the device, water or watery solutions are nebulised, so as to take out the impurities contained in the effluent.

¹³ The data for 2011/12 refer to the period 1 September 2011 - 31 August 2012, whereas the comparison years, 2010, 2009 and 2008 refer to the calendar year 1 January to 31 December; one should therefore take into account the comparability limits of the data relating to these periods.

* The CO₂ emissions from electrical energy acquired from the grid in 2009 and 2010 have been recalculated on the basis of the new emission coefficients published by the IEA (2012).

OUR PACKAGING

Packaging, as explained in previous editions of this CSR report, is an integral part of the product, in view of its function in safeguarding the quality of the products.

Ferrero has adopted a strategy of careful product portioning, which provides the great advantage of enabling better control of food intake for a balanced diet and reducing food waste, thanks to the size of the portion to be consumed.

It should not be forgotten that the manufacturing of the products itself (starting from the raw materials) represents the most important part of the total environmental impact of a product. The purpose of packaging, in addition to guaranteeing its organoleptic qualities and a longer shelf life, is to prevent deterioration of the foodstuff inside it, by preventing contamination and interference and thus restricting food waste and the consequent environmental and social impact.

Ferrero's packaging is made using various types of materials, according to the specific uses and needs of each product. The main categories of materials used by the Company are glass, paper, corrugated cardboard and compact cardboard, rigid plastic, plastic film, wood and aluminium. Thanks to Nutella, the packaging material that accounts for the most weight continues to be glass, with almost 150,000 tons consumed. The paper and cardboard category follows with about 130,000 tons. The contribution of recycled material to the total packaging used by the Group in 2011/12 was 36%¹⁴.

Ferrero's suppliers play a strategic role in the packaging industry: in addition to the strict criteria in terms of quality and security of supply, ethical, social and environmental principles are also taken into consideration when selecting packaging materials. Ferrero has created a scorecard with which to monitor the performance of its suppliers in qualitative, ethical and environmental issues.

PROGRESS ON OUR OBJECTIVES

The organisations in the Ferrero Group have long been active in pursuing the objectives established years ago: the Group is working towards the goal that by 2014 the use of virgin paper and cardboard will be 100% from certified sustainable sources and intends to increase recycled content wherever technically and qualitatively possible.

In view of the importance of the ecological design of the packaging, Ferrero is continuing to train its designers in environmental subjects and on how to use operational support for quantifying environmental impact in the first stages of planning.

One of the functions of packaging is also to communicate information to the consumer, both about the product and about the packaging. For this reason, because it wishes to contribute to the reinforcement of the environmental culture and education on this question, Ferrero has developed a label that informs the consumers about the materials that make up the packaging, in order to help them manage the packaging at the end of its

¹⁴ This percentage represents an estimate of the recycled content compared with the Group's total packaging material. For paper and cardboard the figure is derived from an internal calculation based on the composition of the materials acquired. For glass and aluminium the figure is derived from investigations with suppliers and takes account of the different establishments from which the material comes. It is thus dependent on the efficiency of waste collection and recycling in the countries in which the suppliers of the packaging are situated and operating.

useful life appropriately. Estathé will be the first brand to apply the label according to the agreed plan in 2013.

In France a working group has been created, with the consortium that manages recycled differentiated waste collection, to adopt the Ferrero ticket in line of national characteristics. Intelligent design and continuous improvement contribute to the reduction of the environmental impact of packaging. In 2011/12, **Ferrero's strategy of the 5 R's** (described in the first CSR report) has made it possible to obtain environmental improvements according to the various drivers, as reported below:

THE 5 R OF PACKAGING: EXAMPLES OF ACTIONS CARRIED OUT IN THE YEAR 2011/12¹⁵

R - Removal: elimination of some of the packaging components of *Kinder Bueno*, which has saved about 510 tons of packaging per year.

R - Reduction: further optimising the packs of *Gran Soleil* and *Estathé* 1.5 litre and 0.5 litre bottles, which has saved about 290 tons of rigid plastic per year.

R - Recyclability: progressively increasing the use of rPET (recycled polyethylene terephthalate) in secondary packaging, up to a total of more than 3,000 tons of recycled material in 2011/12 instead of virgin components.

R - Reuse: a new form of the 1kg jar of Nutella, reusable as a re-sealable container, not forgetting that other new ideas of reusability are still being studied for other types of packaging.

R - Renewability: the transition, for some Christmas confectionery, from a rigid plastic to a paper structure, bringing the benefit of reducing consumption of resources by about 140 tons per year.

The actions under the R's "Recyclability" and "Reuse" highlight the efforts of the Group towards managing and valuing packaging at the end of its useful life, from the perspective of responsibility throughout the life of its products. Ferrero continues its activities and its participation in projects for developing materials derived from renewable sources that are not in competition with the food supply chain. For this reason, pursuing the objective of having a greater use of materials from renewable sources by 2020, the Group is active with research centres, prestigious universities and other industries, on various European and national projects (Biopack, Namatech, Ecofood and Ecopaper) with the aim of developing new materials from biomass and improving the purity of the existing biopolymers in order to enable their use on a larger scale.



¹⁵ The figures represent an annual estimate.

HOW WE DESIGN AND ENGINEER OUR INFRASTRUCTURE AND MACHINERY

As indicated in our previous CSR report, the initiatives undertaken are:

- ▶ the use of an IT tool to assess the environmental performance of machinery while it is being designed and to research and explore alternative configurations for optimisation;
- ▶ the use of analytical instruments and simulation software to optimise the dimensions of the activating devices and energy conversions (in the design of the electrical components of the machinery, motors, control and activation systems);
- ▶ technical and technological studies for the purpose of minimising waste resulting from the operation of machinery (process waste);
- ▶ planning for the use of an IT tool to enable evaluation of the energy classification of buildings and infrastructure according to international standards;
- ▶ the systematic use in all new equipment and whenever existing equipment is modified, of highly efficient electrical motors.

In construction building, as indicated in the previous report, Ferrero has identified a standard building model with reduced environmental impact.

This model has been applied to the new office building currently under construction in Alba, in order to meet the requirements of the ITACA Protocol (ESIT® - *Edilizia Sostenibile ITALIA*).

The ESIT® standards assign a rating which is an expression of the specific peculiarity and variety

of the Italian regional context and is connected internationally with the SBA (Sustainable Building Alliance).

These initiatives will enable us to reach the following objectives by 2020:

- ▶ To obtain European Energy Performance Certificates (complying with local standards such as the ITACA Protocol in Italia) for new office buildings of substantial size.
- ▶ Updating the sustainability module in the Ferrero General Technical Specifications, so as to implement the technical requirements needed to keep up with the most rigorous international standards.
- ▶ Significant reductions in the environmental impact of all the industrial processes in the Group, with benefits that will be visibly in line with current parameters for measuring performance, as set out in the present chapter.
- ▶ Completion and extension of the system for measuring and gathering data on energy consumption by existing plant and machinery. The system will be able to confirm and specify the estimated values for comparison with the new machinery and direct further improvements to the existing plant.



TOWARDS A LOGISTICALLY INTEGRATED AND ECOLOGICALLY SUSTAINABLE SUPPLY CHAIN

The search for an ever greener supply chain is one of the Ferrero Group's priorities. It has seen the development of programmes for the optimisation of the supply processes with particular attention to environmental sustainability.

This takes place by means of actions and projects intended:

- ▶ to minimise the kilometres travelled for the transport of our products and at the same time increase complete use of the means of transport;
- ▶ to identify solutions that make it possible to use means of transport with less environmental impact (for example, hybrid trucks) or divide the journeys between different types of transport that make it possible to reduce emissions (for example, intermodal transport);
- ▶ to develop collaboration with our partners to define ecologically sustainable solutions together.

Emissions from transport and storage for Ferrero are estimated for 2011/12 at about 289,000 teq CO₂. Although they have increased in absolute value compared with previous years, these emissions have reduced by 8% per ton produced, compared with 2009¹⁶, by virtue of actions taken to reduce environmental impact.

Some of the actions that have been undertaken in this reporting period are as follows:

- ▶ Initial evidence from the collaboration now ongoing with Hershey Co. shows a reduction of 95,000 kg of CO₂eq in the first 6 months of operation.

- ▶ The first intermodal sea and air transport from China to Europe (carrying some of the toys of the Kinder line) have led to a reduction of 34% in emissions.
- ▶ European transport between Germany, Belgium and the UK using Mega Jumbo equipment has enabled an increase in fully-loaded transport of 37% which, combined with the coordinated management of return journeys (significantly reducing the number of unloaded trucks on the road), is enabling a reduction of 33% in CO₂ emissions.

In addition, local activities in the relevant markets are reported in their specific sections.

Some of the challenges we expect for the future are:

- ▶ optimisation of the European network which, when achieved, will make a significant reduction in km travelled and a rationalisation of the warehouse spaces and consequent ecological and sustainable benefits;
- ▶ taking part in working groups with agents in the distribution market to find solutions to develop a system of green logistics for the common benefit.



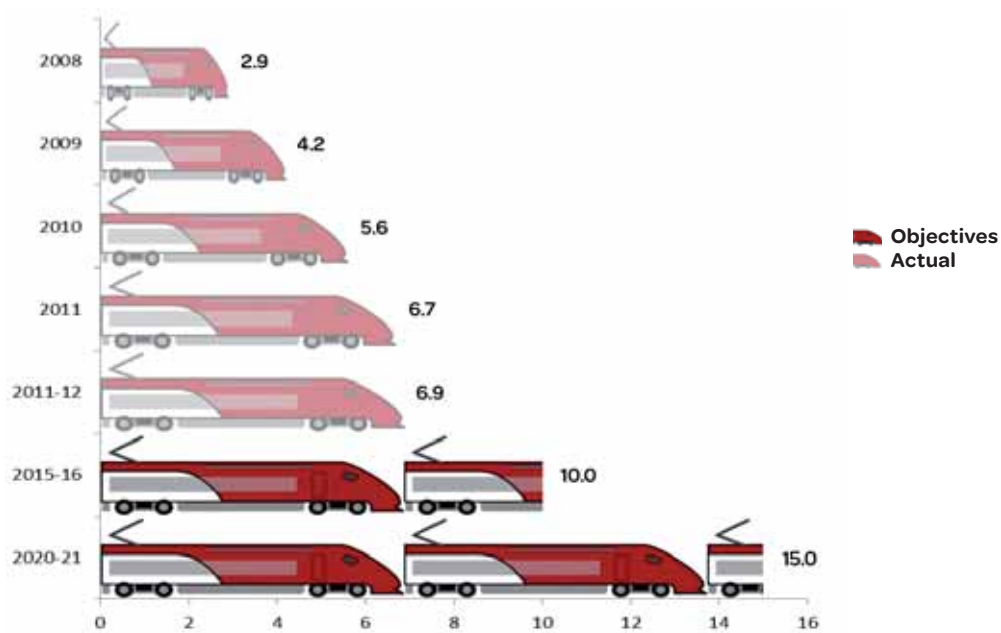
¹⁶ The data for emissions from transport and storage for 2011/12 have been adjusted to the data for 2009, dealing with the same perimeters so as to enable comparison.

GOALS FOR 2020

The Group confirms its objectives for 2020 for a logistics system that is ever more attentive to environmental matters:

- ▶ 30% reduction in greenhouse gases (teqCO₂/t) originating from transport and storage.
 - ✓ These show a reduction of 8% in the reporting year, compared with 2009.
- ▶ Use of directly managed ingoing and outgoing intermodal transport from Ferrero’s production sites, to be 10% by 2015/16 and 15% by 2020.
 - ✓ 6.9% was achieved in 2011/12, which illustrates the scarcity of equipment that would enable preservation of the organoleptic qualities of Ferrero’s products.
 - ✓ We are considering innovative solutions to enable us to reach both the objectives of reduced environmental impact and intermodal transport use while satisfying consumers by offering them products that are organoleptically excellent.

- ▶ ISO14001 Certification, which is one of the objectives of the Group, for all directly managed storage sites.
 - ✓ Achieved so far: 2 out of 4 sites have ISO 14001 Certificates;
 - ✓ Ongoing: a project for the creation of an environmental management system of the Group’s supply chain, which in the next 8 years would lead to ISO14001 Certification for the remaining sites;
 - ✓ For the sites that are not directly managed (75% to 80% of the total network), in selecting suppliers we apply the Ferrero Code of Business Conduct, which requires, inter alia, a cost-benefit analysis which takes into consideration environmental sustainability.
- ▶ Similarly to what is stated in the section “Energy and the Environment” for directly managed warehouses the objective is to implement an energy management plan of action at a global level, compatible with the local context of existing and future sites¹⁷.



¹⁷ This objective has already been accounted for as part of the more general objective published in the paragraph on self-generation of energy.

The 4 pillars

The Ferrero Group

Ferrero women and men

Sustainable agricultural practices

Minimising environmental impact

C. S. R. of the Ferrero Group

Ferrero Rocher

Countries

STAFF BUSINESS TRAVEL

Concerning the emissions derived from staff business travel, Ferrero has carried out an internal investigation and is extending its remit in order to understand the environmental impact in terms of tons of CO₂ emission.

For 2011/12, train and air travel of Ferrero France, Germany, Italy and Luxembourg staff were considered. They represent about 60%¹⁸ of the Group's staff. The emissions factors used for the estimate were provided by the travel companies used by the Group; where these were not available those in the GHG Protocol¹⁹ were used, which provide different coefficients according to length of journey and travel class.

