

A close-up photograph of several hazelnuts on a branch. The nuts are in various stages of ripening, with some showing their reddish-brown shells and others still partially covered by their green, spiky husks. The background is a soft, out-of-focus green, suggesting a natural setting.

**FERRERO**

Ferrero Group

# Sustainability Report 2020

## Introduction

# Welcome to our 12<sup>th</sup> sustainability report

**This report is a progress report which builds on our new approach to reporting introduced last year to streamline and increase the transparency of the Group's sustainability efforts and vision.**

Our responsible way of doing things focuses on four pillars:

- 1**  
Protecting the environment
- 2**  
Sustainably sourcing high-quality raw materials
- 3**  
Promoting responsible consumption
- 4**  
Empowering people

This year, we describe our action to go beyond what we have achieved as we grow our global business. This includes remaining steadfast in delivering our sustainability commitments under the challenging environment shaped by the pandemic and progress made in integrating recent acquisitions.

As we are closing out the 2020 goals, the report showcases how we are planning to go beyond the strong foundations we already built.



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## Executive Chairman and CEO statement

### Executive Chairman Statement

**Welcome to our 12<sup>th</sup> Sustainability Report, which marks the end of an unprecedented twelve months and the final year of our sustainability goals for 2020.**

**T**he impacts of Covid-19 have provided the main headlines of the year, and they continue to be felt globally. While we have improved our management of the virus and the outlook is improving for many Countries, the situation is still uncertain. This global health crisis has shone a light on the inequalities that exist around the world, with the social and economic impacts varying dramatically between countries.

Despite these challenges, the Ferrero Group successfully adapted to the evolving situation, and prioritised consumer and employee health and safety. Furthermore, our business continues to expand through new acquisitions and organic growth.

As we develop our new sustainability framework and commitments for the period to 2030, the global leadership team has renewed its commitment to the United Nations Global Compact. We have strengthened our sustainability governance with the creation of a Sustainability Operative Committee. It brings people together from across the group to drive the sustainability agenda as we look to the coming decade.

I cannot end without first recognising and thanking all the Ferrero employees and partners who have pulled together over the last year to continue to deliver for our customers while supporting the communities we are proud to be part of.

/s/

**Giovanni Ferrero**

Executive Chairman, Ferrero Group

### CEO Statement

**Throughout this challenging year, the Ferrero Group demonstrated the agility to guarantee operational continuity and continued to deliver products to our consumers.**

**B**eyond manufacturing, protecting workers and farmers in agricultural supply chains was a key priority, especially in less developed markets.

Our partnerships and collaborations have proved invaluable to reaching those in need of support. We collaborated with the World Cocoa Foundation and the International Cocoa Initiative to identify the needs of cocoa farmers and their communities and develop action plans in response. We also carried out an assessment in partnership with CAOBISCO and the International Labor Organization (ILO) to contribute to the health and safety of hazelnut farmers and seasonal agricultural workers. And we implemented remote auditing and safety measures with our palm oil suppliers to protect workers' health in the mills. In all cases, educating people on the preventative measures and providing access to protective and hygiene equipment has been key.

The goals of the Kinder Joy of moving Program to help children enjoy physical activity was given new meaning in light of the pandemic and the need to keep children active and connected during social isolation. With in-person activities on hold for much of the year, we provided parents, families and teachers around the world with resources to engage children – from activities to promote teamwork in Argentina to online Joy of moving games in Brazil.

We closed the financial year with a consolidated turnover of 12.3 billion Euro, an increase of +7.8% compared to the previous year. We now have 105 companies and 31 manufacturing plants worldwide, selling directly and via distributors in over 170 countries. Moreover, we accelerated investments in

our iconic brands – strengthening internal R&D activities and investing in our factories, plants and equipment as part of our continuous approach to improving the quality, freshness, food safety, competitiveness and environmental impact of our products. We have increased the scope of our sustainability reporting to include new acquisitions – Thorntons in the UK, Fannie May and the Nestlé chocolate confectionary business in the US – and we are working to further extend our scope over the next years to the newly acquired Companies.

As we close out our 2020 goals, we are proud to have met our target to source 100% sustainable cocoa through independently managed standards.

We have now extended the target to include outsourced chocolate to provide full transparency of our cocoa supply chain. We continued to source 100% RSPO certified segregated palm oil and we are developing a transition roadmap for the newly acquired Companies toward our responsible sourcing standards. We are also working towards achieving 100% traceable hazelnuts, an ongoing challenge. Our new carbon targets for 2030 were validated by the Science Based Targets initiative (SBTi) in December 2020. They have given new impetus to actions to reduce emissions across our global operations and supply chain. Other highlights include progress in making 100% of our packaging to be recyclable, reusable or compostable by 2025; we reached 82.9% this year. And we were pleased to meet our target of a 5% increase in women in managerial positions in January 2021.

You can find out more about these projects in this report as well as online at [www.ferrerosustainability.com](http://www.ferrerosustainability.com). I hope you will find it informative and I welcome your feedback so that we can continue our journey for improved sustainability performance and transparency.

/s/

**Lapo Civiletti**

CEO, Ferrero Group



## About us

Our purpose, values and structure provide a strong foundation which continues to evolve in line with our global expansion, changing consumer needs and innovation of our products and packaging.

### Our purpose

# WE CARE FOR THE BETTER



### Our values

Ferrero has been built by generations of people who share a commitment to continuous improvement. Our core values provide the foundation for our purpose and are a guiding force for our people and suppliers as our Company continues to grow.

#### Loyalty and trust

Our loyalty towards consumers and the trust they place in our products are at the core of the long-lasting relationships we enjoy with them.

#### Respect and responsibility

Based on respect for equality of treatment, we promote the professional and personal development of our people and strong relationships with local communities.

#### Integrity and moderation

Our communications reflect the values of human dignity, family and children in line with strong moral and ethical principles and a commitment to healthy lifestyles.



[Read more about our Core Values](#)

#### Passion for quality, research and innovation

Our goal is to create unique products through innovative research and production processes, careful selection of raw materials, and quality and traceability across our businesses.

#### Entrepreneurship

Our success lies in our ability to establish a clear vision and be proactive with our investments, timely with our undertakings and excellent in our execution.

#### Work, create, donate

We identify with the motto conceived by Michele Ferrero: "work, create, donate". Alongside the Ferrero Foundation, the entire Ferrero Group engages in social responsibility activities as an integral part of our way of doing things.



### How we do things

We live out our purpose every day through our



**CONSUMERS**

Responsible marketing practices, high-quality ingredients and innovative products



**COMPANY**

Respect and care for our people through the organisation



**BUSINESS PARTNERS**

Integrity and trustworthy approach to our retailers and suppliers



**COMMUNITIES**

Care for the communities in which we operate and where we source from

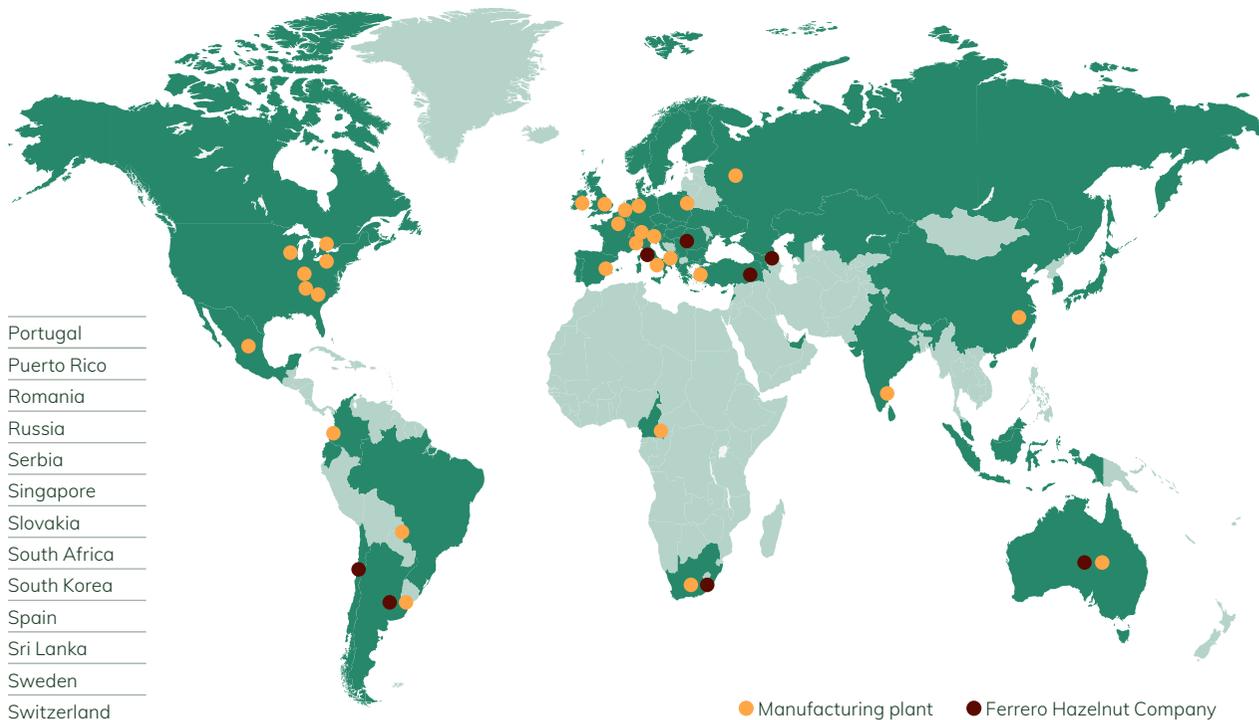
About us continued

# Our presence in the world

# 50+

## Countries and Regions

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



● Manufacturing plant ● Ferrero Hazelnut Company

### HCO – Hazelnut Company

#### 6 Agricultural Companies

Argentina	Chile	Serbia
Australia	Georgia	South Africa

#### 7 Manufacturing Plants

Chile	Turkey
Italy	



For more information visit Ferrero Hazelnut Company website

### 31 manufacturing plants across five continents<sup>1</sup>

1. Italy – Alba	1946
2. Germany – Stadtallendorf	1956
3. France – Villers-Écalles	1960
4. Italy – Pozzuolo Martesana	1965
5. Australia – Lithgow	1974
6. Ireland – Cork	1975
7. Ecuador – Quito	1975
8. Italy – Balvano	1985
9. Italy – S. Angelo Dei Lombardi	1985
10. Belgium – Arlon	1989
11. Poland – Belsk Duzy	1992
12. Argentina – La Pastora	1992
13. Brazil – Poços De Caldas	1994
14. Cameroon – Yaoundé*	2005
15. Canada – Brantford	2006
16. South Africa – Walkerville*	2006
17. India – Baramati*	2007
18. Russia – Vladimir	2009
19. Mexico – S. José Iturbide	2013
20. Turkey – Manisa	2013
21. China – Hangzhou	2015
22. United Kingdom – Alfreton	2015
23. USA – North Canton	2017
24. USA – Bloomington	2018
25. USA – Franklin Park	2018
26. USA – Louisville	2019
27. USA – Florence	2019
28. USA – Augusta	2019
29. USA – Chicago	2019
30. Spain – Alzira	2019
31. Italy – Castel d’Ario	2019

<sup>1</sup> Plants acquired starting from 2019 onwards are not included in the scope of this report (n.26 to 31) – except where specified.

\* Michele Ferrero Entrepreneurial Project – active in three countries.



About us continued

## Our brands

# 170+

Countries where our products are present and sold



nutella®

Kinder®



Thorntons®

Butterfinger®

Fannie May®  
PREMIUM CHOCOLATIER SINCE 1920

## Our company

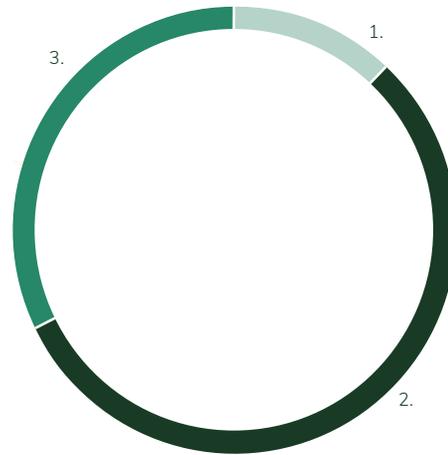
# 34,121

Employees (Full Time Equivalent)<sup>2</sup>  
2018/19 33,003<sup>2</sup>

# 105

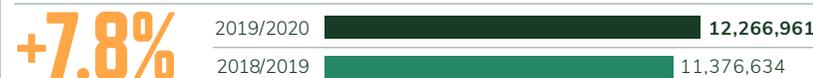
Consolidated companies managed under Ferrero International S.A

### Geographical distribution of consolidated net turnover:



1. Italy	12%
2. Rest of Europe	56%
3. Outside Europe	32%

### The consolidated net turnover (€)



<sup>2</sup> FTE excluding external personnel.

## Expanding our portfolio

Alongside organic growth, our global presence is constantly expanding as we enter new product categories and expand our footprint across Europe and North America through strategic acquisitions. We are constantly growing our portfolio of well-established brands that consumers love, allowing us to diversify and capitalise on exciting growth opportunities.

- 2015**  
Acquired Oltan Group (Turkey).  
Acquired Thorntons (UK).
- 2017**  
Acquired Fannie May (USA).
- 2018**  
Acquired former Nestlé U.S. chocolate confectionery business with iconic brands, such as Butterfinger, BabyRuth, 100Grand, Raisinets, and the exclusive right to Crunch brand (USA).
- 2019<sup>1</sup>**  
Acquired Kellogg Company cookie, cone and pie crust businesses, including the iconic cookie brand Keebler®, top selling on-the-go Famous Amos® cookies, the premium family cookie brand Mother's®, and Murray® sugar free cookies, as well as Little Brownie Bakers®, supplier of cookies to the Girl Scouts.  
Acquired a controlling stake in Ice Cream Factory Comaker (ICFC).

<sup>1</sup> These acquired companies will be integrated in the future reporting cycles.



About us continued

## Our value chain

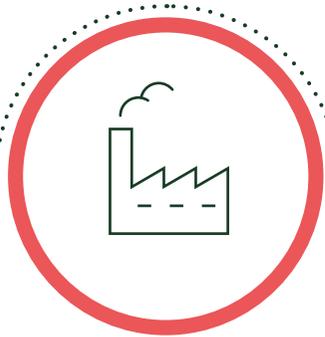
As we continue to grow our business responsibly, we ensure sustainability is fully embedded by considering our impacts and opportunities along the value chain – from raw materials to end of life.