In the reporting year CO₂ emissions have been estimated as 7,806.9 teq CO₂, of which 70.0 teq CO₂ deriving from train journeys and 7,736.9 teq CO₂ from air transport.

JOURNEYS BY TRAIN

Countries	Total no. of journeys	Total CO ₂ (teq)
France Germany* Luxembourg**	3,275	70.0

* Data for the company Ferrero O.H.G.m.b.H. only.

** Data for the companies Ferrero International S.A. and Ferrero Trading Lux. S.A.

JOURNEYS BY AIR

Countries	Total no. of journeys	Total CO ₂ (teq)
France Germany* Italy** Luxembourg***	26,405	7,736.9

* Data for the companies Ferrero O.H.G.m.b.H., Ferrero Deutschland G.m.b.H. and Ferrero MSC G.m.b.H Co KG.

** Data for the companies Alba Power S.p.A., Ferrero S.p.A., Energhe S.p.A. and Soremartec Italia S.r.l.

*** Data for the companies Ferrero International S.A. and Ferrero Trading Lux. S.A.



¹⁸ Not including the Group's agricultural establishments.

¹⁹ For the estimate of CO₂ emissions deriving from the business travel of staff in the companies in Italy and Luxembourg and for the train journeys only made by staff at the company Ferrero O.H.G.m.b.H. in Germany, the emission factors of the GHG Protocol Tool for mobile combustion version 2.4 have been used.

TECHNICAL NOTE ON THE ENVIRONMENTAL DATA IN THE PRESENT CHAPTER

Starting with the present report the data contained in the present chapter refer to the period 1 September 2011 - 31 August 2012 and no longer to the calendar year as in previous editions. This transition, which makes it possible to unify reporting in this chapter with that of the rest of the CSR report, has been made possible with the use of internal data collection systems. It involves the partial overlap of the periods 2010 and 2011/12; so the limitation to the comparability of the data of these periods must be kept in mind.

The matters dealt with are: raw materials; packaging; fifteen production establishments

in Europe, the Americas and Oceania (see the section “Ferrero around the World” for a complete list of production plants); directly managed warehouses for raw materials, packaging and finished products; transport managed directly by Group logistics; and surprises.

For a future extension of the scope of analysis, during the next reporting year we intend to include: 1) all current production plants including two new plants that became operational in 2013 and the Ferrero Social Enterprises and 2) other companies in the Group; and during the next two reporting years the inclusion of: 1) transport and storage facilities not directly managed by the Supply Chain Department.



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CORPORATE SOCIAL RESPONSIBILITY OF THE FERRERO GROUP










Objectives
and context of reference

FERRERO

SHARING VALUES TO CREATE VALUE

THE 10 CSR OBJECTIVES TO ACHIEVE BY 2020

GOALS	REFERENCES
FOR HUMAN RIGHTS	
<p>1 Enhance the activities of the “Ferrero Foundation of Alba” and Ferrero’s “Social Enterprises”</p>	Achieved and update 
<p>2 Implement of the Code of Business Conduct throughout the value chain (ABCDE plan)</p>	End of 2013 
<p>3 Promote internal initiatives to support a “Culture of Diversity”</p>	Before 2015 

GOALS	REFERENCES
FOR THE ENVIRONMENT	
<p>4 75% of electric consumption of all European Plants from self-produced electricity, 25% of which from renewable sources</p> <p>Implementation of an action plan on energy at a global level, according to local needs of existing and future plants</p>	Before 2013/14  Before 2020 
<p>5 40% reduction of CO₂ emissions due to operation activities (compared to 2007)</p> <p>30% reduction of greenhouse gas emissions (tons of equivalent in CO₂) due to transport and storage activities (compared to 2009)</p>	Before 2020  Before 2020 
<p>6 20% reduction of water consumption per unit of production by 2020 (compared to 2009)</p>	Achieved ahead of schedule 
<p>7 Use of packaging made from renewable sources (+10%, compared to 2009)</p> <p>100% virgin paper and cardboard from a certified sustainable supply chain</p>	Before 2020  Before 2014 



ON TRACK



SHLIGHTLY REFORMULATED



ANTICIPATED

GOALS	REFERENCES
FOR RAW MATERIALS	
<p>8 100% cocoa certified as sustainable</p> <p>100% coffee certified as sustainable</p> <p>100% palm oil certified as sustainable and segregated</p> <p>100% cane sugar from sustainable sources</p> <p>Implementation of the traceability plan for 100% of hazelnuts</p>	<p>Before 2020 ●</p> <p>Anticipated to 2013 ●</p> <p>Anticipated to 2014 ●</p> <p>Before 2020 ●</p> <p>Before 2020 ●</p>
<p>9 100% eggs from barn hens, in respect of animal welfare</p>	<p>Before 2014 ●</p>

GOALS	REFERENCES
FOR A HEALTHY LIFESTYLE	
<p>10 Continue to expand “Kinder+Sport”, our programme to support sport globally</p>	<p>Achieved and prolonged ●</p>



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CONTEXT OF REFERENCE

In order to develop and manage the Group's policy on corporate social responsibility (CSR), Ferrero has a dedicated CSR office (e-mail: csr@ferrero.com) and several committees, which have been set up and coordinated by the Vice-President of the Group (for their description see the previous CSR reports, available online).

Among the activities carried out in 2011/12 the following can be mentioned in particular:

- » In 2011, the Ferrero Group officially **adopted the Ten Principles of the Global Impact** of the United Nations and in December 2012, the Group submitted its **first progress report** concerning the implementation of these Ten Principles. The title of the report is: "UN Global Impact Communication on Progress" and is available online at www.unglobalcompact.org/participant/15640-Ferrero-International.

On the basis of the content of this report, the United Nations attributed to Ferrero the "Global Compact Advanced Level"

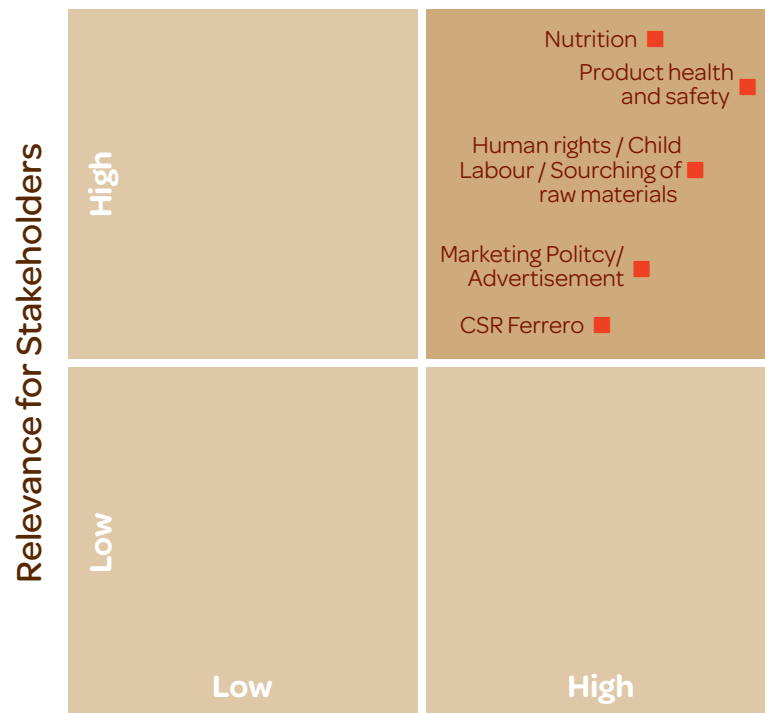
- » Ferrero actively participated in the work of the **Organisation "Global Reporting Initiative"** and the working groups drafting the new guidelines "Sustainability Reporting Guidelines – G4".

- » Ferrero joined "CSR Europe", an organisation for the corporate social responsibility. The Group has continued its trajectory of careful consideration on the more relevant themes of social responsibility, reflecting its own principles and values. To this aim it has involved relevant stakeholders and has shared objectives and strategies.

Many representatives of different countries of the Group were involved during the report preparation phase with the aim of updating the mapping of internal and external stakeholders (see diagram below) as well as the analysis of relevant issues of materiality.

As already highlighted within the previous CSR reports, the central positioning of the consumer among Ferrero's stakeholders is still evident in this fourth edition.





Relevance and potential impacts for Ferrero

As the “materiality matrix” illustrates, some issues are of great relevance both for Ferrero and for Ferrero stakeholders, namely: Ferrero strategy for nutrition, food safety, the defence of human rights, including the issue of child labour, ethical sourcing of raw materials, marketing and advertising strategy. These topics are covered in this report in dedicated chapters.

Concerning the nutritional strategy, Ferrero set up a scientific committee two years ago: “Nutrition”. This committee is chaired by the Vice-President of the Group and the participants are the people responsible for the corporate areas related to the technical, commercial and legislative nutritional aspects. This committee works on the grounds of the strategic guidelines of the Group and meets once a month. It also issues recommendations to the President and the CEO of the Group

whom have entrusted the committee with the coordination of the operating decisions.

In regards to the different ways of involving stakeholders, Ferrero actively participates in discussions and working groups of Trade and Industry Associations of which it is a member at international, European and national levels (see list below). In addition, the Group has developed a structured dialogue with some NGOs that are active in the field of CSR. Among the issues often dealt with: nutrition, product safety, ethical sourcing of raw materials, the respect for the environment during production operations, marketing and advertising strategy, and the CSR strategy of the Group.

The position of Ferrero in that area is described in separate chapters of this report. The implementation of social responsibility along the Ferrero value chain is described in the text dedicated to the ABCDE Plan (A Business Code Dialogue Engagement).

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FERRERO'S ADDED VALUE

With "Added Value" we present the economic value generated by the Ferrero Group. The "Net Added Value" expresses the economic value generated in the reporting period, minus depreciation and operating costs, which includes payments to suppliers (mainly purchases of raw materials and services).

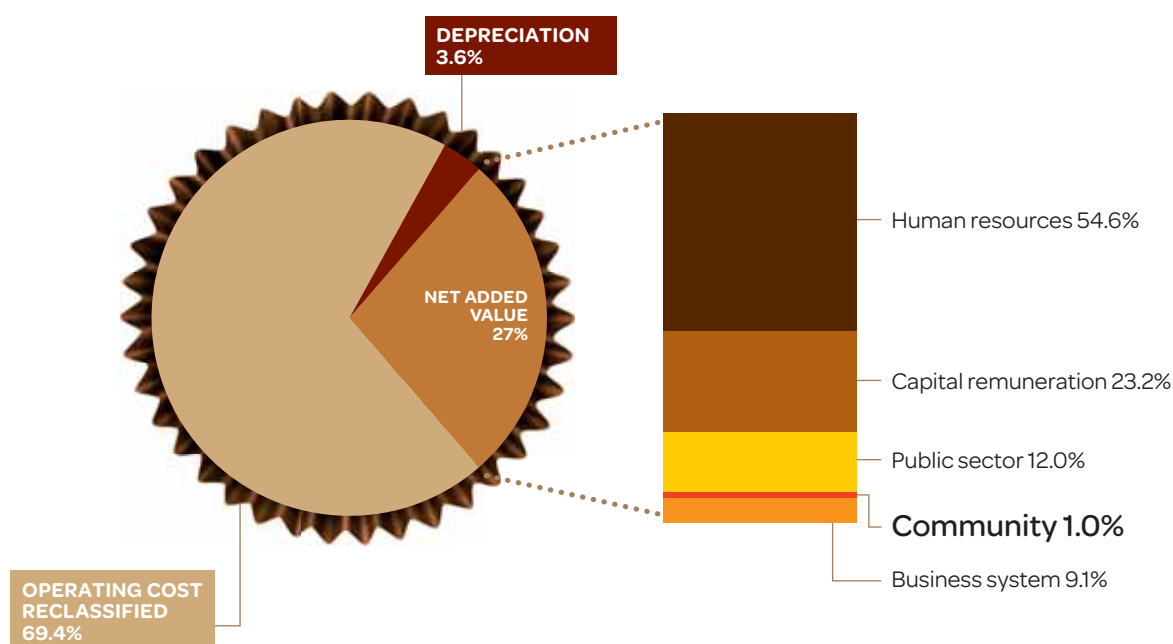
As shown in the chart below, Ferrero's "Net Added Value", for the period considered in this CSR report, is distributed in different ways to various internal and external stakeholders. The item "Human resources" includes all types of wages, benefits and remunerations given in exchange for services developed by employees, including social and welfare expenses.

The item "Capital remuneration" includes the dividends and interests paid.

The item "Public sector" represents the amount due to governments in terms of income taxes and other taxes directly connected to the company's assets, excluding the taxes and other additional costs related to operating activities (duties and tax burden).

The item "Community" includes investments of funds in social programmes and partnerships with universities and research centres.

The item "Enterprise system" represents the economic value retained in the Group, calculated as the difference between economic value generated and economic value distributed.



MAIN ASSOCIATIONS AND ORGANISATIONS IN WHICH FERRERO IS ACTIVE AT INTERNATIONAL AND EUROPEAN LEVEL

ORGANISATIONS SUPPORTING CORPORATE SOCIAL RESPONSIBILITY

THE UN GLOBAL COMPACT

(Headquarters in New York)



A strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-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 sustainability reporting framework (www.globalreporting.org).