### RAW MATERIALS

We source raw materials such as cocoa, palm oil, hazelnuts, sugar, milk and eggs to make our products. We nurture long-term relationships with suppliers to ensure they understand, practice and embrace our values. Traceability enables us to monitor how our raw materials are produced and where they come from.



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### PRODUCTION

Our products are produced in 31 Ferrero manufacturing plants globally and we work with third-party suppliers (for example to produce our KINDER® Surprise toys), aiming for the highest quality and safety standards in our manufacturing and third-party operations and managing the environmental and social impacts are high priorities.



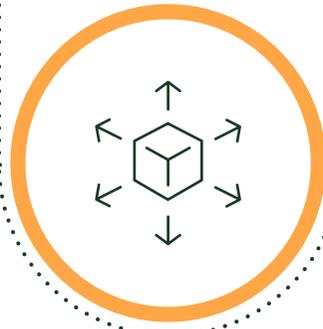
See page 12

### PACKAGING

Packaging protects the quality and freshness of our products to guarantee a delightful experience for our consumers. It is also an important means of communication with consumers, by providing clear and understandable information. The materials that go into our packaging includes for example glass, paper and plastic.



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### LOGISTICS

Our products are distributed and sold directly and through authorised dealers in more than 170 countries. We work with logistics operations to transport raw materials, semi-finished products and KINDER® Surprise materials throughout the value chain via our network of warehouses.



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### CONSUMPTION

Our products bring joy and pleasure for consumers as part of a healthy and balanced lifestyle. We do this responsibly, going beyond legal requirements with our marketing communications and ingredients information and offering serving sizes that let consumers manage their daily energy needs.



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### END OF LIFE

Packaging plays a crucial role but it can cause harm to the environment if it is not disposed of in the right way. Providing clear guidance on how to dispose of our packaging and ensuring it is reusable, recyclable or compostable is key to managing our impacts.



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## About us continued



## RESPONDING TO THE COVID-19 PANDEMIC

**During an unprecedented year, our colleagues across the globe came together to keep producing and delivering quality products to consumers and protect local communities and workers involved in our supply chain.**

**T**he health and safety of our employees, consumers and communities was – and continues to be – a foremost priority.

We deployed precautionary and hygiene measures across all our manufacturing plants to ensure they could continue to operate safely. A Coronavirus Monitoring Team was created at Group level to ensure all preventive and control measures were effectively monitored, formulated and implemented globally. In addition, a special task force ensured the procurement of protective materials such as masks, goggles, gowns and disinfectants to maintain a hygienic working environment in Ferrero premises around the world and protect our employees and workers.

As a precautionary measure to protect employees, we applied remote working where possible while guaranteeing essential services and business continuity. We are currently working on a Global Wellbeing Programme designed to provide a holistic framework for supporting the wellbeing of Ferrero people moving forwards.

Supporting the communities involved in our supply chain was a high priority. Covid-19 disrupted global supply chains and impacted communities world-wide, with smallholder farmers particularly hard hit. The stay at home measures adopted around the world to reduce transmission were not possible for many involved in sustaining global supply chains. We acted quickly to support the health and livelihoods of farmers and suppliers involved in our raw materials supply. We discuss these initiatives in more detail later in the report under each of our pillars.



**Operations**  
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**Cocoa**  
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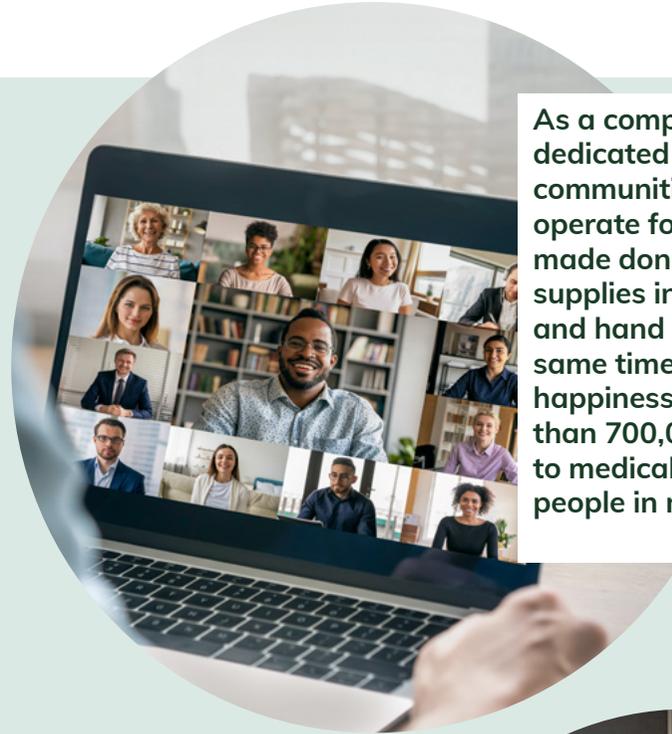
**Hazelnuts**  
See page 41



**Palm oil**  
See page 47



**Our People**  
See page 67



**As a company that has been dedicated to supporting the communities in which we operate for over 70 years, we made donations of medical supplies including gloves, masks and hand sanitisers. At the same time, we spread a little happiness by donating more than 700,000 kilos of product to medical staff, children and people in need around the globe.**



# Our sustainability approach

Building out our strategy

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## Building out our strategy

### Performance overview of Ferrero sustainability goals

**W**e have met many of our goals and developed others as our business and the context in which we operate has evolved. Here we provide an overview of our achievements.

The perimeter of our Company has changed since we first set our 2020 goals. We have worked to extend the perimeter of our reporting and sustainability standards to include recent acquisitions including Thorntons (UK), Fannie May (USA) and former Nestlé U.S. chocolate confectionery business.

The 2020 consolidated performance presented below includes the aforementioned companies for Fiscal Year 2019/2020 (1st September 2019 – 31st August 2020) unless stated otherwise.

	GOAL	PROGRESS	Achieved In progress Extended
<b>Protect the environment</b>	Achieve Group ISO 50001 certification for the 17 production sites active for Ferrero in August 2014 – excluding the plants of the Michele Ferrero Entrepreneurial Project – including power generation plants by 2020.	19 Group plants are ISO 50001 certified.  Hangzhou and Baramati, initially not included in the target scope, were certified as well.	
	100% virgin cardboard from certified sustainable supply chains.	Achieved in December 2014 and still valid.	
	100% virgin paper from certified sustainable supply chains.	Achieved in December 2017 and still valid.	
	100% of packaging to be reusable, recyclable or compostable. <i>(by 2025 at global level)</i>	82.9% reusable or recyclable or compostable.	
	Reduce absolute Scope 1 and 2 emissions by 50% from a 2018 base year. <i>(by 2030 at global level)</i>	See "About our environmental data" – page 100	
	Reduce Scope 1, 2 and 3 emissions intensity by 43% per tonne of product produced from a 2018 base year. <i>(by 2030 at global level)</i>	See "About our environmental data" – page 100	
<b>Promote responsible consumption</b>	Food safety certification (FSSC 22000) for all Group production sites by 2020.	FSSC 22000 certification achieved for all Ferrero plants.  MFEP plants (Baramati, Walkerville and Yaoundé), Bloomington and Franklin park plants, initially not included in the target scope, were also certified. Alfreton (Thorntons) and North Canton (Fannie May) certifications are on-going as they were not part of the initial scope.	



Building out our strategy continued

	GOAL	PROGRESS	Achieved In progress Extended
Source ingredients sustainably	100% cocoa beans certified as sustainable by 2020.	100% sustainable cocoa beans sourced through independently managed standards.  In addition, in January 2021 the target has been extended to include chocolate sourced from third-parties.	
	100% sustainable palm oil certified RSPO as segregated by 2020.	Reached and maintained 100% RSPO certified palm oil as segregated for Ferrero products and the acquired company Thorntons.  Overall, we have achieved sourcing 99.28% RSPO certified palm oil as segregated, with the remaining 0.72% sourced as conventional palm oil for the acquired companies Fannie May and acquired former Nestlé U.S. chocolate confectionery business due to on-going integration.	
	100% refined cane sugar from sustainable sources by 2020.	100% of cane sugar sourced through Bonsucro and Altromercato.	
	Implementation of the traceability plan for 100% of hazelnuts by 2020.	Reached 51% traceability of our sourced hazelnuts. Commitment extended with the launch of our <a href="#">Hazelnut Charter</a> .	
	100% cage-free eggs. (by 2025 at global level)	EU plants (representing 95% of Ferrero global eggs supply): 100% reached in September 2014.	
		NON-EU plants (representing 5% of Ferrero global eggs supply): in progress.	
Empower people	5% increase of women in managerial positions* by 2020 (compared to 31 August 2015).	+5% increase of women in managerial positions achieved in January 2021.	
	Promote internal initiatives to support a "culture of diversity" by 2020.	The goal is achieved, and the programme continues Read more at page 70	
	Enhance the activities of the Ferrero Foundation and of the Michele Ferrero Entrepreneurial Project by 2020.	The goal is achieved and the programme continues.	
	On-going support and expansion of the Kinder Joy of moving programme by extending it in 30 countries and moving 5 million children by 2018.	In August 2018 the programme reached 34 countries.  In August 2018 the programme "moved" 4.4 million children instead of 5 million, favouring the quality of activities rather than the quantity of children reached.	

\* Managerial positions include Middle Manager & above.

† Number of Countries reached.  
Numbers of children moved partially reached.



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## Building out our strategy continued

### What we have learnt and looking ahead

In 2020, we reached the end of our sustainability strategy for 2012-2020 which set out our Group commitments and approach to protecting people and the planet and increasing transparency across our operations. We have been undergoing a period of transition, defining new commitments and targets that will drive further progress across the period up to 2030. The new commitments will build on lessons learnt over the past decade as well as the evolving global context and changing stakeholder needs.

## 1 Protect the environment

As our Company perimeter continues to grow and expand, our previous commitments set in 2011 to achieve a 40% reduction in carbon emissions from production and a 30% reduction in emissions from transport and storage activities by 2020 will not be met. These targets were fully replaced with more ambitious science-based carbon targets for 2030.

Our science-based carbon targets for 2030, validated by the Science Based Targets initiative (SBTi) in December 2020, will be a key foundation of the new strategy. They will drive progress to reduce absolute Scope 1 and 2 emissions by 50% Scope 1, 2 and 3 emissions intensity by 43% per tonne of product produced from a 2018 base year. We have set out a roadmap for reducing Scope 1 and 2 emissions to achieve the first target and we are working with our suppliers to identify a pathway which will involve rethinking solutions with a lower carbon impact to deliver the second target. The first step is to formally document our suppliers' carbon intensity for our main materials so that we can work together to set reduction targets and monitor progress.

We partially met our 2020 commitment for self-produced electricity and there are a number of energy efficiency and renewable energy projects in the pipeline which will contribute to driving down emissions from production. In FY 2019/2020 we self-produced 46% of our energy and 97% of the thermal energy used in our operations. In Europe, we purchased 100% green electricity and the share of renewable energy increased to 20.5%.

We met our goal to expand Group ISO 15001 certification with 19 plants certified as of August 2020. The Hangzhou and Baramati plants, which were initially not included in the 2020 goal, have been certified as well.

We achieved our target of sourcing 100% paper and cardboard from sources certified sustainable. In line with industry best practice, we are now working to make 100% of our packaging to be recyclable, reusable or compostable by 2025. In FY 2019/2020, 82.9% of our packaging was recyclable, reusable or compostable.

## 2 Source ingredients sustainably

### Cocoa

We reached our target to source 100% certified sustainable cocoa beans in August 2020. In FY 2019/2020, Ferrero sourced all of its cocoa beans, close to 144,000 metric tonnes, through leading certification bodies and other independently managed standards. We also extended the target to include outsourced chocolate supplied by external third-parties.

### Palm oil

Our target to source 100% RSPO certified sustainable palm oil as segregated was met in January 2015 and we continue to meet this objective year after year. For Ferrero we reached and maintained 100% sustainable palm oil RSPO certified as segregated since 2015. Concerning the recently acquired brands, Thorntons has met the same standard of 100% RSPO certified as segregated, while for Fannie May and the former Nestlé U.S. chocolate confectionery business work is still on-going. Globally (considering the extended scope) we have achieved 99.28% RSPO certified as segregated with the remaining 0.72% sourced as conventional palm oil.



**Building out our strategy** continued**Hazelnuts**

Achieving our commitment to source 100% traceable hazelnuts is an on-going challenge; in FY 2019/2020, we achieved 51% traceability of our total sourced Hazelnuts. In some geographies – such as Chile and the USA – we achieved 100% traceability. To fulfil our ambition of full traceability down to farm level, we decided to redesign and strengthen our traceability approach, also mitigating the consequences of the Covid-19 along the industry.

We estimate to be able to trace ~60% of Ferrero hazelnuts to farmer level in FY 2020/2021.

**Other ingredients**

We reached our target of using 100% cage-free eggs within the EU (accounting for 95% of total Ferrero global eggs supply) in 2014 and we are working to achieve the expanded commitment to source only cage-free eggs and egg ingredients globally by 2025.

We committed to source 100% cane sugar from sustainable sources by 2020 and we achieved this goal a few months ahead of schedule.

We are now working to produce raw materials charters to go beyond what we are already doing for each of our main raw materials – cocoa, hazelnuts, palm oil, milk etc. The charters will set the way forward and define our ways of working to cover key risks and opportunities for each specific raw material spanning environmental protection, social issues and human rights, and traceability, auditing and transparency.

**3 Promote responsible consumption**

Product safety and quality has been a top priority over the last decade and we met our target to achieve FSSC 22000 food safety certification for Ferrero manufacturing plants including those of the Michele Ferrero Entrepreneurial Project. We continue work to extend certifications to all newly acquired plants.

We will maintain our current commitment to responsible marketing and communications and further develop our nutrition strategy, focused on four key principles serving size, high quality ingredients, food education and encouraging active lifestyles.

**4 Empower people**

Our target for 2020 was to promote diversity and deliver a 5% increase in the number of women in managerial positions against a 2015 baseline. As of January 2021, there were 29.8% women and 70.2% men among our managerial positions, achieving a 5% increase of women in managerial positions. We have launched a new three-year plan to develop the leadership, process and guidelines that are needed to support further change.

Our human rights approach has significantly matured over the past decade through collaboration with leading experts to identify our human rights risks, develop our due diligence approach and enter partnerships to scale our positive impact. Our strategic partnerships, such as with the Consumer Goods Forum (CGF) Coalition on Human Rights, the International Labor Organization (ILO) and Save the Children will help us in delivering the expected results moving forwards.

In addition to activities in our raw materials supply chains, we continue to potentialise our societal impact through social responsibility projects alongside our value chain. These include the Ferrero Foundation, Kinder Joy of moving, Michele Ferrero Entrepreneurial Project and activities of our businesses around the world. These projects will continue to be part of our sustainability approach.



**Protect the environment**  
See page 16



**Source ingredients sustainably**  
See page 31



**Promote responsible consumption**  
See page 57



**Empower people**  
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Building out our strategy continued

In the coming months, we will engage the global leadership team to identify and validate sustainability key issues as part of our materiality assessment validation to shape our new strategy.

The new strategic framework will focus on the four pillars set out last year with detailed plans and targets informed by a renewed materiality assessment and driven by a robust new governance structure.

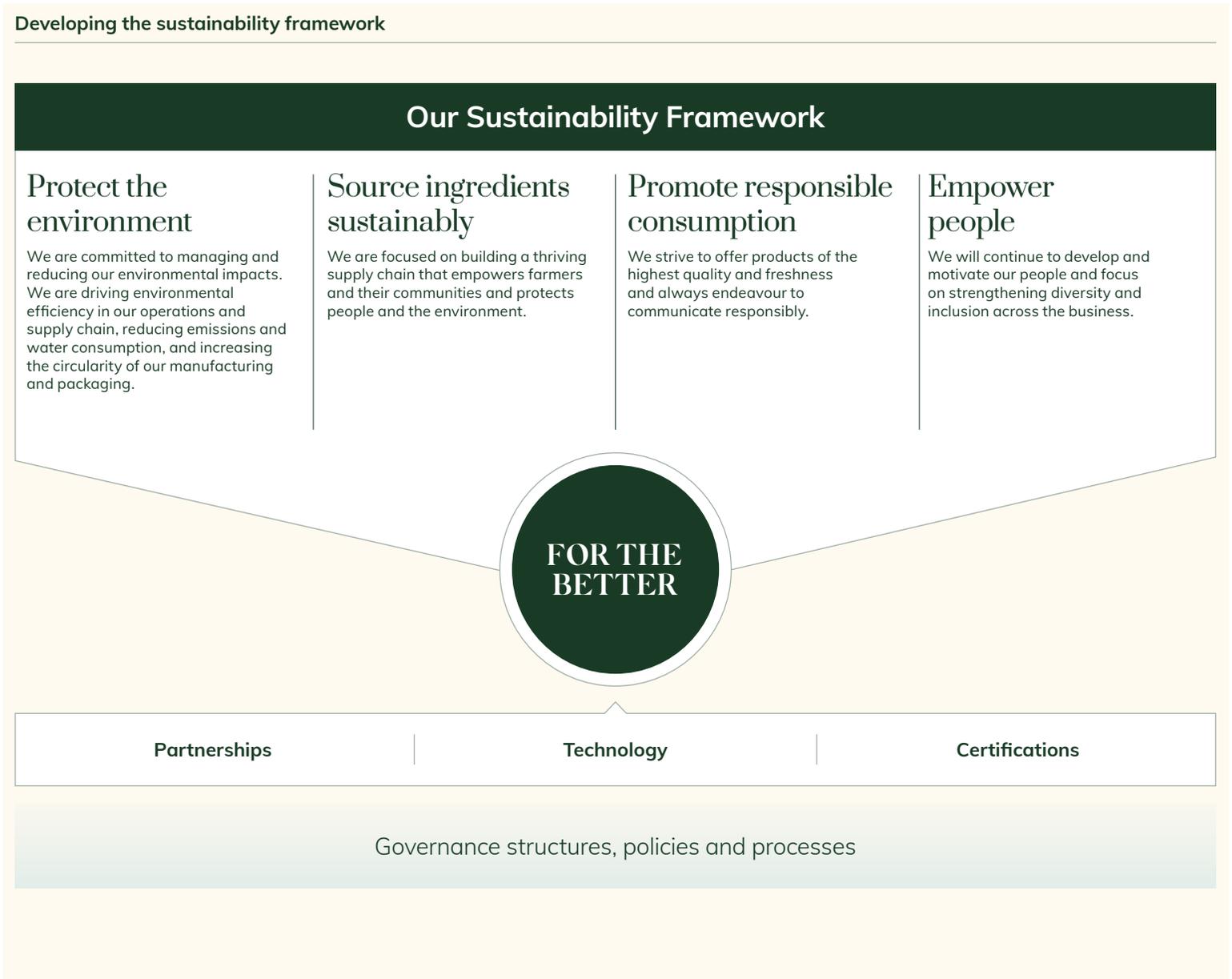
Ambitious commitments under each strategic pillar will be delivered through key enablers:

- We will work in **partnerships** to scale our initiatives and drive transformation in the confectionery sector and across global supply chains.
- We will harness the power of **technology and innovation** to achieve our goals and increase transparency.
- We will continue to use certification to provide assurance of our sustainability impact and that of our supply chain.

**Strong governance** is the foundation to build a resilient and successful organisation in which sustainability is embedded at all levels.



For more information on sustainability governance at Ferrero see page 85



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# Our progress and performance

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## 3 Promote responsible consumption

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# Protect the environment

We are committed to managing and reducing our environmental impacts. We are driving environmental efficiency in our operations and supply chain, reducing emissions and water consumption, and increasing the circularity of our manufacturing and packaging.



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## How we protect the environment

### Why does it matter?

A resilient and healthy planet is crucial for sustaining the ingredients and commodities we depend on. However, the consequences of human consumption and rising demand for energy, land and water are having a major impact on the planet.

Action on climate change is crucial to the future of society and it connects many areas of environmental management across the value chain – from energy, water and waste to biodiversity and the transition to a circular economy.

Our environmental impacts arise through our manufacturing operations, the resources we use for our products and packaging, and their end of life management. As our materiality assessment shows, climate action, packaging and the circular economy are among our top rated material issues.

### Our approach

Our strategic approach applies a precautionary principle to managing risks and opportunities that arise through our direct operations, ensuring we do not harm the environment or people.

We consider the climate impacts of our products and packaging across the entire value chain and focus on the areas where we have the greatest opportunity to achieve meaningful change. We also manage the environmental impacts of sourcing the raw materials we use to make our products as described in the Sourcing Ingredients Sustainably chapter of the report.

Our key focus areas for managing the direct impacts of our operations are:

**Climate action** – reducing our carbon footprint by driving down GHG emissions across our operations and value chain

**Energy efficiency** – reducing the amount of energy required for our operations

**Water stewardship** – responsible water use in our production processes, reducing our water consumption and managing wastewater discharge

**Packaging and circular economy** – supporting the transition to a circular economy in which packaging and the residuals from manufacturing never become waste or pollution.

Our Corporate Environmental and Energy Policy and Supplier Code set out our commitments to protecting the environment, supported by detailed operational procedures. Key elements of our approach include compliance with legislation, certification of plants, robust data collection and monitoring, and investment in technology to reduce our operational impacts.

Our plants define local action plans in line with corporate guidelines and local context. The Central Direzione Operations Sustainability, Environment and Energy (DOSEE) function works closely with local Industrial Sustainability, Environment and Energy (ISEE) managers to drive engagement and increase capabilities and best-practice sharing. ISEE Managers oversee local environment management and are the focal point for environmental topics at plants.

We support the transition to a circular economy and are working to ensure our packaging is reusable, recyclable or compostable. The Direzione Packaging Unit (DPU) department works on our packaging from concept design to the final industrialisation process, including display and point of sales materials. We use a data-based approach to design and develop our packaging – identifying the best materials, minimising impacts and communicating clear information about safe disposal. LifeCycle Assessment (LCA) enables us to link environmental aspects – such as use of natural resources and air emissions – to their impacts, ensuring improvements are meaningful across the whole product lifecycle. We have conducted the product LCA of all our main products, including their packaging.

### MANAGING THE IMPACTS OF ACQUISITIONS

We gained nine additional plants through our recent acquisitions and we are working to embed them within the scope of our reporting. Since last year, three new plants have been added to the reporting scope: Walkerville (Ferrero South Africa) and the acquired plants Bloomington and Franklin Park (former Nestlé U.S. chocolate confectionary business).<sup>1</sup>



Bloomington plant



Walkerville plant

<sup>1</sup> The following plants are currently excluded from the scope of our environmental reporting: Cameroon – Yaoundé (Ferrero – MFEP), USA – North Canton 2017 (Fannie May), Louisville 2019 (acquired from Kellogg's), Florence 2019 (Kellogg's), Augusta 2019 (Kellogg's), Chicago 2019 (Kellogg's), Spain – Alzira 2019 (ICFC), Italy – Castel d'Ario 2019 (ICFC).

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How we protect the environment continued

# RESPONDING TO THE COVID-19 PANDEMIC

While the pandemic did not cause major disruptions to our operations or production at our plants, it did impact on energy, water and waste performance. The measures we put in place to guarantee safe working condition for employees caused an increase in energy consumption and waste. Our energy consumption rose as we enhanced air exchange to avoid recirculation and mixing between rooms, along with UV-C lamp disinfection, more frequent cleaning and replacement of Air Handling Units filters. These measures will continue until conditions can be returned to normal. Plants recorded an increase in specific waste categories linked to virus protection measures such as masks, gloves and plastic bottles used for sanitiser, etc.

Reduced employee presence within the plants partly offset impacts on our environmental performance. In addition, activities in office, business travel and visits by external parties were suspended. External audit activities on our manufacturing plants were mostly performed remotely so that ISO 14001 and ISO 50001 management systems could be kept under control.



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## Climate action

**Climate change poses an increasing risk all along our value chain. Ferrero has been engaged in climate action for decades and we are accelerating efforts with specific science-based targets to reduce our climate impacts.**

**A**s an active leader in the food and beverage industry, we play an important role in helping to meet the goals of the Paris Agreement to limit average global temperature. We are committed to the Science Based Targets initiative (SBTi) – a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI) and World Wildlife Fund (WWF) to validate climate change goals in line with climate science.



**WE CONGRATULATE FERRERO FOR SETTING EMISSION REDUCTION TARGETS CONSISTENT WITH LIMITING WARMING TO 1.5°C, THE MOST AMBITIOUS GOAL OF THE PARIS AGREEMENT. BY SETTING TARGETS GROUNDED IN CLIMATE SCIENCE, FERRERO IS POSITIONING THEMSELVES AS LEADERS IN THE FOOD AND BEVERAGE PROCESSING SECTOR FOR THE TRANSITION TO A NET-ZERO ECONOMY.**



**Cynthia Cummis**, Director of Private Sector Climate Mitigation at World Resources Institute, one of the SBTi initiative partners

In 2020, we announced a new set of science-based commitments for 2030 which were validated by the SBTi in December 2020:

- Reduce absolute Scope 1 and 2 emissions by 50% from a 2018 base year;
- Reduce Scope 1, 2 and 3 emissions intensity by 43% per tonne of product produced from a 2018 base year.

We have developed a detailed roadmap to reduce emissions from plants, warehouses and main offices to achieve the first target. It mainly focuses on levers such as increasing energy efficiency and shifting to renewable energy.

These plans are continuously evolving as changes in local context influence how we will deliver our commitment, for example developments in government policy and local availability of renewable energy. Detailed “zero emission” studies are underway at our Poços de Caldas (Brazil) and Arlon (Belgium) plants to define the decarbonisation scenarios to reach the emissions targets.

For the second climate target, which also involves Scope 3 emissions, we are working together with our suppliers to reduce emissions and rethinking solutions with lower carbon impact. To reduce Scope 3 emissions, we aim to optimise supply chain logistics while supporting the continued growth in quantity and size of shipments to the market. Our strategy is focused on network and saturation optimisation, decarbonising fleets and shifting to intermodal solutions. At distribution centres, the opportunities include renewable and efficient energy use and internal and network optimisation.

### WHAT WE HAVE ACHIEVED

**We measure our Total Carbon Footprint to identify the impacts of our activities and the areas with the greatest opportunity to reduce our emissions.**

#### Scope 1

Our short- to medium-term carbon reduction approach is focused on decreasing emissions from our own operations which is the area of our carbon footprint over which we have the most direct control. Scope 1 emissions account for 7.1% of the total. We are investing in energy-efficient technologies, increasing production of on-site renewable energy, improving energy efficiency and aiming to use alternative sustainable fuels to generate energy.

#### Scope 2

Scope 2 emissions are the indirect emissions arising from purchased electricity, heat and steam. They account for 1.7% of our total carbon footprint. We can achieve positive impact by reducing Scope 2 emissions in the short to medium term. We continue to increase in the amount of renewable electricity purchased by our factories through green certification mechanisms and, where feasible, Power Purchase Agreements (PPAs).

#### Scope 3

Scope 3 emissions are the emissions for which we have indirect responsibility across our value chain, including raw materials and packaging. In FY 2019/2020, Scope 3 emissions totalled 6,023,579 tonnes of CO<sub>2</sub>eq equivalents and accounted for 91.2% of our total carbon footprint. At 61.7%, the cultivation and production of agricultural raw materials is the biggest source of Scope 3 emissions followed by packaging at 12.5% and logistics product transportation at 6.8%. Because we do not have direct control over many of these activities, involving many stakeholders and this part of our carbon footprint remains the most challenging to reduce. It will involve rethinking products and packaging and engaging with suppliers to involve them in reducing emissions. Our current focus consists in understanding and assessing our suppliers' climate commitments and emissions in order to establish a baseline and approach for future activities.