CSR EUROPE

(Headquarters in Bruxelles)



European business network for corporate social responsibility, founded in 1995, with around 70 multinational corporations and 37 national partner organisations as members (www.csreurope.org).



TRADE AND INDUSTRY ASSOCIATIONS

AEF

ADVERTISING EDUCATION FORUM

Non-profit organisation providing information on the regulation of advertising at international level, with particular attention to children (www.aeforum.org).

AIM

EUROPEAN BRANDS ASSOCIATION

Bringing together the main EU Brand Industries (www.aim.be).

BONSUCRO

An organisation that promotes the sustainability of the sugarcane sector through a metric-based certification scheme (www.bonsucro.com).

CAOBISCO

EUROPEAN ASSOCIATION OF CHOCOLATE, BISCUIT & CONFECTIONERY INDUSTRIES

Representing around 2,000 chocolate, confectionery and biscuits companies in the EU (www.caobisco.eu).

EUFIC

EUROPEAN FOOD INFORMATION COUNCIL

Non-profit organisation supported by food beverage companies and by the European Commission, providing information and conducting research on food safety and quality (www.eufic.org).

FDE

EUROPEAN FEDERATION OF FOOD & DRINK INDUSTRIES

Representing and promoting the interests of the food beverages companies in the EU (www.fooddrinkeurope.eu).

IFBA

INTERNATIONAL FOOD & BEVERAGE ALLIANCE

Composed of the leading food and beverage global companies sharing the common goal of promoting a balanced diet and healthy lifestyles for consumers (www.ifballiance.org).

TIE

TOY INDUSTRIES EUROPE

Association representing the interests of toy manufacturers in the European Union (www.tietoy.org).

WFA

WORLD FEDERATION OF ADVERTISERS

Global organisation representing national advertising associations and advertising companies (www.wfanet.org).

These organisations are all based in Brussels, except Bonsucro which has its headquarters in London and IFBA which has its headquarters in Geneva.

THE ABCDE PLAN

(A Business Code Dialogue Engagement)

The Ferrero Group is engaged in the concrete implementation of the ABCDE plan (A Business Code Dialogue Engagement). As already described in detail in the previous CSR reports, this plan, started in June 2011, has the objective to share with all the stakeholders across the value chain the Code of Business Conduct of the Group.

This Code, available online in different languages on www.ferrero.com:

- ▶ is based on Ferrero's business principles and complies with the Ferrero Code of Ethics (both available on www.ferrero.com),
- ▶ complies with the "Principles of Good Practice" of AIM (Association of Industries Brand),
- ▶ sets out Ferrero's practices in the following areas:
 1. Excellent product quality and safety
 2. Human rights commitment
 3. Environmental protection and sustainability
 4. Workplace environment
 5. Business integrity practices

In 2012, the Group finalised the assessment of the importance and risks associated with non-

compliance or partial compliance to the Code throughout the value chain.

The Code of Business Conduct has been presented in meetings to the Group's key stakeholders with the purpose of sharing its principles and starting a dialogue on specific issues.

In particular, at the date of the publication of this report, the following activities have been launched:

- ▶ Direct involvement of the local people in charge of the production plant under construction in Turkey, in the implementation process of the ABCDE Plan.
- ▶ Meetings with the major cocoa, hazelnut, palm oil and egg suppliers, in order to introduce the Code and explain its principles and objectives.
- ▶ Introduction of a contract clause of acknowledgement and acceptance of the Code in the new contracts signed in the relating areas of packaging, logistic and technical purchases of machineries and plants.

The implementation process of the Code will be finalised by the end of 2013.

The external assurance of the ABCDE Plan is carried out by Deloitte.

The Ferrero sourcing policy, based on the Code of Business Conduct, is in compliance with Ferrero's values, with the Code of Ethics, the MPG Code (Magic Production Group) and "Ferrero Ethical, Social and Environmental Requirements for Suppliers of Kinder Toys", the international standard on systems management for food quality and food safety (ISO, IFS), the specific standards for the sustainability of agricultural raw materials and various environmental standards (ISO and EMAS). In reference to the reporting year, audit

activities of suppliers were carried out in the following areas: management of quality and food safety systems, specific certifications of agricultural raw materials, MPG Code for toys (for more details, see relevant chapters of this report).

As of 2013, in addition to the audit procedures already in place, we expect to conduct inspections of suppliers to ensure the Group's purchases are complying with the practices of the Code of Business Conduct, through the ABCDE Plan.



FERRERO LOCAL SUPPLIER PURCHASES

Below is an overview of the percentage of local supply procurement calculated on the total of

purchases made by key European production plants¹:

COUNTRIES	LOCAL SUPPLY PROCUREMENT
Belgium	50.33%
France*	88.85%
Germany	99.88%
Italy*	94.27%
Poland*	75.84%

* This figure includes the production plant as well as all the Ferrero sites in the Country. For more information on Germany and Poland refer to the appendix of this report.

The assessment of potential significant impacts of the Ferrero sites on the local communities is a key element for our strategy. We carefully assess our impacts at the economic, social and environmental levels and we believe that enhancing local procurement is an important indicator of our long-term presence in operating countries.

The following chapters of this report describe an accurate monitoring of the Group's impact on local communities, in particular "The Ferrero Foundation of Alba", "Ferrero's Social Enterprise", "Sustainable agricultural practices" and "Minimising environmental impact".



¹ The values refer to purchases from local suppliers by production plants, based on the total value of purchases for the year 2011/12. Intra-company purchases and centralised purchases (such as those relating to raw materials and packaging) are excluded.

CONFORMITY WITH LAWS AND REGULATIONS

During the reporting period, no significant sanctions were registered for failing to comply with laws and regulations. Moreover, there were no significant penalties in the form of sanctions and fines for failure to fulfil environmental and social obligations.

There were no significant cases of non-conformity to regulations and voluntary codes on the impact of products on health and safety throughout their lifecycle, nor significant sanctions for failure to comply with laws and/or regulations about the supply and use of products.

During the year in question we have not registered any episodes linked to discriminatory practices involving key internal or external players, nor cases of corruption.

An internal monitoring is carried out in some companies of the Group to assess the risks of fraud and corruption. Information sessions about these subjects are also organised. At the

moment the information systems of the Group do not allow us to extract detailed data on training on anti-corruption policies and procedures. This data will be available in 2013/14.

Regarding the contributions received by the public administrations, the income statement and grants related to assets for 2011/12 do not reach a total significant value in relation to the consolidated financial year.

Ferrero respects and protects the personal data privacy of its staff, consumers, customers and other stakeholders, fairly and according to the laws in force in the jurisdictions where the Group operates. Safety is our main concern in the selection, definition and use of procedures, including IT procedures, for the processing of personal data and confidential information, in order to protect the rights, fundamental freedoms and dignity of the person concerned. For more information please see the Group's Code of Ethics (available online on www.ferrero.com).





APPENDIX I – FOCUS ON FERRERO ROCHER



Ferrero Rocher event, Dubai

FERRERO

SHARING VALUES TO CREATE VALUE

FERRERO ROCHER

Ferrero Rocher was created in 1982 from the desire to make an elegant confectionery specialty accessible to all, and to multiply the moments of pleasure and conviviality.

Initially sold in Italy, France and the United Kingdom, Ferrero Rocher rapidly became the favourite specialty of millions of consumers all over the world. Today it is the product leader in its category: **it is sold in 140 countries on 5 continents.**

It is a truly unique specialty, since it offers inimitable multisensory impressions, to satisfy the various needs of the consumer: from personal consumption, to sharing, to giving.

FERRERO ROCHER OFFERS A UNIQUE AND INIMITABLE PLEASURE

Ferrero Rocher is made by highly skilled employees who take prodigious care in their craft. Each Rocher has within it **a noble ingredient that is the whole hazelnut**, and is covered with a rough layer of chopped hazelnuts bathed in the finest of milk chocolates. This means that each Rocher is uniquely different from the next.



Hazelnuts are the most distinctive ingredient in this complex recipe and Ferrero is the greatest specialist in their selection and transformation.

The hazelnuts are toasted in a careful and rigorous process that aims to preserve the irresistible fragrance of this precious raw material. Every phase of production is followed and checked with passion and competence, starting with the selection of the best hazelnuts, which become the heart of the Ferrero Rocher. This is the only way to ensure the high quality that makes the Ferrero Rocher a unique and inimitable pleasure that has conquered millions of consumers.

ROCHER IS UNIQUE ALSO IN ITS PRESENTATION

Every confection is wrapped singly in a refined gilded covering and enclosed in the characteristic, transparent, innovative box. Indeed this box, which enables the contents to be completely visible for the first time, surprised consumers and revolutionised the market.

A "SMALL" ACCESSIBLE LUXURY.

It is something special: it is the pleasure of allowing oneself a pleasure that one deserves and is derived from the experience of the unique flavour of this refined specialty precisely wrapped in gold.

FESTIVE SEASONS. The world of Ferrero Rocher comes alive at all festive seasons and at all those celebrations that we love to share with those dear to us: Ferrero Rocher always adds a special sparkle to an occasion.

HAPPINESS. Ferrero Rocher adds happiness and emotion to special moments like those of receiving or giving a special gift to someone dear to us.

TOGETHERNESS. These are times when it is good to be together; Ferrero Rocher highlights these times and makes them unique.

What are the secrets of so much success?

- » The sensory properties of the whole hazelnut and especially its fragrance;
- » The velvety creamy filling;
- » The crunchiness of the wafer;
- » The tasty texture of chopped hazelnuts on the outside, covered with the finest chocolate.

Ferrero processes the raw materials for the Rocher in an exclusive manner, preserving their organoleptic contents and characteristics, by:

- » constantly searching and selecting exclusive ingredients;
- » rigorously controlling security, quality and freshness at point of delivery;
- » careful certification of suppliers;
- » its innovative industrial transformation processes;
- » specific quality and technological control techniques;
- » time and temperature management for correct toasting of the hazelnuts.

The Rocher format that has the highest sales in the world in terms of volume is the 200g box, containing 16 chocolates.

The 5 countries in which Rocher is most appreciated, based on the volume of sales for 2011/12, are: France, the United States, China, Germany and the United Kingdom.

SUSTAINABLE SUPPLY

At present, Ferrero manufactures Ferrero Rocher in four production plants: Alba (Italy), Brantford (Canada), Stadtallendorf (Germany) and Poços de Caldas (Brazil). The ingredients used are clearly shown on the label in accordance with current labelling legislation in the various countries in which the product is sold.



The agricultural raw materials used in the manufacturing of Ferrero Rocher amounted to a total of 70,657 tons in 2011/12.

The Ferrero Rocher recipe consists of a perfect harmony of raw materials and ingredients, mainly milk chocolate, hazelnuts and sugar, of the highest quality and freshness, without preservatives or colouring.



On the basis of the Group's strategy for purchasing raw materials, we can claim that as of 2012/13:

- » **all cocoa** used in Ferrero Rocher, based on the quantities needed for the five principal markets, **is certified sustainable**¹;
- » **for all other raw materials used in the Rocher the sustainable procurement strategies adopted by Ferrero and described in the chapter "Sustainable Agricultural Practices" of this CSR report apply.**

ENVIRONMENTAL PERFORMANCE

Two of the four production plants in which Rocher is produced, Alba (Italy) and Stadtlendorf (Germany), have already obtained the certificate of environmental management according to ISO 14001. By 2017, this certification will be extended to the other two production plants, at Brantford (Canada) and Poços de Caldas (Brazil).

In particular, the production of Rocher comes within the Group's objectives for self-generating energy from cogeneration plants or renewable sources.

For details of the power generating installations at the production plants that manufacture the Rocher and for the Group's objectives in this field, see the chapter "Minimising Environmental Impact" in this CSR Report.



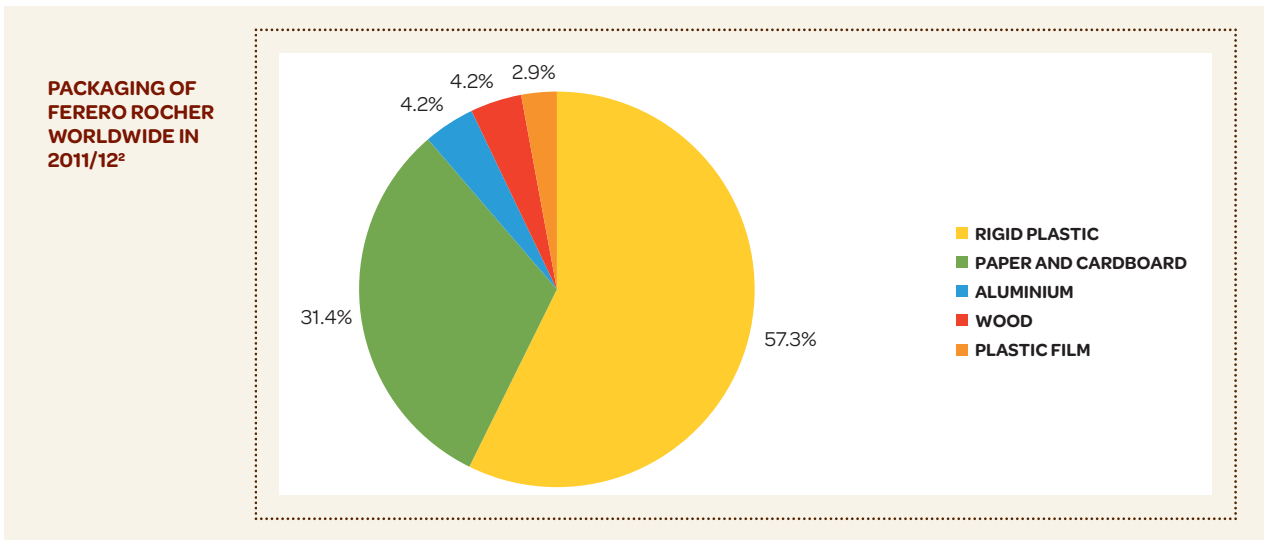
¹ This is an estimated calculation based on volumes for the trading year 2011/12, sales forecasts for 2012/13 and volumes of certified raw materials purchased in 2012/13. As mentioned in the Ferrero Code of Business Conduct, the Group does not use genetically modified organisms and requires its suppliers and commercial partners to provide all relevant information including evidence of testing.