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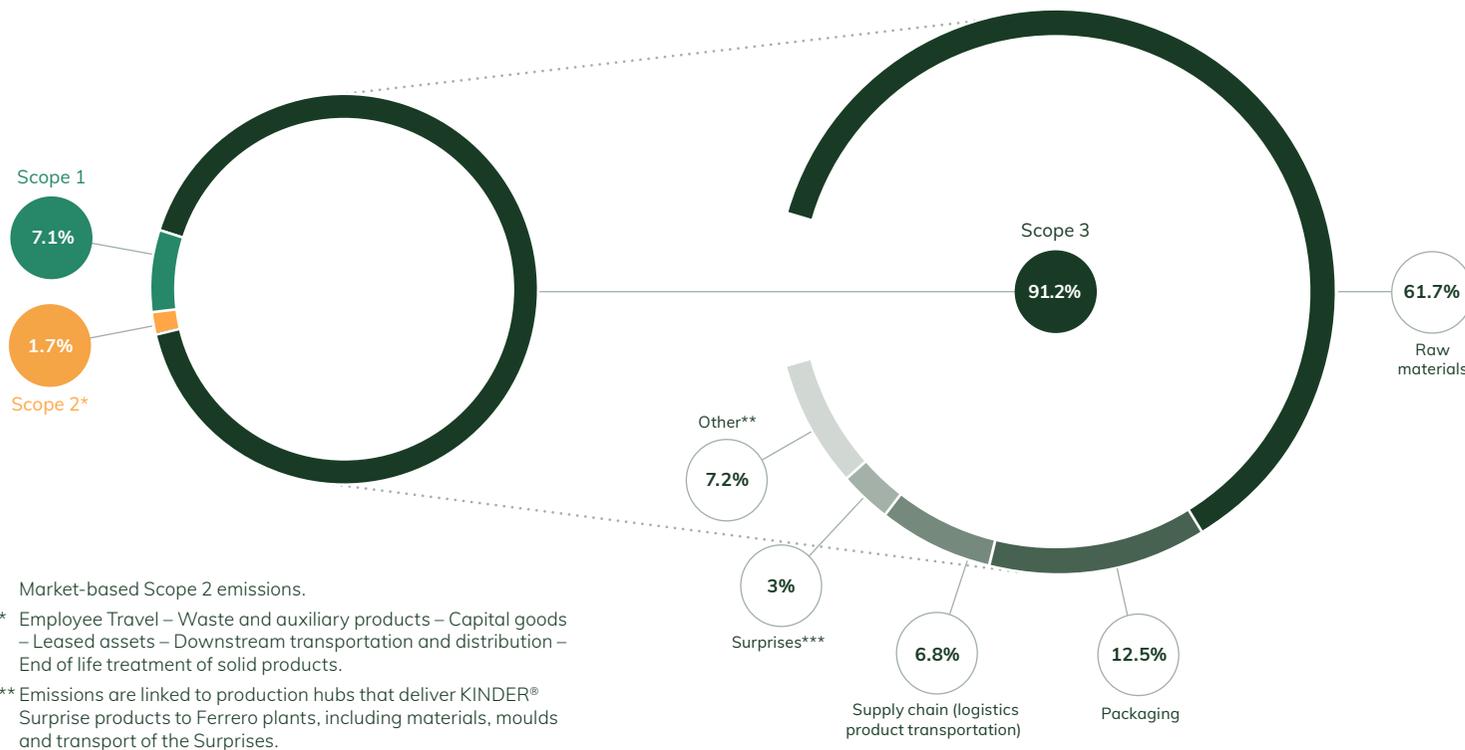


## Climate action continued

### Our performance

Scope 1 and 2 emissions remained constant in absolute value versus the previous year even considering the inclusion of three new plants in the perimeter. Our Scope 1, 2 and 3 emissions have decreased by 4.8% in intensity.

Emissions		FY 18/19	FY 19/20
GWP Emissions TOTAL (Total Scope 1 + Scope 2 Market based + Scope 3)	tCO <sub>2</sub> eq.	6,500,552	<b>6,601,490</b>
GWP Scope 1 Emissions – Total emissions	tCO <sub>2</sub> eq.	469,556	<b>466,715</b>
GWP Scope 2 Emissions – Market based	tCO <sub>2</sub> eq.	116,838	<b>111,196</b>
GWP Scope 2 Emissions – Location based	tCO <sub>2</sub> eq.	264,863	<b>288,442</b>
GWP Scope 3 Emissions – Total emissions	tCO <sub>2</sub> eq.	5,914,157	<b>6,023,579</b>



\* Market-based Scope 2 emissions.

\*\* Employee Travel – Waste and auxiliary products – Capital goods – Leased assets – Downstream transportation and distribution – End of life treatment of solid products.

\*\*\* Emissions are linked to production hubs that deliver KINDER® Surprise products to Ferrero plants, including materials, moulds and transport of the Surprises.

### MEASURING AND MONITORING

The journey towards reaching our environmental goals (packaging and climate) is constantly evolving so it is crucial to approach it strategically, supporting decisions with timely and reliable data.

We collect a significant amount of information on our entire value chain – key ones being operations, logistics, raw materials and packaging – from a number of internal and external stakeholders. In FY 2019/2020 we developed a dedicated IT platform that simplifies the whole process. Artificial Intelligence (AI) data is constantly collected from multiple sources, bots support users by performing automated checks – drastically reducing the time required and improving reliability. The results are then aggregated in a solid data pool and made available to all relevant internal stakeholders allowing internal reporting, external reporting, performance tracking and support to strategic long-term decision making.

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# Energy

## Energy efficiency is fundamental to achieving our carbon reduction goals and is central to our responsible consumption of natural resources.

The International Energy Agency's (IEA) Energy Efficiency 2020 report highlights global investments in energy efficiency projects have been decreasing since 2015 and progress has been hampered by Covid-19. This is a concern as under the IEA's Sustainable Development Scenario, energy efficiency should deliver more than 40% of the reduction in energy-related emissions over the next 20 years.

We invest assets and projects through a central CapEx programme to optimise our operations according to the best available techniques. Projects are identified through scientific assessment and engagements such as energy audits, technical assessments, employee workshops and best practices shared through our monthly sustainability meetings, internal auditors and energy experts.

### Energy efficiency in operations

We have focused on technical and behavioural improvements to reduce our energy consumption in operations. Investments in training and awareness raising, best practice sharing among plants and continuous energy efficiency improvements are delivered under the framework of ISO 50001 certification and are central to our approach.

We invest in modernising our facilities and implementing new technologies to increase energy efficiency in production. Investments over the years have included replacement of burners, improvement of machines' thermal insulation and the installation of heat recovery systems and high-efficiency motors. Additional improvements to production infrastructure include ovens with scheduled switch-off, use of efficient water pumps and installation and automation of high-energy efficiency refrigeration units, compressors and air conditioning systems. Energy efficiency improvements to lighting systems involving the installation of new LED technologies have delivered further reductions.

As we move ahead, we will identify and target energy efficiency investments in our newly acquired businesses.

**71.5%** of the purchased electricity for our manufacturing plants comes from renewable sources (FY 2018/2019: 64%)

**100%** green electricity purchased for our European manufacturing plants

	Full Scope <sup>1</sup>		Manufacturing plants only
	FY 18/19	FY 19/20	FY 19/20
Green energy consumption (%)	19.0	20.5	20.7
Purchased electric energy certified renewable (%)	63.7	68.3	71.5
Energy intensity ratio (GJ/t)	8.40	8.26	8.19

<sup>1</sup> Full Scope includes manufacturing plants and warehouses.

### WHAT WE HAVE ACHIEVED

In FY 2019/2020, we increased our energy efficiency by 1.8% and established a central CapEx programme dedicated to reducing our carbon footprint. Every year, funding will be centrally allocated to support carbon reduction projects across plants, in addition to local investment.

We have targeted investments towards increasing production of on-site renewable energy and use of alternative sustainable fuels. In FY 2019/2020, we self-produced 46.2% of the electricity and 97.2% of the thermal energy used in our operations. This year we installed photovoltaic plants at four locations: Alba (Italy), Baramati (India), Pozzuolo Martesana (Italy) and Quito (Ecuador), adding more than 1 Megawatt (MW) to the total power installed across our plants.

More than 20% of the total capacity of our own energy generation plants is now fed with renewable sources.

We are on a journey to source 100% green electricity for our plants. Despite a 7% increase in total electrical energy consumption due to the perimeter extension compared to FY 2018/2019, the renewable share increased to 43%, up 4% from previous year. Our plant at Manisa (Turkey) purchased renewable energy from the grid throughout in FY 2019/2020 and Bloomington and Franklin Park (U.S.) did so from January 2020. At the end of FY 2019/2020, 14 Ferrero plants were sourcing 100% renewable electricity, accounting for around 71% of the electricity we purchased for all our manufacturing sites worldwide. Vladimir (Russia) and Paços de Caldas (Brazil) are switching to 100% purchased renewable electricity in 2021.



Photovoltaic plant in Baramati

In September 2019, we completed the installation of a 700 kWp solar photovoltaic system on the roof of our Baramati plant's warehouse in India.

The project increased the total photovoltaic capacity installed on-site to 2.5 MWp. The plant covers an area of about 7,000 square metres and generates energy equal to about 970 MWh per year – equivalent to the energy required to meet the daily needs of approximately 900 households. 100% of the energy generated by the solar system is consumed by the factory which will deliver an annual reduction of around 1,250 tonnes CO<sub>2</sub>.

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# Water

**Water sustains life and secure access to healthy, clean water is a basic human right. As a company, we take a responsible approach to caring for local communities by ensuring our operations don't adversely impact the supply and quality of local water resources.**

Our long-term success depends on having sustainable access to water in the areas where our raw materials are sourced, our factories are located and our stakeholders live. While our products are not water intensive, our operations require a steady supply of water for operational purposes such as cooling and washing.

With climate impacts increasing pressure on water resources, especially in water stressed areas, we pursue efficient use of water resources in our production processes. Our factories set local targets on water consumption consistent with a Group long-term view on water stewardship and reducing water consumption.

**-4.3%**

**decrease in water intensity in our manufacturing plants and warehouses compared to last year**

## Water consumption

We began carrying out water audits at our plants in 2018 to identify opportunities for improvement and efficiencies. In 2019, we further developed our water scarcity risk assessment in collaboration with the Polytechnic University of Turin (Italy) to refine the methodology for determining water availability and risk in the areas where our manufacturing plants are located. In FY 2019/2020, we started using the tool which includes a water dashboard for internal benchmarking and to identify new opportunities for improvement.

## Wastewater treatment

We treat the water used in our production processes in wastewater treatment plants – either municipal or our own plants. Our aim is to reduce pollutants in our wastewater by finding alternative or more efficient washing methods and using more ecological products, sharing this approach with our suppliers.



Pozzuolo Martesana plant

### One of opportunities we have to reduce water consumption at our plants lies in optimising washing cycles and processes.

Some plants, such as Pozzuolo Martesana (Italy), have launched programmes aimed at improving Cleaning in Place (CIP) systems – the automated systems that clean our manufacturing equipment. After a dedicated technical check on the current situation, a list of possible technical improvements was defined. The plant started carrying out those actions aimed at optimising washing cycle timings and washing efficiency. This has allowed Pozzuolo plant to save more than 4,000 m<sup>3</sup> of water annually, helping the plant to achieve its own yearly water consumption target.



## Reuse and recycling

We continue to investigate and promote opportunities for water recycling and reuse within our production and our utilities processes. For example, when replacing cooling towers, a main area of water use in our factories, we evaluate options such as of dry/adiabatic technologies that pre-cool incoming air and reduce water consumption. Where we use wet cooling towers, we install treatments such as softening and reverse osmosis to enable water reuse.

One of the challenges we face is balancing the trade-offs of different activities designed to deliver improvements in the sustainability of our operations. We adopt a holistic approach when we assess investment decisions to consider all impacts including energy, CO<sub>2</sub> emissions, water and waste.

## WHAT WE HAVE ACHIEVED

Considering our manufacturing sites only, our water consumption ratio for FY 2019/2020 was 4.18m<sup>3</sup> per tonne. Water intensity decreased by around 4% on the previous year, despite the extension of the data perimeter with the inclusion of Bloomington, Franklin Park (USA) and Walkerville (South Africa) plants. This trend is mainly due to projects and initiatives in our plants such as condensate recovery and installation of adiabatic cooling towers. Many factories have addressed commitments to improve cleaning processes from a technological point of view while delivering water savings (see case study “Improvement of cleaning processes”).

Our wastewater ratio for FY 2019/2020 decreased compared to the previous year, mainly due to further improvements on internal wastewater treatment plants and reduction in water consumption.

	Full Scope <sup>1</sup>		Manufacturing plants only
	FY 18/19	FY 19/20	FY 19/20
Water consumption (m <sup>3</sup> )	5,330,059	<b>5,450,191</b>	<b>5,417,347</b>
Water consumption ratio (m <sup>3</sup> /t)	4.38	<b>4.20</b>	<b>4.18</b>
Wastewater (m <sup>3</sup> )	3,367,387	<b>3,391,409</b>	<b>3,360,181</b>

<sup>1</sup> Full Scope includes manufacturing plants and warehouses.

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## Waste

**Waste management is a global issue which has local impacts and cost implications for our business. Reducing waste through prevention, reduction, reuse and recycling is crucial to a circular economy. We see waste materials as a valuable resource and aim to keep them in use for as long as possible to reduce environmental impacts and conserve natural resources.**

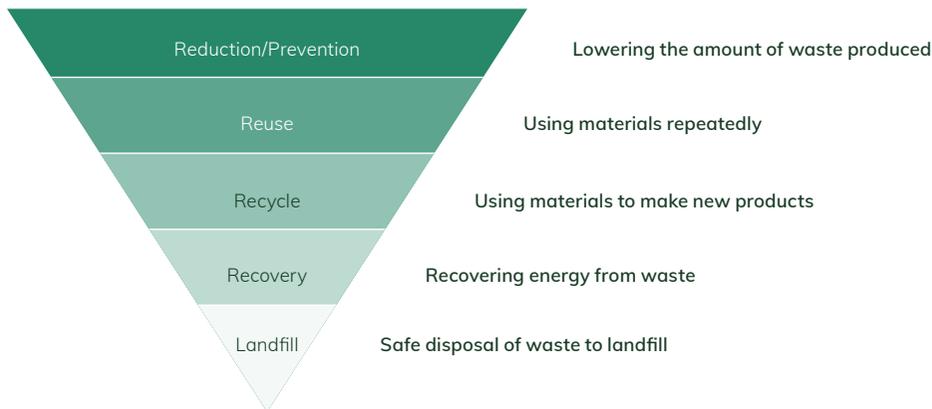
**>99%**

**10 of our production plants reached a waste recovery rate higher than 99%**

**O**ur main waste streams from our operations are paper, plastic, cardboard and the organic waste that arises from making our products. We follow the waste hierarchy principles in our management approach – eliminating and reducing waste and prioritising recycling and reuse.

Our operations set local waste management reduction targets and commit to zero waste to landfill. We are constantly exploring new ways to use our waste materials in collaboration with suppliers and other industry sectors, for example through the upgrade of waste materials to by-products that have value in other applications.

### Waste management hierarchy



### WHAT WE HAVE ACHIEVED

Considering our manufacturing sites only, the waste ratio recorded by the Group decreased from 77.6 kg/tonne in FY 2018/2019 to 71.5 kg/tonne in FY 2019/2020. This decrease was mainly due to waste reduction projects, namely efficiency improvements to production lines and increased reuse of wooden pallets and cardboard. In some cases, local legislation allowed us to upgrade previous waste materials to by-products.

We succeeded in reducing our waste in absolute terms by almost 6% despite the extension of the data perimeter, the impact of new products and installation of additional production lines at some plants. Our waste recovery rate remained constant at 96.6%. This was achieved through better waste separation at plants and engagement with suppliers to find more sustainable treatment solutions.

Four factories have achieved 100% recovery: Baramati (India), Bloomington (USA), Cork (Ireland) and Hangzhou (China). Another six production sites reached a recovery rate higher than 99%: Alfreton (UK), Arlon (Belgium), Franklin Park (USA), Pozzuolo M. (Italy), Stadtallendorf (Germany) and Villers-Écalles (France).

	Full Scope <sup>1</sup>		Manufacturing plants only
	FY 18/19	FY 19/20	FY 19/20
Waste production ratio (kg/t)	82.2	<b>72.9</b>	<b>71.5</b>
Total waste (t)	99,988	<b>94,553</b>	<b>92,794</b>
Percentage of recovered waste	96.8%	<b>96.1%</b>	<b>96.6%</b>

<sup>1</sup> Full Scope includes manufacturing plants and warehouses.

### GOOD RESULTS FROM EFFECTIVE WASTE MANAGEMENT



**Our Poços de Caldas plant (Brazil) has adopted strategies to reduce its waste impacts by collaborating with waste suppliers, improving processes and raising employee awareness.**

Local campaigns have enabled the reuse of 100 tonnes of wooden pallets and 40 tonnes of cardboard. Plastic waste has also been reduced in the office by handing out reusable cups and flasks to employees. The plant increased its waste recovery rate by eight percentage points in FY 2019/2020, from 89% to 97%. This was achieved by working with waste treatment providers to identify waste streams and local facilities and by finding opportunities to shift to more sustainable treatment processes (e.g. canteen waste sent to composting).

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## Compliance and certification

**Compliance with applicable environmental and energy laws, regulations and site permits is fundamental to our success and helps to drive continuous improvements and transparency across our operations.**

**W**e are committed to implementing and maintaining multi-site certification, compliant with ISO 14001 and ISO 50001 for environmental and energy management standards. Our Environmental Management System (EMS) has been certified in compliance with ISO 14001 since 2012.

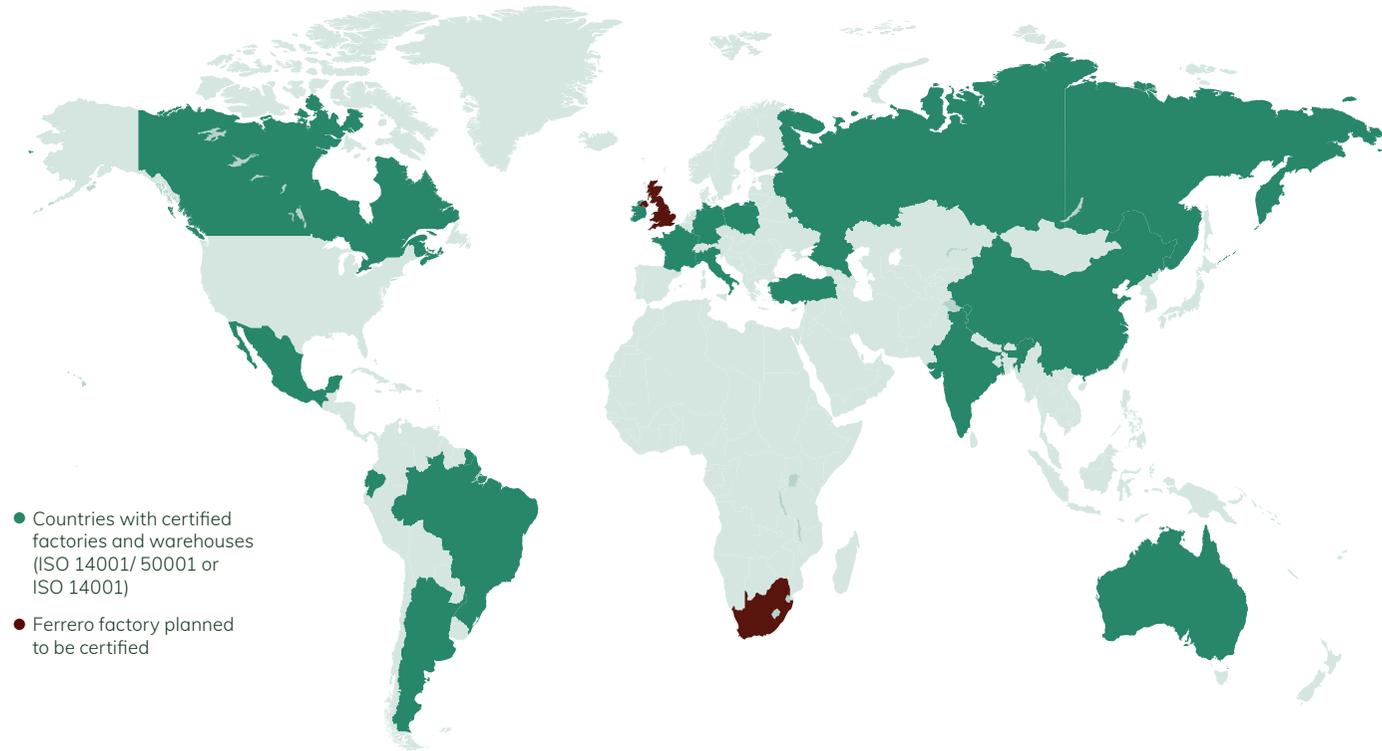
At the end of FY 2019/2020, 21 of our factories and all warehouses directly managed by Ferrero Group were certified according to the ISO 14001 standard. As per our medium-term plan, we will extend the ISO 14001 certification to Alfreton (UK) and Walkerville (South Africa) plants in 2021. Franklin Park and Bloomington plants (USA), both independently ISO 14001 certified, will be included in our Group multi-site certificate in the coming years.

We committed to achieve Group certification against the ISO 50001 standard for energy management for 17 production sites active in August 2014. With the addition of Baramati (India), La Pastora (Argentina), Quito (Ecuador) and San José Iturbide (Mexico), 19 plants were ISO 50001 certified as of August 2020, exceeding the original target.



The full list of manufacturing plants can be found on page 5

### ISO 14001 and ISO 50001 certification



### Operations audits and compliance

All operations plants are periodically audited to verify compliance with the four-pillar standard within the SMETA audit approach – a methodology using best practice ethical audit techniques to help auditors conduct high quality audits that encompass all aspects of responsible business practice. The approach covers the four pillars of labour, health and safety, environment and business ethics.

Due to pandemic travel restrictions, many internal audits were carried out remotely. The programme of on-site cross-audits will be resumed as soon as possible.



## Logistics

We aim to optimise supply chain logistics to reduce emissions while supporting the continued growth in quantity and size of shipments to the market.

**F**errero Logistics is responsible for approximately 7% of total value chain CO<sub>2</sub> emissions. We are committed to reduce the environmental impact of logistics in line with our SBTi targets, including Scope 1, 2 and 3 (see page 19).

Measuring performance and creating granular transparency across logistics operations is key to identifying the activities that have the greatest impact and potential to help deliver our climate change targets.

Our strategy for reducing emissions from logistics will be deployed through a number of levers across transport and distribution centres:

**Transport** – network and saturation optimisation, decarbonising fleets and shifting to intermodal solutions

**Distribution centres** – renewable and efficient energy use, internal process and network optimisation.



**To reduce the impacts of logistics, we require granular information that provides transparency over the impacts and opportunities for improvement.**

In FY 2019/2020, we carried out a pilot project in four regions to increase end-to-end visibility using specific logistics and shipment information and calculations.

The method considered "well-to-wheel" information covering the entire flow of energy using a Global Logistics Emissions Council (GLEC)-certified measuring tool. By tracking GHG emissions and generating detailed region, lane and yearly overview reports, we were able to identify opportunities for improvement. We will continue to expand the scope of the project and automate data collection to optimise the network and share knowledge internally.



## Packaging

**Packaging is an essential enabler to deliver an outstanding taste performance for consumers. It also ensures food safety and quality, reduces food waste and communicates transparent information to consumers. The design and development of our packaging is central to the transition towards a circular economy where packaging never becomes waste.**

**S**ustainable packaging is a key topic for our business and our stakeholders. As part of our support for the circular economy, we announced a commitment to make 100% of our packaging to be reusable, recyclable or compostable by 2025.

We signed the Ellen MacArthur Foundation's New Plastics Economy Global Commitment in 2019 and became members of the Ellen MacArthur Foundation's New Plastics Economy Initiative in 2020, reflecting our ambition to play an active role in eliminating problematic and unnecessary plastic packaging through redesign and innovation.

We face some challenging years ahead as we work to deliver this step change and bring new sustainable packaging designs to market, especially across our recent acquisitions. Projects require investment in R&D and packing lines and finding the right solutions takes time. We are fully committed to the investments required in our packaging lines and equipment to achieve our commitment for 2025.

### Our roadmap to 2025



### Our approach

Offering the highest-quality products is a key pillar of the packaging design process. Consumer safety and product quality remain at the centre of our decisions when we design and develop our packaging. Increasing the circularity of our packaging is the second pillar. We use fact-based data and invest time and resources in testing, exploring and developing opportunities to increase circularity in packaging.

**Reusable** means packaging has been designed to accomplish a minimum number of trips or rotations in a system for reuse so that it is refilled or used for the same purpose for which it was conceived.

**Recyclable** means packaging has been designed to be successfully collected after use, sorted and recycled – in practice and at scale. Recycling is a manufacturing process used to obtain secondary (recycled) raw material. It excludes energy recovery and the use of packaging as a fuel.

**Compostable** means packaging has been designed to be successfully collected after use, sorted and composted – in practice and at scale. Compostable packaging is made of materials which biodegrade under specific or controlled conditions e.g. forced aeration, temperature, etc.



Packaging continued

**THE NUTELLA REUSABLE JAR**



Reuse can change the way we think about packaging as a high-value asset that can benefit consumers, our business and the planet. According to the Ellen MacArthur Foundation, reusable packaging plays the most virtuous role in the transition towards a circular economy.

We have partnered with Loop, a TerraCycle company leading on return and reuse and systems, to pilot a reuse business model for Nutella. In 2020, Nutella joined forces with Loop and Carrefour to launch a pilot scheme in the Paris region of France. Shoppers can purchase a specially designed reusable Nutella jar for which they pay a deposit.

Empty jars are collected for washing and returned to the Ferrero plant to be refilled and put back into the loop for repurchase. Our in-house design team worked closely with Loop's experts to develop the new jar.

It meets all the criteria for reuse such as being durable, safe, hygienic and featuring a label and seal that can be easily removed during the wash cycle.

The resulting packaging features include:

- embossing on the front of the jar to remove the paper label and enhance the uniqueness of the jar with a special design;
- a wash-off label on the back of the jar, reporting nutrition information and other essential information, which is easily released during the washing process, removing all glue residual from the glass; and
- an induction sealing system applied to the rim of the jar to avoid glue residuals and facilitate the washing of the jars.

**Evolving our packaging**

We use around 39% glass and 37% paper and cardboard in our packaging, followed by 17% rigid plastic, 5% flexible plastic and 3% other materials, such as metals and wood. When considering the whole lifecycle of our products, packaging contributes 12.5%<sup>6</sup> on average to our overall CO<sub>2</sub>e emissions.

We must take a balanced view when assessing the impacts of our packaging. The food waste that would occur if products were not properly protected by packaging could generate much higher environmental impacts than the packaging itself.

<sup>6</sup> Data has been calculated based on the lifecycle of Ferrero main products (excluded products with Surprises).

To reach the goal of 100% of our packaging portfolio being reusable, recyclable or compostable, our packaging designers are carefully selecting and combining materials so that the final packaging can be successfully disposed of, collected, sorted and reprocessed.

We have been working to our 5Rs guidelines for many years and have achieved a rich pipeline of projects to remove unnecessary packaging, reduce packaging weight and promote reuse of our packaging.



[Read more about our 5Rs guidelines at Protect the environment | Packaging Ferrero Sustainability](#)

**Materials used for Packaging Applications (2019-20)**

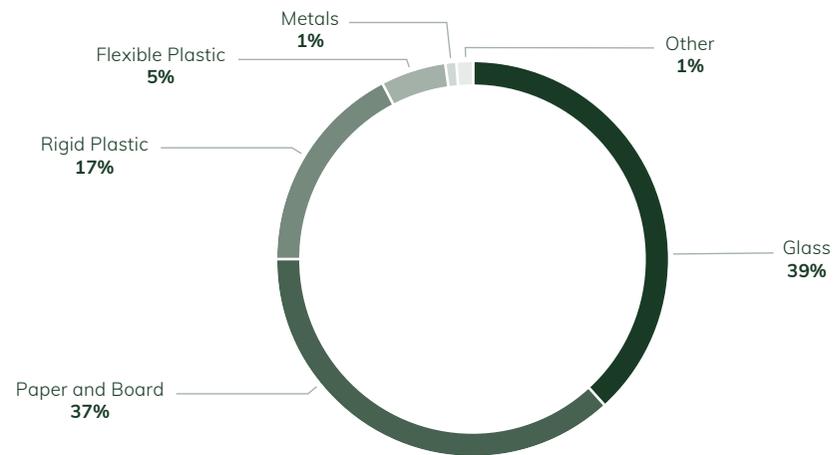


Figure 1 – Materials used for packaging applications (FY 2019/2020. Includes food packaging and surprise packaging. Data from plants acquired in 2018 (Bloomington and Franklin Park – USA) are included in this analysis).