PACKAGING

The packaging of Ferrero Rocher is designed to preserve over time the perfect quality and absolute freshness of the chocolates; the packaging varies according to format and

country of destination, while maintaining the same function.

Shown below are the materials used for Ferrero Rocher's packaging worldwide.



The most typical material in the Rocher packages is plastic; next is the cellulose component (which includes the characteristic round sticker on the praline and the cardboard used in secondary packaging); aluminium, used to make the gilded wrapping of the chocolate; and the wood used for the display stands (tertiary packaging). The use of these various packagings is

designed to:

- » safeguard the fragrance and quality of an extremely complex and delicate product,
- » ensure protection against humidity and other external agents,
- » provide adequate mechanical resistance to protect the chocolates.



2 Percentage split in wright of the materials used worldwide in packaging Ferrero Rocher in 2011/12.

As we wish to ensure the excellence of the product, it has not, so far, been possible to use recycled materials in the primary packaging, which comes into contact with the product. We have, however, used recycled material where possible and where not in direct contact with the product, for example in the display containers for the product at points of sale and for all the secondary packaging based on cellulose. **This**

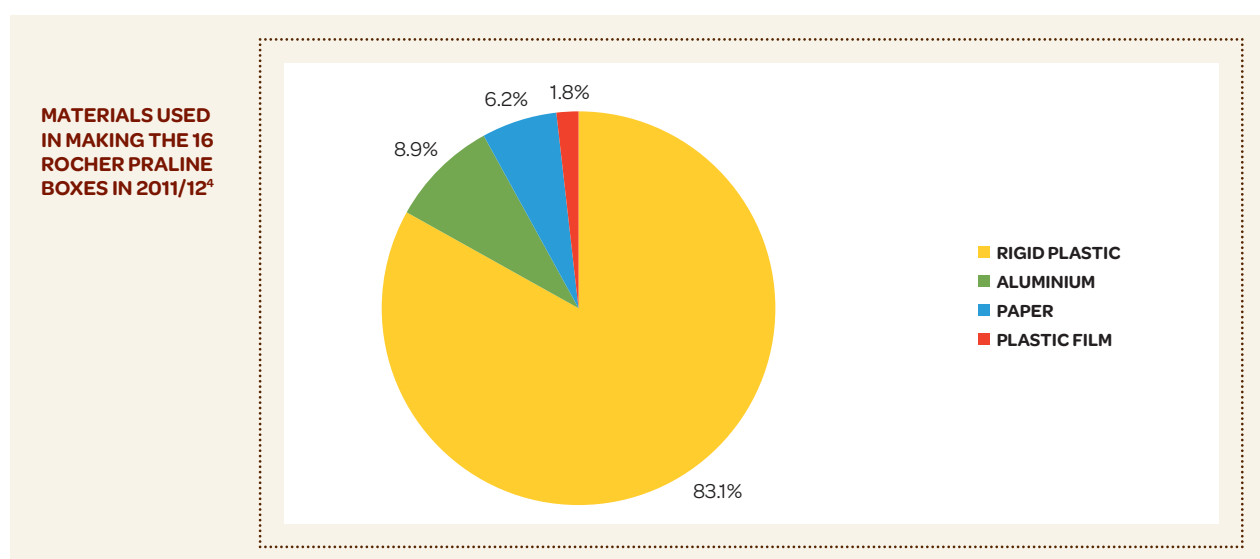
has enabled us to achieve a percentage of recycled material of about 20% of the total used.

Ferrero has also, over the years, employed several good design practices, following the Group's guidelines for packaging. In 2011/12, the 8 Rocher chocolates' box was redesigned, with, as a result, reductions in the weight of materials used of about 80 tons³.



The packaging material used for the 200g boxes is rigid plastic.

Below are the materials used in making the 200g boxes (16 chocolates).



³ The figure represents an estimate calculated on annual volumes.

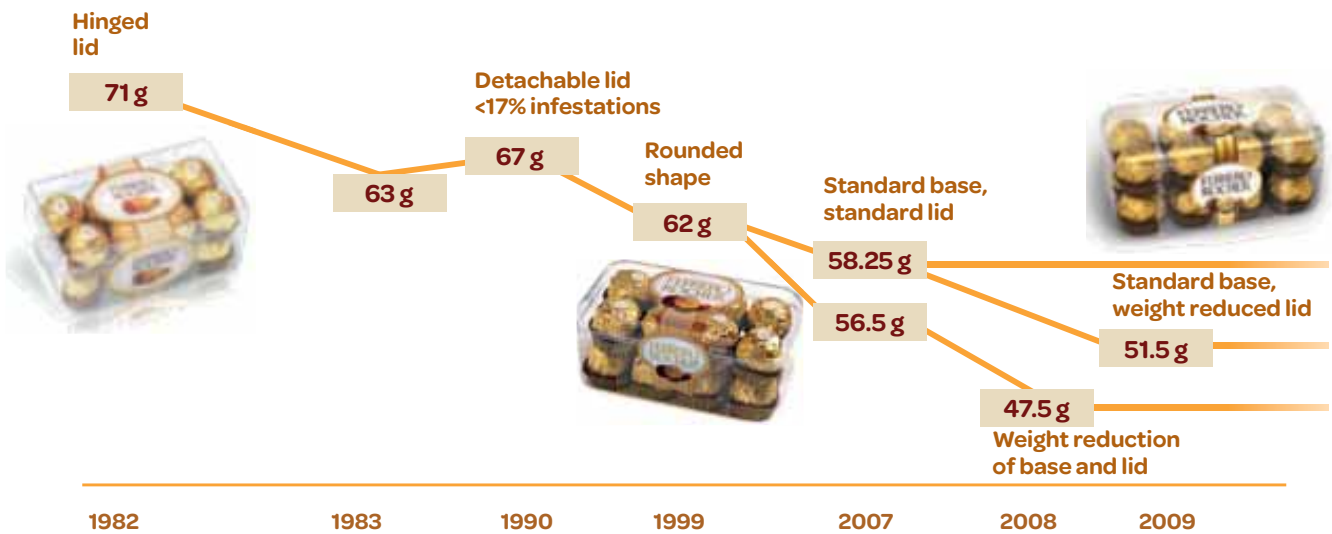
⁴ Percentage weight of primary packaging material used worldwide for a 200g box of Ferrero Rocher in 2011/12.



The 200g box (16 chocolates) is one of the historical and emblematic presentations of the Ferrero Rocher. The choice of designs over time has been dictated by quality, aesthetics and

environmental considerations (the illustration below shows the history of the various changes affecting the weight of the 200g box).

HISTORY OF THE BOX OF 16 ROCHER PRALINES



The illustration shows the reduction in weight of the 200g box over time. Today there are three different versions of the box, due to the different technologies present in the various manufacturing production plants.

Taking the volumes of production for 2011/12 into account, thanks to the changes made over the years, we have achieved an **annual saving of almost 3,000 tons of plastic.**

The 4-pillars

The Ferrero Group

Ferrero women and men

Sustainable agricultural practices

Minimising environmental impact

C. S. R. of the Ferrero Group

Ferrero Rocher

Countries

TRACEABILITY AND SECURITY

For Rocher, as for all its products, Ferrero establishes and applies stringent rules for traceability, security and quality.

All the Ferrero production plants that manufacture the Rocher are certified by a third party institution on matters affecting quality, according to internationally recognised standards for food safety management (for further information see the chapter "Quality and Freshness" in the present CSR Report).

So that the Rocher complies with Ferrero's high taste standards, in addition to the classic laboratory tests, a sensory analysis called "tasting" is also carried out, in order to have a final assessment of the taste of the product in

all its facets, and on aesthetic appearance and presentation.

In the reporting year 2011/12, there were 18,000 Ferrero Rocher tastings worldwide.

7.6 complaints for every million 200g boxes were received in the reporting year 2011/12.

Ferrero intends, by 2015, to set up a central unit for handling complaints and will be compiled into a global database.

In Ferrero's view, its social responsibility also includes offering, to consumers all over the world, innovative products of the highest freshness and quality, always guaranteed in any event.

CURIOUS FACTS ABOUT FERRERO ROCHER

If we were to place in a line all the Ferrero Rocher consumed in one year, it would cover more than three times the circumference of the Earth.



“ROCHERONE”

“**Rocherone**” (or Big Rock) is an original interpretation of Ferrero Rocher, created from a combination of carefully selected ingredients: an extremely fine milk chocolate and very fragrant hazelnuts, which give the product a particular sweet fragrance.

The “**Rocherone**”, still in the experimental stage, represents an important step in reaffirming the historic and family values connected with the brand.

“**ROCHERONE**” IS A PRODUCT TO BE TASTED AT ANY TIME AND TO SHARE WITH ONE’S NEAREST AND DEAREST DURING THE MAIN FESTIVE SEASONS.



The elegant gold packaging, the unique and inimitable flavour and the small treasure hidden inside it, Ferrero Rocher, enable the “**Rocherone**” to make its presence felt with determination on the market and to reinforce the connection with consumers and attract new ones.

Ferrero plant in
Stadtallendorf,
Germany



APPENDIX II – FOCUS ON FERRERO IN GERMANY AND POLAND

Ferrero plant in Belsk, Poland



FERRERO

SHARING VALUES TO CREATE VALUE

FERRERO IN GERMANY

As confectionery market leader, Ferrero Germany is highly appealing with its 27 strong brand portfolio, such as Nutella, Kinder Überraschung (Surprise), Milch Schnitte, Duplo and Mon Chéri. Innovative power, highly developed quality awareness and the passion of all employees in Frankfurt and Stadtallendorf are compelling features of the long-standing family enterprise.

Ferrero Germany was founded in September 1956 in Stadtallendorf, which is located in the Federal State Hesse, central Germany. The German affiliate started with a small staff of five employees.

The first brand produced was called Cremalba, which was successfully sold in 200g jars. Ever since, the business in Germany has continued to grow. Only six months later, Ferrero had more than 60 employees; by the end of 1957 there were already 150 employees. The production of the popular cherry chocolate Mon Chéri, which

was introduced in 1957 to the German market, was the final breakthrough.

Today, Ferrero is the largest confectioner in Germany. Including sales staff, part-time and seasonal workers, Ferrero Germany employs 4,794 people.

Ferrero's Business Unit is located in Frankfurt am Main, the production plant and warehouse are located in Stadtallendorf.

The following brands are sold on the German market: Nutella, Mon Chéri, Milch-Schnitte, Kinder Überraschung, Kinder Riegel, duplo, Hanuta, Yogurette, Ferrero Rocher, Ferrero Küsschen, Raffaello, Giotto, Die Besten, Pocket Coffee, Rondnoir, Nutella Go, Tic Tac, Kinder Schoko Bons, Kinder Chocofresh, Kinder Maxi King, Kinder Bueno, Kinder Pingui, Kinder Friends, Kinder Country, Kinder Joy, Kinder Schokolade, Kinder Happy Hippo Snack.

In 2011/12, the consolidated net sales of Ferrero Germany amounted to 2.2 billion Euros.



Ferrero plant in Stadtallendorf

STAKEHOLDER ENGAGEMENT

As an international company, Ferrero is engaged in a constant exchange and dialogue with its numerous stakeholder groups. Ferrero in Germany takes the expectations and opinions of its stakeholders very seriously and wants to stimulate exchange on relevant issues, especially in order to deepen our social commitment and be better equipped to achieve our sustainability goals.

Locally and on a global level, customers, employees, suppliers, policy and scientific decision makers, as well as environmental and non-government organisations, make complex demands and have diverse expectations of our sustainability activities.

Hence, the “National Stakeholder Dialogues” have been held on a regular basis since 2011. In the reporting period a “Stakeholder Dialogue” took place in May 2012 - policy and scientific experts as well as those from environmental and non-governmental organisations got together in Stadtallendorf in order to engage in an in-depth dialogue regarding key issues such as sustainable sourcing of raw materials, energy efficiency and management, and food safety.

Another “Stakeholder Dialogue” followed in October 2012, which focused on energy efficiency

and environmental management topics. Due to the positive response, the next “Stakeholder Dialogue” will take place in May 2013, focusing this time on sustainable sourcing of raw materials.

PARTICIPATION IN THE ASSOCIATIONS AND COMMITMENT TO THE LOCAL COMMUNITY

Ferrero Germany is member of several local associations’ expert committees and organisations, which aim to support the exchange of knowledge between the company and its stakeholders. It is important that the CSR strategy of the Group is communicated to these committees, by sharing opinions and raising awareness. As one of the most important employers in the northern part of the federal state Hesse, Ferrero maintains close relationships and common activities with the local industry and community in Stadtallendorf. Regarding environmental issues, several round tables are organised with local authorities and municipality during the early stages prior to authorisation processes. Concerning energy and energy efficiency, Ferrero participates in a round table with local and other industry partners.

GERMAN INITIATIVE ON SUSTAINABLE COCOA (GISCO)

The German Initiative on Sustainable Cocoa (GISCO), which was set up in Berlin on 13 June 2012, aims to redress the situation in many cocoa producing countries. The Federal Ministry of Food, Agriculture and Consumer Protection, the Federal Ministry for Economic Cooperation and Development, in collaboration with commerce and industry and the civil society, founded the forum. Its objective is to support the countries that cultivate cocoa with the development

of a sustainable cocoa production, pool individual activities and establish a cross-sector collaboration of all relevant partners. Approximately 70 players from the cocoa-processing industry, food trade and certification bodies committed to the cocoa sector, such as Rainforest Alliance and UTZ Certified, trade unions and non-governmental organisations have stated they will join the forum.

LOCAL INITIATIVES FOR EMPLOYEES

A great number of projects and programmes are in place, aiming to create a working environment that is as positive and inspiring as possible, allowing employees to fulfil their work in the best possible way, to reveal their creative potential, treat one another with respect and establish a balance between work and family. A competitive wage structure, excellent career opportunities, first-class advanced learning and training options constitute the basis of this, rounded off by an extensive programme for employees named "Primavera".

"Primavera" is a holistic concept at Ferrero Germany that aims to provide employees with an attractive work environment on a lasting basis. It includes five strategic areas:

- » Talent development;
- » Benefits and initiatives in favour of employees;
- » Health and safety;
- » Working environment;
- » Team work.

In order to support talent development, Ferrero offers comprehensive programmes for its high performers. Ferrero cooperates, for example, with St. Joseph's University in Philadelphia/USA and the International Business School INSEAD in Fontainebleau/France to prepare high performers for challenging managerial functions through a Training Development Programme.

WORK-LIFE BALANCE

A multitude of measures are in place in every department:

- ▶ Flexible working hours, including models for flexitime, part-time and working from home, make a better balance between work and family life.
- ▶ An extensive remuneration and pension system for all employees. This has been recently modified to make it even more flexible and offers employees higher allowances.

- ▶ Additional everyday benefits such as free fruit, coffee and soft drinks, a special "Job Ticket" for the Rhine/Main area subsidised by Ferrero, an in-house laundry service, language courses and, last but not least, attractive cooperative projects with a fitness club chain as well as the Frankfurt Opera.

To improve the working environment, the Frankfurt's buildings' office have been renovated and modernised in order to create modern, bright and airy work spaces. In Stadtallendorf a canteen onsite offers a variety of meals for 3-shifts.

In Stadtallendorf, Ferrero offers special initiatives for seasonal leisure time: Ferrero Summer Camp for employees' children, Christmas play for employees' children, sports activities (Dragonboat races, Chase Run, Bowling), women's day (special event for young girls to promote formerly typical male jobs e.g. in technical departments).



Shuttle-bus service for employees

In Stadtallendorf, for the last 50 years, Ferrero has offered an extensive shuttle-bus service programme for employees to travel to work in a convenient way. The shuttle-bus services embraces 3 shifts in a perimeter of 50km. Ferrero employees who come to work by public transport benefit from special company tickets.

EMPLOYEE ENGAGEMENT AND COMMUNICATION

To support the internal communication of the company there is an intranet portal, "myFerrero", and an employee newspaper "Giornalino" (bi-monthly editions). The "Giornalino" gives comprehensive information concerning corporate and brand topics, while the portal delivers fast and short information. In addition, the portal provides access to all general information with a service function for all HR topics, including a works council subpage.



"Giornalino", the newspaper published for employees

Furthermore, a CSR Roundtable is organised bi-monthly between the Ferrero's Business Unit and the Stadtallendorf plant. The CSR Roundtable is an interdisciplinary meeting with employees from all major functions to discuss and share ideas in all areas regarding corporate

social responsibility, learn from each other and create synergies.

Every two years Ferrero carries out a comprehensive employee survey to gather broad feedback on the organisation and determine the general status quo of employees' satisfaction with Ferrero as an employer.

Additionally, in April 2012, the company started a survey among the employees in Frankfurt and the management staff in Stadtallendorf. This year the company focused on CSR. The objective was to find out if communication about CSR was successful, if employees feel informed and generally understand the importance of CSR for the company. The following results were obtained: 88.6% of the employees agree that Ferrero's current CSR activities form a good basis also for positive future developments. 82.3% know which topics are most important to Ferrero as far as CSR is concerned. 71.4% confirmed that they contribute to the CSR issues through their work. These results show that the internal communication activities regarding CSR in the last year were successful and that the management as well as the employees consider this topic as highly important and relevant for their daily work. 83.8% confirmed that they are proud to work for Ferrero.

Ferrero's Business Unit highly values on open and trust-based communication. The objective is to form a strong bond between Senior Management and staff and increase mutual trust-based communication which is the basis for being able to work towards a joint goal and further consolidate the company's success. Therefore the company fosters a consistent information flow "up, down and across"; this also includes giving and receiving feedback.

The 4-pillars

The Ferrero Group

Ferrero women and men

Sustainable agricultural practices

Minimising environmental impact

C. S. R. of the Ferrero Group

Ferrero Rocher

Countries

Accordingly, the company has launched a broad "Mein Ferrero" communication programme in 2010, which has the following components:

- ✓ Management Conference (once a year, May): cross-functional meeting of all Senior Managers and above on strategy and leadership.



Ferrero encourages internal and external communication

- ✓ All Employee Meetings (once a year, June): the meeting is organised to present and share the Company's vision and objective.
- ✓ National Sales Convention (once a year, August): at the beginning of the new business year, Middle Manager and Senior Managers and above meet for the current strategic alignment and the planned Marketing and Sales activities.
- ✓ All Employee Christmas Event (once a year, December): retrospective of the year with the contribution of all employees, and short outlook.
- ✓ Marketing Ambassadors (4 times a year): regular exchange between the CEO and Marketing Middle Management. Marketing

Ambassadors are selected 4 times a year by Middle and Junior Manager.

- ✓ Comprehensive employee survey (every 2 years): broad feedback from the organisation in order to determine the general status quo.
- ✓ ImPulse survey (3 times a year): survey about current topics and regular mood indicator.

WELL-BEING, HEALTH AND SAFETY

Starting in 2012, Ferrero Germany initiated a comprehensive Health Programme focusing on 3 pillars "mental fitness", "physical activity" and "healthy indulgence". A wide-spread communication about health issues is used to create awareness for a healthy work environment among managers and employees. The health care programme contains, for example, free check-ups for employees over 35 years of age. Furthermore, the programme offers training for a healthy leadership, external and anonymous consultancy/assistance programmes for employees, health days and ergonomic advice, as well as "healthy weeks" in the canteen to meet the employees' requests for a balanced meal.

In 2011, Ferrero established, in the Business Unit and the production plant, the first health initiatives to improve well-being at the workplace and better support a work-life balance.

The positive feedback, active use and the acceptance of these first initiatives as well as internal and external surveys, resulted in Ferrero creating an internal health team to establish a holistic health programme with goals, missions and health actions for all employees, taking into consideration the specifics and requests of both the Commercial and Production side.



Medical controls and nutritional advice for employees

The first set of actions of the holistic Health Programme was communicated in 2012 and includes:

- » health information curriculum,
- » health check-up,
- » ergonomic consultation,
- » employee Assistance Programme (EAP),
- » special nutrition programme.

The roll-out of these initiatives is accompanied by information sessions and is supported by “health days” to create a common awareness and understanding of health across all employee groups and offer different sports activities according to Ferrero’s motto “Ferrero on the move”.

The Stadallendorf plant established a cooperation with a health insurance fund to promote low calorie menus for lunch and seasonal vaccination for flu prevention. The production plant also has a social worker on site available for employees who may be experiencing difficulties.

EQUAL OPPORTUNITIES AND PEOPLE WITH DIFFERENT ABILITIES

Ferrero Germany offers its employees the possibility to help and support initiatives for people with disabilities through the “Corporate Volunteering Programme” launched in 2012 and the “Social Day” event. Some Ferrero employees helped renovate the rooms of the “Lebenshilfe Frankfurt”, a home for mentally disabled people, volunteered for “Werkstätten Hainbachtal” and created a garden for people with different abilities. Ferrero also organises trips for blind and partially blind people with a local association.



“Social Day” Event - Ferrero employees repainting an institution for people with mental disabilities

FERRERO OPERA SOCIALE

As already mentioned in the previous CSR reports, in the “Ferrero Foundation of Alba” chapter, through the *Opera Sociale*, Ferrero provides a place for long-standing Ferrero workers in Germany, now retired, to meet. The *Opera Sociale* offers a comprehensive free of charge programme with a diverse range of activities, contributing towards an active and healthy retirement. The *Opera Sociale* in Stadtallendorf was founded in September 2008 by Mrs. Maria Franca Ferrero, who, as the President of *Fondazione Ferrero di Alba*, is highly committed to the well-being of Ferrero's retired employees. This meeting place is now open to more than 430 retired Ferrero employees.



Ferrero retired employees at the *Opera Sociale*

Opera Sociale's programme offers a large variety of activities and supports Ferrero's retired employees to live the new phase of their life in an active and healthy manner. *Opera Sociale* offers a comprehensive programme with social exchange, physical fitness, as well as the opportunity to learn new things and participate in excursions. Ferrero retired employees thus remain part of a community, where they can contribute and stay active. The *Opera Sociale* offers, for example, walking or painting courses, lectures or museum visits, which are often the starting point for further activities initiated by the members themselves. In the meantime, Ferrero's retired employees have formed several interest groups in which they are active.

However, the commitment of Ferrero's retired employees goes beyond *Opera Sociale*. Within the framework of the “Generation Bridge”, project which started in May 2011, for example, former employees engage with young Ferrero apprentices to talk about their personal experiences during their long working life, thus transmitting the company values to the young generation. Other *Opera Sociale* members collect stamps to support charitable causes and sponsor two programmes in support of children abroad, making a small contribution to the improvement of education and infrastructure in developing countries.

It is clear that the idea of an active and committed retirement at the *Opera Sociale* is well received. It is thus one of the examples of social commitment put into practice, implementing the guiding values of the *Fondazione Ferrero* and the entire Ferrero Group: “work, create, donate”. Ferrero's retired employees welcome this and are proud to be part of the company in a new way.

As at 31 August 2012, Ferrero *Opera Sociale* had 434 members - 74% of them are former Stadtallendorf employees and 26% are former Frankfurt employees. Of them, 68% of former Stadtallendorf and 33% of former Frankfurt employees used at least one offer. Thus, 2,842 participants were registered for more than 100 events offered in 2011/12 commercial year.



Opera Sociale, Ferrero retired employees during a Nordic walking course in Stadtallendorf

OTHER INITIATIVES UNDERTAKEN BY FERRERO IN GERMANY

SUPPORTING A HEALTHY LIFESTYLE

KINDER+SPORT IN GERMANY

Ferrero developed the international programme “Kinder+Sport” to promote a healthy lifestyle through the dissemination of sport as a daily activity, especially among the young generations. Ferrero Germany supports an active lifestyle by promoting movement and a balanced diet.

Following the philosophy: “We move children”, the “Kinder+Sport Basketball Academy” was launched in Berlin in October 2011. Children and teenagers, aged 7 to 15, attending Berlin schools make up the target group. The initiative was developed and launched in conjunction with ALBA BERLIN, the most famous and successful basketball association in Germany. The goal is to instil enthusiasm for basketball among as



The “Kinder+Sport” Basketball Academy

many children as possible. The “Kinder+Sport Basketball Academy” is an innovative programme entitled “Test your Skills.” Various exercises such as dribbling, passing, throwing and coordination are carried out at a number of different locations. The programme is available for children during selected school activities or organised tournaments of ALBA’s primary school league, and even sees the participation of selected professionals playing for the Albatrosses. The programme is also used for Basketball lessons at ALBA’s 80 partner schools.

After a very successful first year of cooperation with ALBA Berlin, in October 2012 the “Kinder+Sport Basketball Academy” was further developed. Starting from the 2012/13 season the concept of “Kinder+Sport Basketball Academy” has become an essential part of the youth programme “Beko Basketball Bundesliga” (Beko Basketball Premier League). Besides ALBA Berlin, three top clubs from the premier league will take part and integrate the Academy into their youth programme: the *Brose Baskets*, *EWE Baskets Oldenburg* and *FC Bayern München*.

“Kinder+Sport” is the national sponsor and provides all organisational materials for the Sports Badge Tour and thus making the organisation of this event possible, in which around 30,000 children participate every year. In addition, “Kinder+Sport” supports the German Olympic Sports Association’s Sports Badge Tour (*Deutscher Olympischer Sportbund*, DOSB), where everybody has a chance to win the German Sports Badge. The brand has been a partner of DOSB since 2006.