## Packaging continued

### Our performance

In FY 2019/2020, 82.9% of our packaging was recyclable, reusable or compostable, up from 81.7% in FY 2018/2019.

This included glass, paper, cardboard, aluminium, wood, some plastic packaging and other materials used for both food and surprise packaging applications.<sup>7</sup>

We aim to use recycled materials in our packaging where regulations, quality requirements and technology allow. This is already the case for glass, aluminium, plastic and paper materials for selected applications. Recycled aluminium is widely used in all aluminium cans.

For glass and plastics, we aim to maximise recycled content according to regulatory frameworks and supply chain availability. We use over 33%<sup>8</sup> recycled glass in our Nutella® jars. We plan to use at least 50% of recycled PET in all of our PET bottles by 2025, with the first range of products with recycled PET on the market in 2021. When it comes to paper-based products, where we cannot use recycled paper for safety reasons our sourcing strategy ensures we use only virgin paper and cardboard from sustainable certified sources.

Packaging	FY 18/19	FY 19/20 (extended scope) <sup>9</sup>
Recycled materials in packaging	34.2%	<b>34.6%</b>
Renewable materials in packaging	36.9%	<b>36.5%</b>
Reusable, compostable or recyclable packaging	81.7%	<b>82.9%</b>

7 Data from plants acquired in 2018 (Bloomington and Franklin Park – USA) are included in this analysis.

8 Average annual recycled content referred to glass used in jars, calculation based on information provided by packaging suppliers.

9 Data from the 21 plants analysed in 2020 and plants acquired in 2018 (Bloomington and Franklin Park – USA) are included in this analysis.

## ULTRATHIN FLEXIBLE FILMS



**Flexible films are an ideal packaging material for many food applications because they offer excellent barrier properties and are very lightweight. Maintaining barrier properties is an important priority as materials need to guarantee quality and protection throughout handling and transport.**

We have been working to adopt mono-material flexible packaging in line with design guidelines that enable greater recycling. We decided to go further by reducing the amount of material as well as improving recyclability. In close collaboration with leading-edge upstream suppliers, our packaging team developed a material for direct food contact with around

20% thickness reduction versus standard films. The first ultrathin flexible films with reduced environmental impact will be implemented on selected products, including KINDER® Bueno, starting in 2022. This will lead to an annual reduction of about 550 tonnes of materials and about 1,450 tonnes of CO<sub>2</sub> equivalent. The benefits will increase as the new packaging material is rolled out to other products in the coming years.



## Packaging continued

### Partnerships and collaborations

To achieve our packaging commitments, we will need to engage with actors across the packaging supply chain – from municipalities and recyclers to suppliers and consumers. Our network of collaborations is rapidly expanding to include strategic alliances, technical partnerships and communication/ education initiatives.

Our packaging team contributes expertise to technical working groups to support the harmonisation of eco-design guidelines, development of new materials and technology, and new test protocols for the recyclability of materials that are relevant to our current and future projects.

### In 2020 we launched two strategic collaborations with 4evergreen and with the Coalition of Action on Plastic Waste.



**4evergreen** – a cross-industry alliance aiming to optimise the circularity of fibre-based packaging and reduce its environmental impact. 4evergreen enables cooperation between companies along the entire value chain – from brand owners to material suppliers and recyclers. Members aim to raise the recycling rate of fibre-based packaging to 90% by 2030. 4evergreen put in place four work streams with relevance for Ferrero:

- development of harmonised test protocols for the assessment of fibre-based packaging recyclability;
- development and alignment of design guidelines for fibre-based packaging;
- boosting collection and sorting of fibre-based packaging; and
- development of sorting and recycling technology with a focus on innovative materials as paper materials replace some plastic applications offering new barriers and enhanced properties.



**Coalition of Action on Plastic Waste** – under the Consumer Goods Forum (CFG), the Coalition of Action on Plastic Waste includes 40 member companies committed to stopping plastic waste ending up in nature – both land and sea. To achieve this goal, Ferrero is contributing to three workstreams:

**Design for recycling:** aims to align a critical mass of companies behind common packaging design guidelines and principles for flexible and rigid materials.

**Extended producer responsibility (EPR):** aims to promote industry view on EPR programmes and the adoption of an aligned framework for efficient, effective and sustainable EPR schemes.

**Chemical recycling:** aims to scale up alternative processes to complement mechanical recycling, especially for flexible packaging, engaging key stakeholders to ensure broad support among investors and upstream suppliers.



Packaging continued

Engaging with consumers

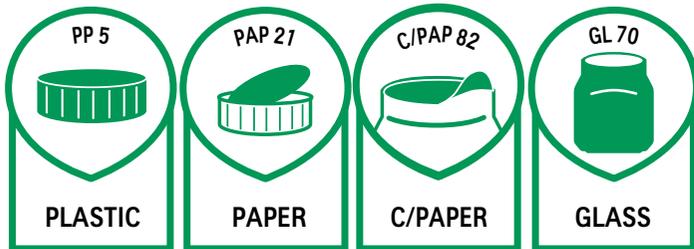
Consumers have a central role to play in making packaging more circular. Providing clear information on how collection systems work and how they can help keep packaging materials circulating in the economy as resources – not waste – is key.

Through our known and trusted brands, we aim to play a relevant and educational role in sharing knowledge and tools so that everyone can contribute to the transition towards a circular economy. Our end use label informs consumers about which material the packaging is made of so that it can be easily collected for sorting after use. We do this through simple pictograms on the label.

The labelling system also indicates to the consumer where to dispose of the packaging after use. We always recommend checking local municipality instructions in case of specific sorting rules. We are monitoring regulations that aim to harmonise labelling systems across countries. Where well established end-of-life packaging labelling systems exist, we endorse these systems. We consult local labelling systems, such as the On-Pack Recycling Label scheme (OPRL) in UK, how2recycle in USA, the Australasian Recycling Label (ARL) in Australia and New Zealand when developing our approach.



Read more about engaging consumers on Nutella Jar recycling



## SIMPLIFYING THE KINDER® CHOCOLATE WRAPPER

A key focus of packaging reduction is on reducing consumption of resources and enabling recycling to alleviate pressure on current recycling infrastructure.

We are in the process of removing a packaging component from the wrapping of KINDER® Chocolate in Central and South America, while still delivering the required quality and protection standards during handling and transport. KINDER® Chocolate used to be packaged with an inner wrapper and an outer wrapper made of two separate materials.

The combination of the two films has allowed us to maximise product quality, improve packaging aesthetics and deliver packaging line efficiencies. We have achieved the same results with a specially developed mono-material wrapper for KINDER® Chocolate which, when rolled out, will deliver a reduction of about 26 tonnes of packaging material per year.

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# Source ingredients sustainably

We are focused on building a thriving supply chain that empowers farmers and their communities and protects people and the environment.

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## How we source ingredients sustainably

### Why does it matter?

Responsibly sourcing safe, high-quality ingredients is crucial to our products and our stakeholders. The business benefits of sourcing responsibly are clear – it helps to ensure the high quality we are looking for, reduces risk, drives innovation and promotes transparency in our supply chains.

Responsible sourcing also benefits the farmers and communities we source from – improving livelihoods, increasing financial resilience and addressing systemic issues such as child labour and deforestation. Covid-19 disrupted global supply chains and impacted communities world-wide, with smallholder farmers particularly hard hit. The “stay at home” measures adopted to reduce transmission and protect the health of populations were not possible for a significant part of the population involved in sustaining global and national supply chains. We acted quickly to support the health and livelihoods of farmers and suppliers. Case studies are provided for our three main ingredients throughout this chapter.

### Our approach

Our approach to responsible sourcing is embedded in the way we do business. Responsible Sourcing is the way we build our supply chains across all our categories and this has become a non-negotiable requirement of the Procurement Leadership at Ferrero.

Our approach to responsible sourcing is built around a robust due diligence, supplier management, traceability and transparency, certification and standards, partnerships and collaboration. Building long-term relationships and supply chain transparency is deep-rooted in our culture. And when we believe all of this is not enough, we invest in our supply chains through targeted mitigation programmes to improve the environmental, social and governance (ESG) conditions and the standards of the supply chain.

We don't apply an “either-or” approach to our categories and supply chains. We increasingly cover all our sourcing categories with a “protection” approach that is based on the risk assessed for each sourcing category. All the suppliers of the Group across all spend categories (direct materials and/or services) need to undergo a minimum level of due diligence and risk assessment.

### Responsible Sourcing strategy based on a Four Steps Approach: the higher the risk, the stronger the level of understanding and protection of the supply chain



We are able to trace all our relevant raw materials back to origin (palm oil and cocoa are mostly traceable back to plantation/farmer, while milk and eggs have a high level of traceability, which will continue evolving). Most of our direct spend categories (raw and packaging materials), follow strict sustainability standards – for example RSPO for Palm Oil, independently managed standards like UTZ, Fairtrade for Cocoa, FSC/ PEFC for our virgin paper, Bonsucro for our cane sugar. When we decide to embark on a standard, we always aim for full coverage of our supply chain.

When this is not enough, we invest directly. Our recent partnerships with Save the Children in Ivory Coast and Ghana, ILO in Turkey and Earthworm in South-East Asia are a clear sign that the Group is selecting strategic partners to make a difference to the supply chains in which we operate.



## How we source ingredients sustainably continued

### Supplier risk management and due diligence

Supplier management enables us to find ways to measure and improve supplier practices. It includes risk and opportunities analysis, compliance and improvement activities and capability building.

Our robust due diligence approach is designed to ensure suppliers are aligned with and adhere to the Supplier Code. It comprises three steps, which apply to the whole portfolio of suppliers of the Group:

1. Prioritisation to identify major risks based on ESG risk scoring
2. Supplier assessment
3. Verification and audit to monitor and mitigate high risk issues

Depending on the risk categories identified in step one, we may ask suppliers to provide certain assurances, standards or certifications or to undergo third-party audit and/or other assessments such as risk and impact assessments to ensure they are operating in line with our requirements.

We are on a journey to assess and prioritise all Ferrero suppliers using the due diligence approach. We are sending the Supplier Code and a responsible sourcing assurance questionnaire to all prioritised suppliers to explore, request and collect certifications and standards.

The process started in July 2020 and in August we had already enrolled around 300 suppliers. By the end of FY 2020/2021, ~4,200 suppliers will undergo the process including all suppliers in raw material categories and mid-high risk suppliers in all other categories.

We work with the Supplier Sustainability Assessment platform, EcoVadis, to run assessments and maintain transparency over our supply chain. The EcoVadis Assessment Methodology covers 21 criteria across the four main topics of Environment, Labor & Human Rights, Ethics and Sustainable Procurement Practices.

As output of the Due Diligence process, we have run the first EcoVadis campaign. In August 2020, to assess 60 suppliers within Packaging, Supply Chain, General Procurement and Technical Procurement purchasing categories: around 50 suppliers completed the assessment with an average score of ~42 out of 100, in line with average EcoVadis score.

The second EcoVadis campaign launched in January 2021 includes 224 suppliers and it will continue until all high-risk suppliers have been assessed with a minimum EcoVadis score of 45 out of 100. Below this score, Ferrero will require them to carefully follow a proposed remediation plan.

By August 2021, in total around 1,000 suppliers will be invited to undergo an EcoVadis assessment.

We also engage with selected suppliers, based on the initial risk assessment, through the third-party audit management Platform, Sedex. The SMETA (Sedex Members Ethical Trade Audit) methodology and platform, Sedex Advance, allows us to request and verify social audit reports from our suppliers covering four key areas: labour standards, health and safety, environment and business ethics.



## How we source ingredients sustainably continued

### Traceability and certification

We can only meet our commitments to quality and responsibility if we know from where our raw materials originate and how they were produced. We source our raw materials from hundreds of thousands of smallholder farmers and we need to engage them to understand the issues they face, identify challenges and provide the right support.

Traceability is an essential building block of a fair and sustainable supply chain. We expect our suppliers to support this commitment by being transparent over their own activities and those of their supply chains.

Farmer mapping is a tool for improving traceability of raw materials like cocoa, palm oil and hazelnuts. Knowing the location and size of each farm makes it possible to trace raw materials to the farm gate level. This allows us to know where, how and by whom our raw materials were grown so that we can target interventions, support sustainable livelihoods and prevent risks such as deforestation, child labour and forced labour. Certification schemes, when available, are an additional lever to our approach. They provide third-party assurance that specific traceability requirements and sustainability standards set by independent bodies have been met.

### Policies, certifications and standards

We expect our business partners to uphold our Code of Business Conduct and Human Rights Policy Statement at all times. The Ferrero Supplier Code, which contains the key pillars of the Human Rights Policy Statement, was published in June 2020 and engages suppliers on a journey of continuous improvement through the due diligence approach already described.

The Code covers three pillars: human rights and social practices; environmental protection and sustainability; and supplier transparency.

The Ferrero Supplier Code applies across all spend categories of the Group. It defines the minimum requirements and expectations of Ferrero and must be acknowledged by each supplier engaging in a commercial relationship with the Group. This is a key condition for working with us.

In addition, we are developing Commodity Charters (e.g. the Hazelnut Charter and Palm Oil Charter) which vertically cover all the Group requirements and commitments for a specific spend category, which we will be continuing to develop in Fiscal Year 2020/2021.

These charters set out the minimum requirements our suppliers must meet in full alignment with the Supplier Code and due diligence process and define which sustainability certifications and standards we require for that specific spend category including the level of traceability we aim for (specifying adopted methodology and technology). In addition to this, the Charters outline the commitments the Group is willing to put forward to further improve the conditions of own supply chain ("Going Beyond").

### Mitigation programmes delivered through partnerships and collaboration

Because some of the sustainability challenges faced in different supply chains are deep rooted and complex, we partner with NGOs, scientists, universities, local and national authorities, peer companies, industry bodies, suppliers and other stakeholders to achieve our ambitions. When we evaluate that due diligence, traceability and standards are not enough to improve the "quality" of our supply chains, we invest directly together with trusted partners to deliver impact on the ground: key partnerships are described for each of our main raw materials throughout this chapter.

### IMPACT OF MERGERS AND ACQUISITIONS

For each business that becomes part of Ferrero Group, the first step is the investigation and establishment of a transition roadmap toward overall Group responsible sourcing standards. The implementation of these actions is dependent on specific market and supply chain conditions, including some enabler such as: traceability, segregation, certification and standards.