SPORTS FINDER DAY

The Sports Finder Day is a joint project of the federal states' sports youth, schools and local sports clubs, supported by Nutella. The objective of the project is to explain to students in a fun way how exercise, nutrition and relaxation are interrelated and how to find the right balance. The Sports Finder Day wants to motivate pupils to do more sports and offers an opportunity to find an appropriate sport or leisure activity. The project has reached more than 60,000 students over the last five years. In 2011, 15 schools held the Sports Finder Day.

ENHANCING LOCAL COMMUNITIES

As a company, Ferrero aims to be a responsible partner in the communities where it operates; some examples of Ferrero projects include:

- ▶ Supporting the *Bundesverband Deutsche Tafel e.V.* (Federal Association German Foodbank) by providing products for people in need. Ferrero provides products which are distributed by the local associations.
- ▶ The Corporate Volunteering initiative "Social Day" allows employees to be socially engaged in an organisation during one "working day". The objective is to take responsibility for social institutions or animal protection projects or for the environment. The voluntary active engagement for non-profit purposes bene-

fits both sides: for the employee, the day will have a tangible and long-lasting effect, letting him/her escape from the daily work routine. The social institution or environmental organisation gets free hands-on support.

- ▶ Also part of the Corporate Volunteering initiative, we have set-up our first "Blood Donation Day" in September 2012. In total 55 colleagues donated their blood. Due to the positive response Ferrero has put in place two dates in 2013 (27 February and 9 September).
- ▶ On 3 July 2012, Ferrero supported the *Deutsche Knochenmarkspenderdatei (DKMS)*, German bone marrow donation initiative, where employees were able to do a bone marrow test. The goal was to help people with serious diseases such as leukemia.
- ▶ "From bitter fruit to sweet treat" is the title of a mobile exhibition dedicated to children with a sweet tooth. The *"Mitnashaustellung"* (Join and Nosh Exhibition) is completely dedicated to the topics of cocoa and chocolate. The exhibition addresses the appearance, origin and production of cocoa and chocolate. People who wanted to know what the cocoa pod looks like and what cocoa feels like could do so at the "Join and Nosh Exhibition."
- ▶ In conjunction with the Nuremberg Children's Museum, Ferrero has been promoting the "Museum in a suitcase" campaign since 2004. With the Join and Nosh Exhibition, museums and schools have the opportunity to book the exhibition for a certain period of time.
- ▶ Ferrero cooperates with the University of Kassel in Germany, in the framework of projects for optimising air conditioning in industrial buildings and production processes for increasing energy efficiency.



From the bitter fruit to a sweet delight" a traveling exhibition on cocoa

LOCAL SUPPLIERS

In Germany, Ferrero works with many local suppliers. 97.06% total purchases¹ for the Business Unit's activities are sourced from local suppliers. The Stadtallendorf plant also has commercial relationship with suppliers: 99.88% of total purchases² are sourced from local supplier.

In particular, purchases from local suppliers for technical equipment increased by 16% in 2011/12 compared to 2010/11, with over 92% of materials provided by local suppliers.

For further information about Ferrero's strategy regarding local suppliers, please refer to the dedicated chapter "Corporate Social Responsibility of the Ferrero Group".

MINIMISING ENVIRONMENTAL IMPACT

Ferrero's production plants place great value on producing in an environmentally-compatible way, applying the best available technologies, guaranteeing an efficient use of energy, materials and natural resources, consuming water in a responsible and reasonable manner and preventing and minimising, where possible, the impact on the environment (water, soil and air).

THE PRODUCTION PLANT

Stadtallendorf's plant has been certified ISO 14001 since 2008.

In April 2012, Ferrero started implementing ISO 50001. At the time of the publication of this report, the plant had successfully passed the certification audit.

The production plant started the comprehensive "Four Seasons" programme, focusing on energy efficiency and reduction. The objective of the programme is to reduce energy consumption and CO₂ emissions of the production site in a sustainable way. Therefore, the department of energy management analysed consumption and efficiency in the plant and identified possible savings in the area of compressed air, lights, air conditioning and heating. Several projects have been designed with energy efficiency performance in mind. Training, information and communication of energy matters in general have been carried out. Additionally, "energy representatives" were nominated to foster new energy saving activities, which sensitise and motivate other employees on those issues and contribute to reducing CO₂ emission.

Since January 2012, 100% of purchased electrical energy is certified from renewable sources.

Main goals achieved by Ferrero in Germany in 2011/12 compared to the previous year 2010/11:

- ✓ Reduction of energy consumption per unit of product
- ✓ Reduction of CO₂ emissions
- ✓ Reduction of water consumption and waste water discharge of ton of products

1 Excluding intragroup purchase, centralised purchase (such as those concerning raw materials and packaging) and providers of marketing and advertising service providers.

2 Excluding intragroup purchase, centralised purchase (such as those concerning raw materials and packaging) and providers of marketing and advertising service providers.

Ferrero plant reduced the electrical and thermal energy consumption by implementing several actions:

- ▶ “Four Seasons” programme (for more information see above);
- ▶ Implementation of ISO 50001;
- ▶ Training and awareness supported by broad communication;
- ▶ Insulation of tubes;
- ▶ Implementation of green-weekends (shut down machines, devices and other energy consuming equipment) over long public holiday weekends;
- ▶ Implementation of an energy management team;
- ▶ Efficiency increase of the refrigeration technology;
- ▶ Use of frequency converters for pump processes;
- ▶ Process improvements in cooling circuits.

Ferrero was able to reduce CO₂ emission by implementing the following actions:

- ▶ Energy consumption reductions, reported above, have helped reduce CO₂ emissions;
- ▶ First full business year with 2nd cogeneration plant in production;
- ▶ Installation of additional solar panels at the main entrance with power up to 27 KW.

Ferrero plant has implemented many actions in order to reduce water consumption:

- ▶ Implementation of a systematic leakage recovery;
- ▶ Installation of tap aerators on highly frequented washing areas;
- ▶ Non-hazardous additives (silver grid technology and others) to prolong water exchange frequency;
- ▶ Projects have been designed to focus on

the reduction of water consumption (e.g. washing machines);

- ▶ Implementation of a training course, an information and communication platform, targets within management systems processes, training film with Ferrero's own environmental aspects (air, water, waste).

In line with Ferrero's internal policies, the German plant has a shuttle-bus service for transporting employees on the 3 shifts. This saves at least 1,000 tons of CO₂ every year and diminishes accident risks related to travelling.

WAREHOUSE

The implementation of the ISO 14001 standard at Group level requires the deposit to be included; the same applies to the implementation of ISO 50001.

In Stadtallendorf's warehouse, Ferrero achieved a reduction of electricity consumption by replacing cooling devices in the Raw and Packaging Material Warehouse.

A reduction of the total energy consumption of the LDC (Logistic Distribution Centre) in Stadtallendorf was achieved, thanks to the replacement of cooling devices and the installation of improved fast rolling doors to separate areas with different temperatures.

Furthermore, thanks to an information management system it was possible to eliminate the pallet label printing for goods receipt, reducing the use of about 24,000 labels.

To reduce direct and indirect greenhouse gas emission, energy aspects were integrated in negotiations with Ferrero service providers.

THE LOGISTIC CHAIN

Different initiatives were implemented by Ferrero to reduce the environmental impacts of transporting products in 2012:

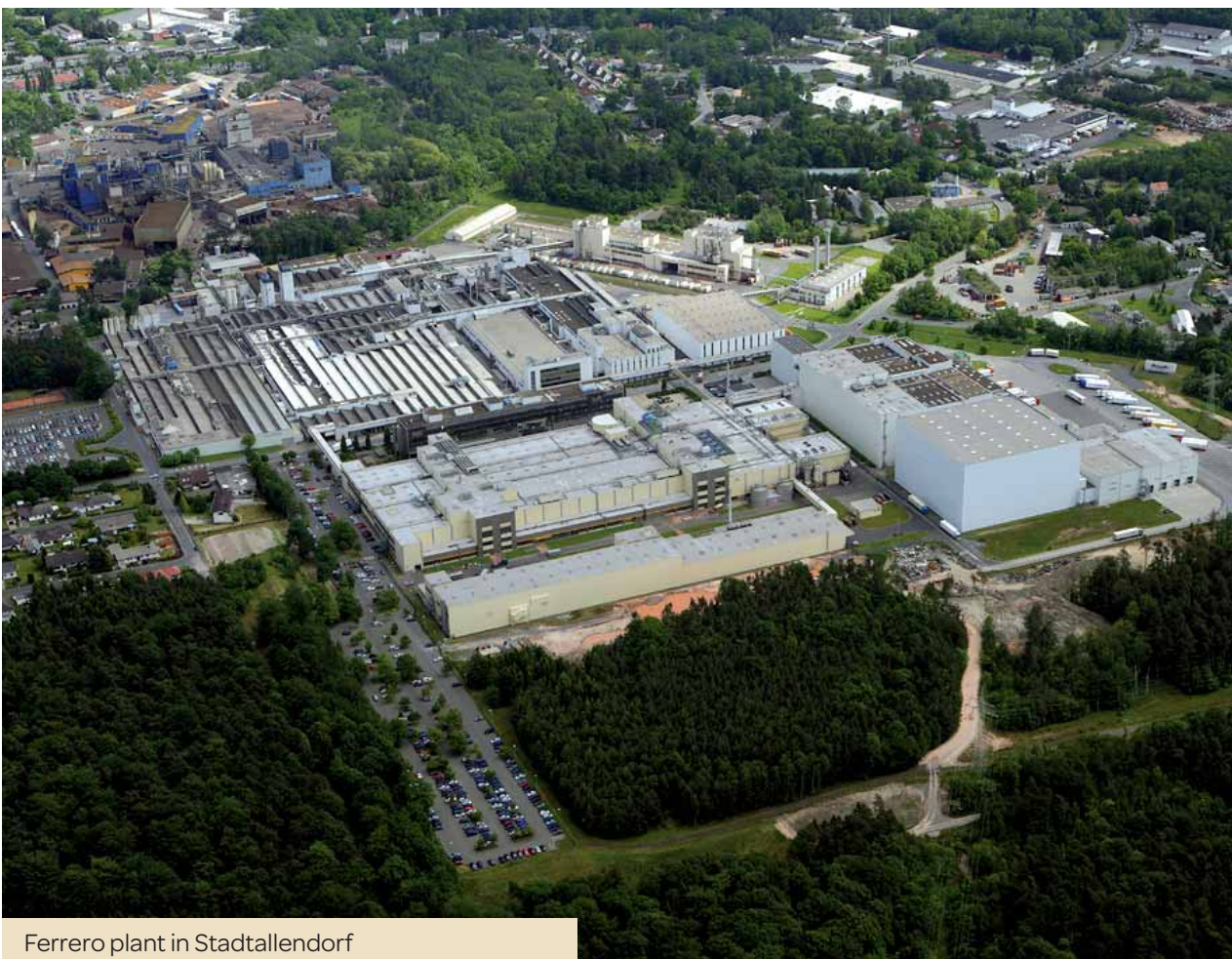
- ▶ Reduction of CO₂ emissions over 2011 was achieved by decreasing transports from external Warehouses Packaging to Plant Warehouse;
- ▶ Increasing use of double decked trailers by decreasing national trucks used for customer deliveries;
- ▶ Increasing use of double decked trailers for export Standard;
- ▶ Testing of alternative trucks for the production supply with a more flexible and bigger container that allow a potential reduction of 26,000 truck trips within the plant premises.

QUALITY CERTIFICATIONS

Stadtallendorf plant certification schemes for quality are as follows:

- ▶ ISO 9001:2008 since 2012
- ▶ FSSC 22000:2010 since 2012
- ▶ IFS Version 5 since 2012
- ▶ Costco since 2012
- ▶ Kosher since 2013
- ▶ SQMS McDonalds since 2012
- ▶ Microbiological Lab: ISO 17025/2005 since 2012
- ▶ RSPO Supply Chain Certification Standard since 2013

For more information on the Ferrero Group's strategy for quality and freshness, see the chapter "Our Products" of this CSR report.



Ferrero plant in Stadtallendorf

FERRERO IN POLAND

Ferrero started its business in Poland in 1992 as a first tangible manifestation of a great expansion towards this geographical area, offering consumers three great brands: Raffaello, Kinder Surprise and Tic Tac.

In 1993 an initial factory was opened in Wilanow, a district of Warsaw, for the confection of Tic Tac, a product which is still one of the most popular. By 1995 there were 70 staff members working at the Wilanow factory and, at the same time, Nutella and Kinder Chocolate were launched on the Polish market, followed by further products, selected from the Group's wide assortment: Kinder Bueno, Kinder Country and Kinder Delice. An important moment in the development of Ferrero Poland came with the decision to build the factory in Belsk Duży, a small town 45 km from Warsaw, where production of Nutella and Kinder Surprise started in 1997. By the following year the Tic Tac packaging process was also being made in the new factory. Towards the end of 1999 a new production line was started for Kinder Bueno, followed by Kinder Joy in 2002, Raffaello in 2004 and Kinder Bueno White in the following year.

In 2003, the Business Unit was transferred to the new head office in Wilanow. The sales force was increased and distribution of Ferrero's products became more widespread.

Currently Ferrero in Poland:

- » Is the third most important player in the confectionery market;
- » Directly employs 1,332 staff (as at 31 August 2012);
- » Markets more than 20 products, some of which have become icons of taste and quality, such as Nutella, Tic Tac, Kinder Bueno and Kinder Surprise.

Ferrero Poland's turnover in 2011/12 amounts to 2,647 million PLN (619 million euros).

Ferrero Poland actively participates in Trade and Industry Associations discussions and working groups of which it is a member. In addition, Ferrero Poland has developed a structured dialogue with some NGOs active in the field of CSR, such as Polbisco, the Polish Federation of Food Industry.



Ferrero plant in Belsk, Poland

LOCAL INITIATIVES FOR EMPLOYEES

Ferrero promotes a number of activities for the benefit of its employees and their families; it also promotes health and safety in the workplace.

Some initiatives go beyond the legal requirements such as private medical care, access to sport facilities and activities for employees and their families.

Workers at the production plant benefit from the following initiatives:

- » Every year, 80 production plant and Business Unit employee children, aged between 7 and 13 years, enjoy the summer holidays at the seaside or in the mountains at a dedicated holiday camp;
- » Approximately 400 employees benefit from a financial contribution for their holidays: the amount depends on the employee's income and number of family members;
- » Sport activities include gym membership, access to the swimming pool in Grójec city, football tournaments: each employee has the possibility to participate in sports programme at preferential rates thanks to Ferrero's contribution;
- » Children schoolbooks are partially refunded: the amount refunded depends on the employee's income and number of family members.

Many Ferrero initiatives are also implemented to promote health and safety in the workplace and a healthy lifestyle:

- » All employees receive regular training on Health Safety and on the importance of

prevention, particularly focused on daily activities related to the production line;

- » Private medical insurance, providing access to this complementary service, in addition to the Polish public service is very important. This insurance is available for employees and their family at a preferential rate. Employees have the possibility to meet with an expert on healthy lifestyle;
- » Regular co-operation with a medical specialist;
- » Independent H&S audits are carried out to verify working conditions for each job position in the Plant. Ferrero is actively collaborating with external institutions in order to find suitable solutions and practices which will ensure employees maintain an healthy lifestyle, a priority for Ferrero;
- » Considerable investments have been made to improve the working conditions, such as the automation of Nutella packaging on pallets which was done manually before;
- » All employees have the possibility to share their innovative ideas, which can be dropped into dedicated boxes. The collected ideas are regularly checked and categorised. Those connected to health safety are implemented in priority.

In 2013/14

In 2013/14, the Ferrero Business Unit will launch the "programma Intercultura" for children of Ferrero employees: 2 programmes will be available, every year, for children to spend a year studying in Italy, funded by Ferrero.

FERRERO ENGAGEMENT WITH THE LOCAL COMMUNITY

SUPPORTING AN HEALTHY LIFESTYLE

Ferrero Poland actively supports the following projects:

- » “Keep Fit!” project: co-ordination and funding was provided by the 10 member companies associated with the Nutritional Committee of the Federation of Food Industry. The programme was aimed at promoting the principles of a balanced diet and regular physical activity among secondary school teenagers. Overall 96 schools across Poland participated in the programme (approximately ten thousand children). The objective of the “Keep Fit!” programme was to educate the children about the importance of maintaining healthy eating habits and promoting the principles of an active lifestyle and balanced diet, based on individual responsibility.
- » Active participation in important projects coordinated by the Polish Federation of Food Industry such as the implementation

of the World Health Organisation (WHO) strategy on diet, physical activity and health in Poland. The Federation is a member of the National Platform on Diet, Physical Activity and Health, established under the auspice of the National Food and Nutrition Institute in Warsaw.

- » Further projects include supporting activities designed to ensure consumers have access to high quality food and dissemination of knowledge on this theme. One example is the preparation of an advertising campaign aimed at supermarkets to help consumers read labels.

For further information on the Group’s strategy for a healthy lifestyle please refer to the “Kinder+Sports” chapter of the present CSR report.

KINDER+SPORT IN POLAND

“Kinder+Sport” was introduced in Poland in 2008 and for the last 4 years has become more and more recognised by the Polish community, popularizing sport activities and healthy lifestyle among kids and teenagers. “Kinder+Sport” is



Kinder+Sport event in Poland

known in Poland for its volleyball initiative, the biggest in the country, which is run in cooperation with Polish Volleyball Association (PVA). The associate is a reliable partner, established since a long time and helps widen and promote active sport lifestyle initiative among kids all around Poland.

The programme is based in PVA's infrastructure in seventeen regional offices.

"Kinder+Sport" is under the patronage of the Ministry of National Education, responsible for setting the Polish curriculum in schools, and the Ministry of Sport and Tourism responsible for the development and supervision of all sports associations.

"Kinder+Sport" not only organises nationwide sport tournaments, which contribute to the wellbeing of people, create new friendships and encourages physical activity, the programme also offers sports equipment and educational sport materials such as books and special instruction boards to sports clubs and schools that need it most. Sebastian Świdorski, a world famous volleyball player, actively supports "Kinder+Sport" by promoting its values during interviews, helping to train participants, encouraging young people to take part, promoting the importance of a good diet, regular exercise and a healthy lifestyle.

Since the creation of "Kinder+Sport" in Poland, in 2008, 107,151 children aged between 7 and 12 years have taken part in the tournaments and more than 1 million have been in contact with the programme.

Each year, hundreds of tournaments are supervised by the 17 PVA regional offices ending with the grand PVA final when more than 700 players, supporters, parents, teachers, coaches and other spectators gather in one place for 3 days to take part in the big "Kinder+Sport" event. In 2011/12, 32,547 young players took part in

the tournaments (14,187 boys and 18,360 girls). Overall, during this period, an estimated 100,000 people were involved one way or the other with "Kinder+Sport", such as friends and family.



NUTELLA MINI TOUR DE POLOGNE

Since 2007, Ferrero has sponsored the "Tour De Pologne UCI World Tour", one of the main Polish sport events and "Nutella Mini Tour De Pologne" since 2008.

Ferrero has accompanied the "Tour de Pologne UCI World Tour", one of the biggest sports events in Poland, for the last 7 years. Participation in this multistage race, which has a seventy-year tradition, is inscribed in the calendars of the world's biggest cycling teams. Every year the "Tour de Pologne UCI World Tour" provides plenty of emotion for the professionals and amateurs.

For many years, Ferrero's underlying goal has not only been to promote cycling but also disseminate the underlying message about an active lifestyle and healthy development of children. For this reason, since 2007, on sections

of the “*Tour de Pologne UCI Tour*” Ferrero has organised special races for children such as the “*Nutella Mini Tour de Pologne*”. The race benefits from the “honorary patronage” of The Ministry of Sport and Tourism and in 2011 was also supported by the Polish EU Presidency.

The race is a combination of education, passion and good fun, created and dedicated to children aged between 9 and 13 years old. Boys and girls starting in two age categories, elementary schools (9-12) and middle schools (12-14), can test their skills on the professional route, feel the unique atmosphere and competitiveness and fulfil their dream of standing on the podium with the best contestants. In order to make the race more similar to the professionals, each participant gets a starter pack containing cycling outfit, a starting number and a timer. Children can start individually or in teams, however, in every chosen option it is important to respect safety regulations and fair play rules.

The ultimate success of the race is the increasing number of young cyclists. So far, around 7,500 children aged between 9 and 14 years old have participated in the “*Nutella Mini Tour de Pologne*”. Previous editions of the race have allowed the discovery of new Polish cycling talents such as Michał Kwiatkowski, but more importantly it was the beginning of a passion for sport and a chance for many children to spend their time in an exceptional way.



Kinder+Sport event in Poland

A PASSION FOR SEA AND SAILING

In 2010, Mateusz Kusznerewicz, a famous polish sailor and multiple Olympic champion, supported by the Kinder brand, created a programme that offers secondary school students the opportunity to learn how to sail and enjoy being active. The programme takes place in the coastal area of Gdansk, where children can sail through the Harbour Canal and around the Bay of Gdansk on dedicated Kinder boats, accompanied by professional staff. Children are able to see Gdansk from a different waterfront perspective, learn more about Gdansk history, geography and of course about sailing. The programme has since been extended to focus also on social issues such as saving drinking water and caring for the polish sea, the Baltic Sea, by organising a nationwide competition between secondary schools throughout Poland. The winners had the chance to sail around Gdansk with Mateusz Kusznerewicz.



Since the beginning of the programme in 2010, 10,500 children have benefited from sailing classes. Our programme partners include the Foundation for the Development of the University of Gdansk, the Ministry of National Education and the Marine Station of the Institute of Oceanography. In 2013, we plan to invite over 7,000 high schools to take part in the national environmental competition, communicating on it all year long. The prize for the three best teams will be a chance to sail aboard the legendary ship, *Generał Zaruski*, in June/July 2013.

Ferrero continues to support the programme enrolling new first-year secondary school students. Admission is free for all potential participants.

The following goals have been defined by Ferrero Poland for 2013/14 for “Supporting a healthy lifestyle”:

- » The Business Unit will start a cooperation with universities, nutrition faculties to create educational programmes promoting a healthy style of life
- » The Business Unit will continue supporting and developing “Kinder+Sport” projects

ENHANCING LOCAL COMMUNITIES

Space Mission

interactive family science events

The aim of this project was to popularise science and education, stimulating scientific curiosity and interest about space and the universe. As part of its commitment to encourage the education and individual development of children and teens, Ferrero sponsored a series of events produced by Focus Magazine.

The events were split into 7 sections of different educational content (e.g. spherical planetarium, meteorites, model of solar system, etc.). Each section was set up to show the cosmos with its secrets and teach and engage with kids through games. In addition to the events, a dedicated article was published in Focus magazines and special Focus Kids edition.



Programmes developed with School and University

Ferrero cooperates with local schools. In particular with:

1. Middle School: approximately 150 young people visit the plant each year where they learn about business matters, profession, education and environmental responsibility. Ferrero supports the organisation of important events for local schools.
2. Vocational School of Grójec: Ferrero officially cooperates in a 3 year training programme. Each year 20 students leave the school with a professional qualification that can be applied in the factory.

Furthermore, Ferrero regularly cooperates with the Warsaw Universities (Technical as well as Food Sciences), developing the following initiatives:

1. Educational visits of students in the plant: Ferrero shares with students the manufacturing experience; they can observe the modern and highly advanced manufacturing solutions and confront their theoretical knowledge with a real manufacturing environment in a very demanding market.
2. Monthly summer internships (20 each year): various individual projects matching the individual expectations/needs of the students with Ferrero projects. The subjects that are managed bring new points of view, new recommendation and new ideas.

Below, the 2013/14 goals defined by Ferrero in Poland related to “Enhancing local communities”:

- » Participation in University Fairs and workshops. Train line managers to deliver business cases and workshops in Universities by 2013/14.

FERRERO

LOCAL SUPPLIERS

Ferrero is committed to integrating with the local Polish community and sourcing locally where possible. To this day, 75.84% of Ferrero's Belsk plant's total purchases³ and 100% of Ferrero's Business Unit's suppliers are sourced locally.

In addition, approximately 50% of technical materials and service suppliers are located in a 50 km range from the plant and 20% in a 100 km range from the plant.

For further information about the Ferrero's strategy regarding local suppliers, please refer to the dedicated chapter in the present CSR report.

MINIMISING THE ENVIRONMENTAL IMPACT

For Ferrero's production plants, it is essential to produce in an environmentally friendly manner. The plant uses the best available technology, allowing for an efficient use of resources and the responsible and sustainable consumption of water resources in order to reduce and mitigate, where possible, the environmental impact (water, soil and air).



THE BELSK PLANT

Ferrero's production plant situated in Belsk is certified ISO 14001 since October 2003.



Ferrero plant in Belsk, Poland

In line with the energy strategy of the Group at the production plant of Belsk Duży, actions have been taken towards the respect of the environment both during the production process and activities linked to it.

The plant is equipped with two energy recovery systems: a natural gas engine with the power of 1 MW and a gas turbine with the power of 4.6 MW. Following technical and environmental analysis, also shared with the local community, the construction of wind turbines was started. Currently three wind turbines work with limited power and we are concluding an in depth analysis for the construction of very high power generators as well as feasibility studies on biogas plants. Moreover, the plant is also engaged in a project with the objective to reduce energy and water consumption and discharges. Among the activities implemented, we should list refrigeration, ecological production systems and economic conditioning of the production areas.

³ Excluding intragroup purchase, centralised purchase (such as those concerning raw materials and packaging) and providers of marketing and advertising services providers.

Systems for production and distribution of compressed air have also been created with the consequent optimisation of electrical energy consumption. A system for capturing excess heat for the production of cold air is currently under construction; similarly a project for the use of heat emitted from chimneys is also being implemented.

Specific actions are carried out in order to rationalise water consumption such as the construction of the water purification plant, which guarantees its reuse in the cooling towers.

Over the years, Ferrero has always worked closely with the local community of Belsk. In 1996/97, in collaboration with the municipality, a water discharge purification treatment plant was built.

In the following years, the purification plant has been modernised and expanded thanks to a close economic and technical partnership between the municipality and the production plant.