For example, we extended our commitment to source 100% sustainable cocoa sourced through independently managed standards to the acquired Fannie May and former Nestlé U.S. chocolate confectionery business (see page 38). We are also providing transparency over our newly acquired businesses to deliver our commitment to source only sustainable palm oil that is certified 100% RSPO Segregated (see page 49).



[Download our Human Rights Policy Statement](#)



[Download the Ferrero Code of Business Conduct](#)



[Download the Ferrero Supplier Code](#)



[Download the Ferrero Hazelnut Charter](#)



[Download the Ferrero Palm Oil Charter](#)

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## Cocoa

## Cocoa

**Cocoa is a fundamental ingredient in Ferrero products. Our quality promise to consumers drives us to specify strict quality standards in how we source and process our cocoa. This has a direct impact on the sustainability of the cocoa supply chain.**



**F**errero recipes have strict requirements when it comes to the origins of our cocoa. Today, we source the cocoa used for Ferrero products from six origins. Ivory Coast and Ghana are our two main sourcing origins, complemented by Nigeria, Cameroon, Ecuador and Colombia.

One of the things that makes Ferrero distinctive is that we source 75% of our cocoa as raw beans which we process in-house at our three processing plants. This means we can produce the cocoa butter, liquor and powder we require in the right way, using our know-how to give our products their unique taste. Nutella, for example, contains only in-house processed cocoa powder. One of the key advantages is that it means almost 100% of our cocoa beans are physically traceable from farmer group level to plants. Also called “segregated”, we know where our cocoa beans come from and we can guarantee that this cocoa ends up in the products we bring to market.

The cocoa beans we buy meet specific quality requirements, often surpassing industry standards. When they are delivered to our manufacturing plants, they must pass meticulous quality checks before being accepted and used in our products.

### What are the challenges?

Cocoa farmers can face significant challenges when it comes to securing a sustainable living. Poverty rates are high and the majority of small-scale cocoa farmers earn an income that is below the poverty line set by the World Bank. Poverty is a significant driver of systemic issues in cocoa producing countries like Ivory Coast and Ghana including child labour, forced labour and deforestation. This is exacerbated by limited agricultural knowledge and poor access to equipment and resources.

Child labour is a long-term systemic issue among cocoa growing communities in Africa. The root causes are many and complex. They include poverty, gender inequality, lack of awareness, poor access to education and lack of birth certificates which are required for children to attend school.

Breaking the poverty cycle and making cocoa farming a profitable business is key to driving sustainable, long-term change. The focus needs to be on taking care of today’s cocoa farmers and inspiring youth to become the cocoa farmers of the future. It requires a multi-stakeholder approach that spans the entire cocoa supply chain.

While the long-term impact of climate change on cocoa production remains uncertain, it is expected that increasing temperatures will impact cocoa productivity and quality, along with an increase prevalence of pests and disease. Changes in the suitability of current cocoa growing areas could pose a risk of further deforestation. Adaptation strategies, such as switching to Climate Smart Cocoa practices (see page 40), planting shade trees and income diversification, can help to reduce the impacts.

### Our approach

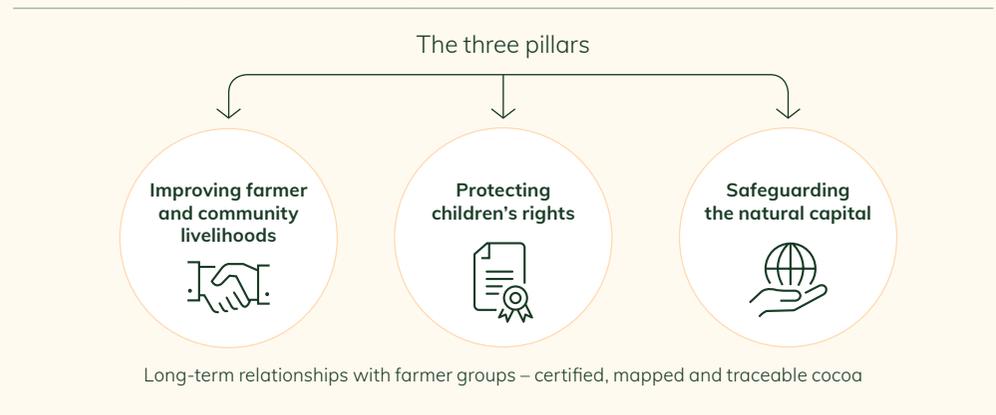
We are committed to actively contributing to a sustainable and responsible cocoa supply chain by working with all relevant stakeholders. Our objective is to make producing cocoa profitable and attractive for farmers while protecting the rights of children and safeguarding the environment that cocoa farmers depend on for their income.

We apply the Ferrero due diligence as a minimum requirement to all our Tier 1 suppliers; in addition we support the farmers and communities in our direct supply chain through our FFV Cocoa Programme, an integrated approach based on three pillars in total alignment with the World Cocoa Foundation “Pathway Strategy” (1. Improving farmers’ livelihoods 2. Protecting children’s rights 3. Safeguarding the natural capital). Implementing partners including direct suppliers, farmer groups and NGO partners such as Save the Children help deliver our objectives on the ground.



Cocoa continued

Ferrero Farming Values Cocoa Programme



Ferrero has a strong focus on delivering impact beyond its direct supply chain to contribute to positive change across the entire cocoa value chain. We are a long-time member of the World Cocoa Foundation and the International Cocoa Initiative. We are also a founding member of the Cocoa & Forests Initiative.

In 2020, we announced our intention to support two public-private initiatives (PPIs), the Child Learning and Education Facility (CLEF) and the Early Learning and Nutrition Facility (ELAN) which aim to promote quality education and early childhood development for over 6 million children in Ivory Coast.

Certification and traceability

It is crucial that we deliver on our promise to consumers to provide products of the highest quality and freshness, produced in a responsible way. We do this in three key ways:

- Sourcing cocoa beans that are physically traceable to the farmer groups and that are not mixed with non-certified cocoa from unknown sources.
- Sourcing cocoa through leading certification bodies and other independently managed standards.
- Collecting information and processing it with technology to map farms and sourcing areas so that we know their location, size and productivity.

We source our cocoa under different sustainability schemes including UTZ, Rainforest Alliance, and Fairtrade.

How much of our cocoa is certified?

Almost 10 years ago, Ferrero made a bold commitment to source 100% sustainable cocoa beans via independently managed standards by the end of 2020. We have made steady progress year-on-year. In FY 2019/2020, Ferrero sourced all of its cocoa beans, close to 144,000 metric tonnes, through leading certification bodies and other independently managed standards. We reached our 100% target in August 2020.

Extending our commitment to outsourced chocolate

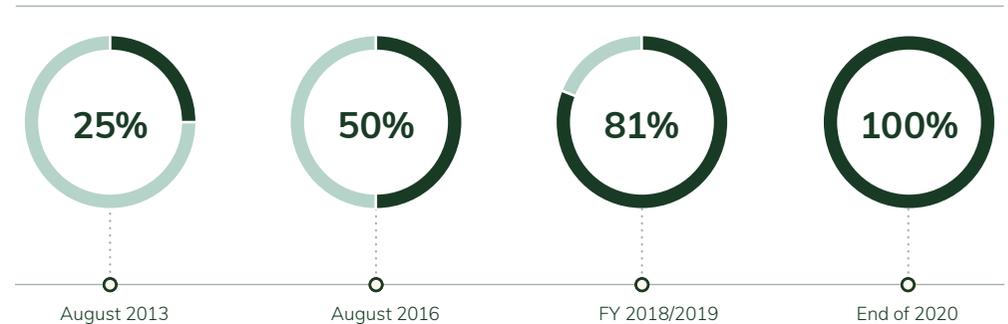
In terms of our overall cocoa supply chain, Ferrero is distinctive in that the majority (75%) of our cocoa is sourced as raw cocoa beans which are processed in Ferrero-owned facilities and only 25% is supplied as chocolate by third-parties.

Historically, our responsible sourcing commitments have focused on sourcing our direct cocoa beans as sustainable and traceable. In 2019, we extended the scope of our commitment to include outsourced chocolate. This means our commitment now covers the entire cocoa volume we produce and buy.

For FY 2019/2020, we are reporting progress towards sourcing the chocolate used for our products as 100% sourced via independently managed standards for the first time. By August 2020, 71% of our total chocolate volume (almost 34,000 tonnes in FY 2019/2020) was already covered. As of January 2021, we achieved our goal and all Ferrero products using outsourced chocolate now contain 100% sustainable cocoa sourced via independently managed standards. Our investments in a chocolate manufacturing plant in the U.S. will see the proportion of our cocoa sourced as raw beans increase in the coming years.

 [Read more about our new facility in Bloomington, U.S.](#)

Cocoa certification roadmap



## Cocoa continued

## RESPONDING TO THE COVID-19 PANDEMIC



### Supporting cocoa farmers during the pandemic

From a sourcing perspective, the impact of Covid-19 on cocoa supply was limited. We mainly buy cocoa beans from crops that are sourced from farmer groups between the months of October and March, so the beans were already purchased when major impact of the pandemic began and most of the volumes were in warehouses or in transit to Ferrero plants. With supermarkets remaining open, our products continued to be sold and supply continued as normal relative to impacts elsewhere.

From our position as a company that takes responsibility for the wellbeing of its suppliers, Covid-19 had a serious impact on the farmers and communities in our cocoa supply chain. As soon as the severity of the situation became clear, we took action and engaged with our suppliers, including through collective platforms like the World Cocoa Foundation and the International Cocoa Initiative, to identify the challenges and needs of cocoa farmers and their communities and develop action plans in response.

An extensive support plan was launched with investment targeting farmers and communities in all six origins where we source cocoa. Our focus was on education and safety, for example communicating information on preventive measures, distributing protective masks, soap and handwashing stations and suspending activities involving large gatherings along with the protection of field officers.

We are proud of the support we have provided to communities together with our partners, but we know the pandemic is far from over. We continue to closely monitor the situation in our cocoa supply chain so that we can take meaningful action again when the situation calls for it.



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## Cocoa continued

**Improving traceability**

We put robust mechanisms in place to follow our cocoa beans from the farmer to our plants where we process the cocoa beans for our products. We map the locations of cocoa farms and collect data which helps us and our partners understand the situation on the ground, including the challenges and opportunities for positive intervention for each farmer.

In early 2021, we published on our website all Tier-1 suppliers and cocoa farmer groups from which the Company sourced cocoa and chocolate during FY 2019/2020. We will continue to share updates on our cocoa Tier-1 suppliers and farmer groups list regularly on our website.

**How much of our cocoa is traceable?**

In FY 2019/2020, 99% of our cocoa beans were traceable from Ferrero plant to farmer group and 96% to farmgate level. More than 70% of our outsourced chocolate was traceable from the supplier processing plant to the farmer group and to farmgate level.



Source: Sourcemap platform

**TRANSPARENCY TO THE FARMER GROUP LEVEL MEANS WE KNOW WHICH FARMER GROUPS SUPPLY THE COCOA THAT FERRERO BUYS VIA ITS DIRECT SUPPLIERS COMES FROM.**

**TRANSPARENCY TO FARMGATE LEVEL GOES ONE STEP FURTHER, IDENTIFYING THE FARMERS AND THEIR FARM LOCATIONS THAT HAVE SOLD THE COCOA TO THE FARMER GROUPS THAT SUPPLY FERRERO.**

In total, ~92% of Ferrero's cocoa volume was sourced from dedicated Ferrero farmer groups supported through Ferrero's sustainability programme. Over 157,000 farmers were part of the FFV Cocoa programme and 86% farms were polygon mapped, enabling traceability to farmgate level. Our aspirational objective is to map 100% of farms but achieving it is very challenging. In FY 2019/2020, Covid-19 hampered efforts to further extend the coverage of farms mapping. Additionally, farmer groups have on average annual 10% turnover of farmers, meaning there are always new farmers to be mapped and farmers are usually re-mapped every three years to ensure the data is still valid.

**Beyond certification: "Mitigation Programmes"**

Certification alone is not enough to improve the conditions in the supply chain. To meet our due diligence standards, the FFV Cocoa Programme looks beyond certification across the three pillars: improve the livelihoods of farmers and communities, protect children's rights and safeguard natural capital.

**Improving the livelihoods of cocoa farmers and their communities**

We work with the farmer groups that supply our cocoa beans to deliver sustainability projects that secure sustainable livelihoods, improve the wellbeing of women and children, and protect the environment and wildlife. Supporting cocoa farmers to improve quality and productivity so that they can earn more from cocoa is a key priority.

Because cocoa doesn't provide a year-round income, we support farmers to diversify through agroforestry and other crops or by setting up income generating activities off-farm such as beekeeping, grasscutters and petty shops.

Our Farmer Field Schools provide training in good agricultural, social and environmental practices and promote access to inputs such as cocoa and multi-purpose tree seedlings and fertilisers. Together with our partners, we provide individual farm and financial management coaching to selected cocoa farmers and develop Farm Development Plans tailored to their specific needs and situation.

**WHAT WE HAVE ACHIEVED**

In FY 2019/2020, almost 15,000 people were supported with Income Generating Activities (IGA) and more than 157,000 farmers received a cash premium on top of cocoa market prices. Almost 118,000 farmers were trained in Good Agricultural Practices and more than 1 million cocoa seedlings were distributed. 1,500 farmers were supported on land tenure and more than 1,000 individuals participated in youth-focused projects and activities such as providing agricultural services to farmers like pruning.



## Cocoa continued

## Protecting children's rights

Ferrero is strongly committed to promoting human rights throughout the global supply chain and supporting families to enable a joyful growth for children. This starts with protecting children from the risks of child labour. Our Child Labour Monitoring and Remediation Systems (CLMRS) involves field officers and community agents who monitor cocoa farmer households in West Africa to identify children at-risk of child labour. When cases of child labour are found, they are reported to the responsible authorities and a solution for the child is developed together with the parents. We have committed that 100% of our cocoa supply chain will be covered by the CLMRS or an equivalent system by 2025.

It is critically important that children have access to quality education, good nutrition and basic necessities like clean drinking water. We work with partners such as Save the Children to implement Child-Centred Community Development programmes to put the mechanisms in place to protect children and to provide opportunities for children through access to quality education, basic facilities like water, sanitation and hygiene (WASH) and good nutrition. Our three-year project with Save the Children came to an end in 2020, the results of which are discussed below.