Main goals achieved by Ferrero Poland in 2011/12 compared to 2010/11:

- » Reduction of energy used for production and distribution of compressed air
- » Maintaining the same level of CO₂ emission
- » Reduction of drinking water consumption and waste water reduction per ton of products.

Ferrero Poland reduced energy consumption for the production and distribution of compressed air compared to 2010/11. Ferrero was able to achieve this by implementing the following actions:

- » Measuring the consumption of air pressure in the production lines and installing an automatic control system to help optimise the connection between production and consumption of air pressure;
- » Gradual elimination of leakage of air pressure network;
- » Raising staff awareness and collecting opinions for a project aimed at providing innovative solutions.

Ferrero was able to maintain the same level of CO₂ emission by implementing the following actions:

- » Reduction of the energy consumption, consequently reducing indirect CO₂ emissions.
- » Continuous measurement of the consumption of natural gas and the improvement of the combustion system efficiency in order to reduce direct CO₂ emissions.



In addition the plant is implementing several actions to reduce water consumption:

- » The monitoring of water consumption in order to identify the main areas of concern
- » The installation of a sequential osmosis system
- » The optimization of the deodorization cycles
- » Improving the efficiency of cleaning moulding areas
- » Training given to employees to promote water conservation

For further aspects of the environmental protection activities of protection carried out by the Group's plants, please see the dedicated chapters of this CSR report.

SUPPLY CHAIN

Given the large size of the production plant, the finished goods were moved internally by truck from the production areas to the warehouse. From 2011/12 a system of conveyor automatic belts was installed to reduce CO₂ emissions, fuel consumption, noise and improve the safety of people.

In line with Ferrero's internal policies, the Polish factory has implemented a collective transport system of buses that improves the mobility of employees from home to work and reduces their environmental impact.

CERTIFICATIONS OF QUALITY

In the production process the most important element is product quality. For this reason, the production plant has well-equipped laboratories where all raw materials are carefully analysed. The plant has a quality management system certified ISO9001:2008 and food security Certifications required to respond to the needs of the different target markets and the different religious cultures, which are: IFS since 2006 and COSTCO since 2010.

For further information on the certifications of our plants, please refer to the dedicated chapter of this CSR report.



Ferrero plant in Belsk, Poland

GRI-G3.1 INDICATORS

The following is a summary of the main contents of the Corporate Social Responsibility Report 2012, according to the scheme of “Sustainability Reporting Guidelines” (GRI-G3.1) integrated with “Food Processing Sector Supplement” (FPSS) and with reference to ISO 26000 and OECD Guidelines for Multinational Enterprises Principles. 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) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
PROFILE					
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	4-5
1.2	Description of key impacts, risks, and opportunities.	n.a.	6.2 Organizational governance	T	4-6; 60-61; 42-43; 94; 124; 134-137; 164; 173
2. Organizational Profile					
2.1	Name of the organization	n.a.	n.a.	T	60
2.2	Primary brands, products, and/or services	n.a.	n.a.	T	10-11
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	n.a.	6.2 Organizational governance	T	58-61
2.4	Location of organization’s headquarters	n.a.	n.a.	T	60
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	58-59
2.6	Nature of ownership and legal form	n.a.	n.a.	T	60
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	n.a.	n.a.	T	58-59; 176
2.8	Scale of the reporting organization (number of employees; number of operations; net sale)	n.a.	n.a.	T	10; 68; 70
2.9	Significant changes during the reporting period regarding size, structure, or ownership	n.a.	n.a.	T	2; 60
2.10	Awards received in the reporting period	n.a.	n.a.	T	62-66
3. Report Parameters					
Report Profile					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	n.a.	n.a.	T	2
3.2	Date of most recent previous report (if any)	n.a.	n.a.	T	2
3.3	Reporting cycle (annual, biennial, etc.)	n.a.	n.a.	T	2
3.4	Contact point for questions regarding the report or its contents	n.a.	n.a.	T	2
Report Scope and Boundary					
3.5	Process for defining report content	n.a.	n.a.	T	2; 166-167
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	2
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	2; 68; 80; 88; 161

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
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	60-61
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	44; 55; 80-81; 88; 136-137; 143; 154; 156; 160; 178, 180
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	2; 152; 154
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	n.a.	n.a.	T	2; 139; 161; 173
GRI content index					
3.12	Table identifying the location of the Standard Disclosures in the report.	n.a.	n.a.	T	207-225
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	2; 227-228
4. Governance, Commitment, 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	60
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	60
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	60
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	n.a.	6.2 Organizational governance	T	60
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	60
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	n.a.	6.2 Organizational governance	T	60
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	60

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
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	4-6; 23-24; 28-29; 32; 42-43; 134; 138; 171-172 www.ferrero.com/social-responsibility/code-business-conduct/; www.ferrero.com/social-responsibility/code-of-ethics/reliability-trust/
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	60; 134; 166-167; 171-172
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	60
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	4-5; 15; 24-26; 79; 138-139; 171-173
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	2; 20; 166; 172 www.ferrero.com/social-responsibility/code-business-conduct/
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	169-170
Stakeholder Engagement					
4.14	List of stakeholder groups engaged by the organization.	n.a.	6.2 Organizational governance	T	166; 169-170
4.15	Basis for identification and selection of stakeholders with whom to engage	n.a.	6.2 Organizational governance	T	166-167
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	n.a.	6.2 Organizational governance	T	96; 98; 101-114; 117-118; 134-135; 166-167; 171-172; 187; 198
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	13-14; 20; 23; 28; 94; 166-167; 171-172
SOURCING PERFORMANCE INDICATORS					
DMA SC	Management and verification policies and system	n.a.		T	4-5; 10-11; 28; 95; 98; 100-101; 115-116; 118; 120-125; 152; 155; 169 -172 www.ferrero.com/social-responsibility/code-business-conduct/
FPI	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	28; 171-172

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
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	28; 171-172
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	4-5; 10-11; 32-36; 39; 42-45; 58-59; 75-77; 94; 100-103; 108-114; 116; 118; 121; 124-125; 130-131; 168; 173
Economic performance indicators					
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	168
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	137
EC3	Coverage of the organization's defined benefit plan obligations.	V. Employment and Industrial Relations XI. Taxation	n.a.	T	79
EC4	Significant financial assistance received from government.	V. Employment and Industrial Relations XI. Taxation	n.a.	T	174
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	P	44; 75 We are developing our data collection processes for reporting before 2014/15
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	45; 173; 195; 204
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	43; 77; 130
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	33-39; 45-47; 51; 90-92; 108-114; 130-131; 147; 192-194; 200-203

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
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	33-39; 45-47; 108-114; 130-131; 147; 173; 195; 204
ENVIRONMENTAL PERFORMANCE INDICATORS					
DMA EN	Management and verification policies and system	VI. Environment	6.2 Organizational governance 6.5 The Environment	T	4-5; 134-138; 146-148; 155-159; 178; 195; 204 www.ferrero.com/social-responsibility/code-business-conduct/
Materials					
EN1	Materials used by weight or volume.	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	59; 178
EN2	Percentage of materials used that are recycled input materials.	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	155; 180
Energy					
EN3	Direct energy consumption by primary energy source.	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	139-140; 149; 152
EN4	Indirect energy consumption by primary source	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	139-140; 150-152
EN5	Energy saved due to conservation and efficiency improvements	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	139-141; 152; 157; 195-196; 204-205
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	139-141; 146-148; 152; 157; 195-196; 204-205
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	139-141; 146-148; 152; 157; 195-196; 204-205
Water					
EN8	Total water withdrawal by source	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	142-143
EN9	Water sources significantly affected by withdrawal of water.	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	142
EN10	Percentage and total volume of water recycled and reused	VI. Environment	6.5 The Environment 6.5.4 Sustainable resource use	T	142

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
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	145
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	145
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	153-154; 158
EN17	Other relevant indirect greenhouse gas emissions by weight	VI. Environment	6.5 The Environment 6.5.5 Climate change mitigation and action	T	160; 197; 206
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	153-154; 158-159; 195-196; 204-205
EN19	Emissions of ozone-depleting substances by weight	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	153-154
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	142-143
EN22	Total weight of waste by type and disposal method	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	144-145;
EN23	Total number and volume of significant spills	VI. Environment	6.5 The Environment 6.5.3 Prevention of pollution	T	145
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	109; 132; 135-137; 155-156; 178-181
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	156
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	174
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	158-160; 197; 206

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
SOCIAL PERFORMANCE INDICATORS					
Labour 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	4-5; 32; 42-43; 68-70; 75; 78-79; 81; 86; 88; 90; 128- 130; 188; 192; 199 www.ferrero. com/social- responsibility/ code-business- conduct/; www.ferrero. com/social- responsibility/ code-of-ethics/ reliability-trust/
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	43-44; 68; 70-72; 128-129; 186; 198
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	73-74; 130
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	74 We are developing our data collection processes for reporting before 2014/15.
Labour/ 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	78
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	78
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	78
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	80-81; We are developing our data collection processes for reporting before 2014/15.
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	34; 79-80; 85; 190-191; 199

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
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	81; 85 We are developing our data collection processes for reporting before 2013/14.
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	35-36; 39; 81-85; 188; 192; 199
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	77
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	44; 71-72; 86-87; 128-129
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	76 We are developing our data collection processes for reporting before 2014/15.
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	4-5; 28; 94; 124-125; 171-172 www.ferrero.com/social-responsibility/code-business-conduct/ ; www.ferrero.com/social-responsibility/code-of-ethics/reliability-trust/
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; 94-95; 100-101; 108-112; 115-118; 121; 130-131; 171-172
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; 94-95; 100-101; 108-112; 115-118; 121; 130-131; 171-172

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	IV. Human Rights	6.3 Human Rights 6.3.5 Avoidance of complicity	P	81; 174 Chapter 2 Ferrero Women and men; Existing information systems do not provide consolidated data about Total hours of employee training concerning aspect of human right. We are developing our data collection processes for reporting before 2013/14.
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	174
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; 79; 171-172
Child Labour					
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	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; 94-95; 100-101; 108-112; 115-118; 121; 130-131; 171-172
Forced and Compulsory Labour					

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	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; 94-95; 100-101; 108-112; 115-118; 121; 130-131; 171-172
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; 94-95; 100-101; 108-112; 115-118; 121; 130-131; 171-172
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	28-29; 174
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	4-5; 16-17; 32-39; 42-47; 51-55; 90-92; 108-114; 130-131; 148; 173-174; 192-195; 200-204 www.ferrero.com/social-responsibility/code-business-conduct/
Local Communities					
SO1	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	32-39; 42-47; 51-55; 90-92; 108-114; 130-131; 148; 192-195; 200-204
SO9	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	173; 195; 204
SO10	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	173; 195; 204

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
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	16-17; 32-34; 38-39; 50-55; 192-194; 201-203
Corruption					
SO2	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	174
SO3	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	174 We are developing our data collection processes for reporting before 2013/14.
SO4	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	174
Public Policy					
SO5	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	13-14; 16; 96; 103-108; 117-119; 130-131; 169-170
SO6	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	www.ferrero.com/social-responsibility/code-business-conduct/ 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					
SO8	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	174
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	4-5; 13-14; 16-24; 28-29; 176-177; 182

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
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	12-14; 16-17; 23-24; 28-29; 171-172 www.ferrero.com/social-responsibility/code-business-conduct/
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	26; 174
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	25-26; 182; 197; 206
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	14
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	14
Product and Service Labeling					
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	18-19; 155-156
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	18-19
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	18-22
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	20-22; 28-29
Compliance					

GRI-G3.1 & FPSS Disclosure on Management Approach (DMA) or Performance Indicators		OECD Guidelines for Multinational Enterprises Principles	ISO 26000 Core Social Responsibility Subjects & Themes	Level of coverage GRI-G3.1 & FPSS	REFERENCE
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	28-29; 174
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	12; 122; 171 www.ferrero.com/social-responsibility/code-business-conduct/
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.
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.



Statement GRI Application Level Check

GRI hereby states that **Ferrero International S.A.** has presented its report "Sharing values to create value" (2013) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 4 July 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI logo in the background.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Ferrero International S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 28 June 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

Review 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, 2012. The directors of Ferrero International S.A. are responsible for the preparation of the sustainability report in accordance with the “*Sustainability Reporting Guidelines*” (version G3.1, 2011) and “*Food Processing Sector Supplement*” both issued by GRI – *Global Reporting Initiative*, as set out in the paragraph “about this corporate social responsibility 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 Standards Engagement 3000 – Assurance Engagement 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 of Professional Accountants*” issued by the *International Federation of Accountants*), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. 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 paragraphs “our products” and “corporate social responsibility of the Ferrero Group” of the sustainability report with those included in the Group’s consolidated financial statements as of August 31st, 2012, on which Deloitte Audit Société à responsabilité limitée issued the auditor’s report dated February 20th, 2013;
 - 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 delegates 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;

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FS 550144

- 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 June 27th, 2012.

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 2012 is not prepared, in all material respects, in accordance with the “*Sustainability Reporting Guidelines*” (version G3.1, 2011) and “*Food Processing Sector Supplement*” both issued by GRI – *Global Reporting Initiative*, as set out in the paragraph “about this corporate social responsibility report”.

Milan, July 09th, 2013

DELOITTE ERS – Enterprise Risk Services S.r.l.

Franco Amelio

Partner

Corporate Responsibility Services

This report has been translated into the English language solely for the convenience of international readers.