We also focus on women's empowerment and reducing gender inequality due to the critical role of women as agents for economic, environmental and social change. This includes supporting Village Savings and Loans Associations (VSLA) as a successful concept for providing women with access to small loans to support entrepreneurial activities.

## WHAT WE HAVE ACHIEVED

In FY 2019/2020, our strong focus in this area meant 93% of Ferrero-dedicated farmer groups were covered by the Ferrero CLMRS or an equivalent system, up from 44% last year. 267 communities in Ivory Coast and Ghana were supported through the Community Development Programme and there were 525 active VSLA groups involving around 13,000 members, mainly women. 325 of these were newly established in FY 2019/2020.

## PROMOTING CHILD PROTECTION IN THE NAWA REGION WITH SAVE THE CHILDREN: RESULTS FROM PROJECT 2017-2020

After a successful pilot in 2016, Ferrero and Save the Children launched a three-year partnership targeting 20 cocoa communities in the Nawa region of Ivory Coast to protect children's rights.

Credits: Lorenzo Pallini for Save the Children

**Our key objectives were to protect children against the worst forms of labour, abuse and violence and to promote community development to create an enabling environment for child protection. The project focused on four action areas: child protection; education; food security; and livelihoods and community development.**

By collaborating closely with community leaders, children's groups, community organisations and other stakeholders, the project has achieved impressive results including:

- All 20 communities have a Community Action Plan and Child Protection Committee in place. Moreover, the Child Protection Committees have been transformed into SOSTECI Village Committees.
- 4,878 awareness raising sessions reached 54,292 people (39,656 adults and 22,119 children) and through the two social centres that were upgraded.
- 121 child protection cases were successfully closed.
- 100 children were provided with birth certificates, 358 children attended bridge courses to prepare for school and 599 children were supported to enrol in formal schools.
- Two community schools were constructed and equipped and six more received support.
- 23 Village Savings and Loan Association (VSLA) were established and 100 members of crop diversification groups were trained in plantain and cassava production and two hydraulic pumps were rehabilitated.

Following the success of the three-year project in the Nawa region, we have renewed and extended our strategic partnership with Save the Children on cocoa for another five years, committing significant investment to protect children in cocoa communities.



## Cocoa continued

### Safeguarding natural capital

Deforestation and forest degradation is a critical issue in the global cocoa supply chain. Deforestation threatens to undermine the resilience of the cocoa sector and, with it, the livelihoods of millions of smallholders. Ferrero is committed to addressing challenges to end deforestation in the cocoa sector and implementing principles and strategies that underpin socially and environmentally sustainable cocoa production.

We are signatory of the Cocoa & Forest Initiative's (CFI) framework to end deforestation and restore forest areas in cocoa producing countries Ivory Coast and Ghana.<sup>1</sup> To fulfil our commitment,

<sup>1</sup> <https://www.worldcocoafoundation.org/initiative/cocoa-forests-initiative/>

we are taking wide-ranging measures – from fostering traceability and mapping cocoa farms in our supply chain to training cocoa farmers in good agricultural practices and supporting the distribution and planting of multi-purpose trees. These measures focus on three main areas defined by the CFI (Cocoa & Forests Initiative): forests protection and restoration; sustainable cocoa production and farmers' livelihoods; and community engagement and social inclusion. In FY 2020/2021, we will accelerate our action on key CFI indicators such as the distribution of multi-purpose trees in Ivory Coast to reach our 2022 targets.



Read the contents of our action plan



Read the contents of our CFI Annual Progress Report

### WHAT WE HAVE ACHIEVED

As of FY 2019/2020, more than 164,000 ha were covered by our deforestation risk assessments, an increase of 26% from 130,000 the previous year. 31,000 farmers have been trained in the Climate Smart Cocoa approach which translates climate science into applications on the ground to end deforestation and promote sustainable livelihoods.

Over 700,000 multi-purpose trees were distributed for on-farm planting and there are now 26,000 farmers applying agroforestry, of which almost 19,000 started in FY 2019/2020. This brings the

total area of cocoa agroforestry to 48,000 ha of cocoa agroforestry, an increase of 35,000 ha during FY 2019/2020.

3,991 farmers received payments through Payments for Environmental Services (PES) agreements – voluntary contracts consisting of payments for compliance with a plans for land use and/or change of agricultural practices. The purpose of the PES approach is to support small-scale cocoa farmers to invest in productive agricultural practices, which are respectful of the environment and forests, such as agroforestry. This allows them to diversify their sources of income and strengthen their resilience to climate change.

### WHAT IS CLIMATE SMART COCOA?

Climate Smart Agriculture is an integrated approach to guide the needed changes of agricultural systems, given the necessity to jointly address climate change impacts and food security. In this context, Climate Smart Cocoa is an approach to achieve long-term, sustainable production and development in the cocoa value chain in the face of climate change pressures.

It involves developing the technical, policy, governance and investment conditions to achieve viable and sustainable cocoa and agricultural development, livelihoods and food security in a climate resilient landscape.

It is composed of five main pillars<sup>2</sup>:

1. Sustainably increasing cocoa and agricultural productivity and incomes, while maintaining quality
2. Adapting and building resilience to climate change impacts
3. Mitigation; reducing and/or removing greenhouse gases emissions, including effective Monitoring, Reporting and Verification (MRV) and ending deforestation and forest degradation in the cocoa sector
4. Improving food security and a diversification
5. Promoting social and economic development

We provide training for farmers on the Climate Smart Cocoa approach to increase understanding and capabilities to deliver Climate Smart Cocoa.

<sup>2</sup> Touton Climate Smart Cocoa Standard.

### LOOKING AHEAD



**We will continue to strengthen our cocoa sustainability programme to achieve a positive and lasting impact on the cocoa value chain. In 2021, we will release the new Ferrero Cocoa Charter outlining our commitments and long-term vision as part of our cocoa plan for 2030 in line with the Ferrero Responsible Sourcing approach to our key commodities.**

Other activities will include:

- Investment in our U.S. chocolate manufacturing plant which will significantly increase the proportion of cocoa beans directly sourced by Ferrero.
- Further increase our volume of direct sourcing regarding our outsourced chocolate.
- Scaling up our activities with Save the Children demonstrating our continuous commitment to protecting children's rights in our cocoa supply chain with the plan to roll out the initiative in 65 new communities over the next five years.
- Strong acceleration on key CFI indicators such as distribution of multi-purpose trees in Ivory Coast to reach our 2022 targets.

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## Hazelnuts

# Hazelnuts

**Hazelnuts characterise the unique taste of many Ferrero products. Being a relevant hazelnut user, we aim to be a driving force behind a hazelnut industry where hazelnut production creates value for all.**

**O**ur hazelnuts come from many parts of the world, the main origins being Turkey, Italy, Chile and the USA. In the Northern hemisphere, they are harvested between the beginning of August and the end of September and in the Southern hemisphere from February to April. The harvested hazelnuts are sent to plants where they are sorted, cracked, shelled, calibrated, selected and then packed and shipped to Ferrero plants. We carry out stringent quality checks before the roasting process to ensure all selected hazelnuts meet our high standards to guarantee excellent product quality for consumers.

We have been directly involved in the hazelnut supply chain since 2000 and we are driving their cultivation in new regions of the world such as Argentina, Australia, Chile, Georgia, Serbia and South Africa. This is important to guarantee a high quality and fresh supply of hazelnuts throughout the year.

The Ferrero Hazelnut Company (HCo) is an example of a fully integrated value chain company with activities from farm to factory. It brings all hazelnut activities together under one business structure, maximising potential for quality improvements and innovation.



**Find out more about the Ferrero Hazelnut Company**

### What are the challenges?

Risks in the hazelnut supply chain arise from several complex, systemic and deeply ingrained challenges. These include the exploitation of seasonal workers, be it any form of bonded labour or child labour, poor working conditions and inadequate accommodation for farm workers. We acknowledge these issues exist and we are increasing transparency and identifying interventions to address them.

Being able to trace our hazelnuts back to their origin – down to farm level – enables us to be confident in how they were grown and to support farmers and suppliers to develop better social and environmental practices. Production at scale can make traceability difficult because of the highly complex supply chains involved. These are typified by a variety of intermediaries, scattered information and different data processing systems.

Ferrero is actively engaged in minimising the environmental impact of hazelnut growing in all its sourcing countries. Long-term projects and collaborations have been agreed with leading universities, agricultural research centres and international subject matter experts to improve the growing of hazelnuts worldwide. The challenges for the industry include the optimisation of the water usage, investigation of plant nutritional needs and promotion of an integrated pest management system to ensure inputs are used optimally. We are also investigating innovative approaches to maintain or increase the level of organic matter in soil, contributing to minimising the usage of mineral fertilisers.

Like many places in the world, the hazelnut harvest in Turkey attracts seasonal migrant workers who arrive to pick hazelnuts before moving on to harvest other crops in new locations. Many of these workers travel with their families and lack access to schools and childcare. Hazelnuts are mainly grown on small family orchards, also making traceability a challenge. We are working to tackle these challenges through a programme designed to fully cover our sourcing areas and mitigate the risks.

### Our approach

Our ambition is to be a driving force behind an evolving hazelnut industry where farmers and farming communities are thriving, workers' and children's rights are unequivocally respected and environmental values are enhanced through regenerative agriculture practices.

We are on a journey of continuous improvement and excellence to create a sustainable and ethical hazelnut value chain. We have been reshaping the Ferrero Farming Values (FFV) for Hazelnuts and expanding its reach to reflect new learnings and developments in the sector.

With strategic support of Earthworm Foundation we developed the Ferrero Hazelnut Charter, published in 2021. This will outline our long-term commitments with specific short-term objectives (2023) to become a driving force behind a hazelnut industry that creates value for all.



## Hazelnuts continued

The Charter is structured around three pillars that will apply to all of our hazelnut suppliers: human rights and social practices; environmental protection and sustainability; and supplier transparency. These three pillars are founded on the same due diligence framework which applies to all the categories of the Ferrero Group.

The Hazelnuts FFV will remain central to our approach, along with partnerships and collaboration with our suppliers, trusted partners and others involved in the hazelnut value chain.

The Hazelnuts FFV actively supports actions on the ground to promote capacity building and improvements along the value chain. It is founded on our commitment to improve sustainable agricultural and social practices and share the expertise created through our initiatives with all the stakeholders in the hazelnut value chain – recognising that strong collaboration is crucial.

The Hazelnuts FFV follows a specific production standard for good agricultural and social practices. It was created in 2012 when there was no recognised certification scheme for hazelnuts. The standard is designed to ensure crops are produced in a way that is respectful and sensitive to nature, human rights and the surrounding environment.

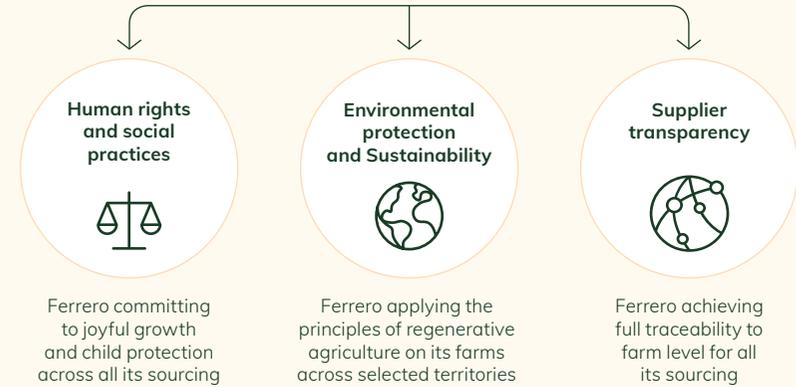
The FFV framework consists of four strategic drivers that provide the building blocks for current and future initiatives globally and are tailored to meet local needs:

- **Agronomic Knowledge:** sharing knowledge and experience in hazelnut cultivation to improve quality and productivity.
- **Owngrowing:** demonstrating the benefits of sustainable agricultural practices by implementing them in our Agrifarms.
- **Outgrowing:** collaborating with hazelnut stakeholders to develop modern hazelnut value chains in new and existing countries.
- **Traceability and sustainability:** enabling the full transparency of the hazelnuts we source from the farm to production and improving social conditions for all stakeholders.

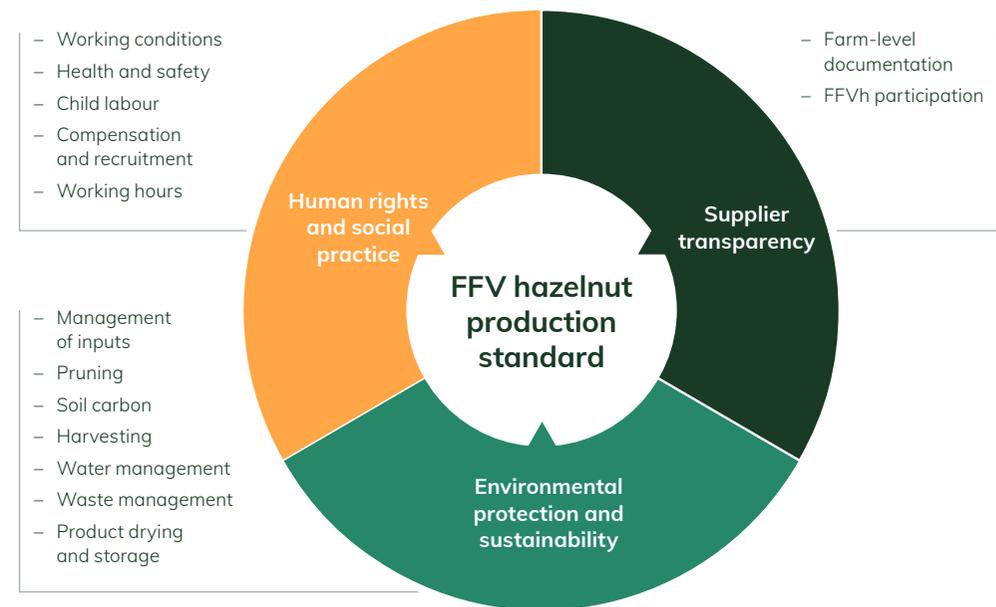
The FFV programme demonstrates the way Ferrero works with farmers to implement good agriculture and social practices. In practice, FFV teams are fully connected to the ground with farmers and farmer communities. In order to demonstrate principles and set an example, we have also created a network of six Agrifarms in Argentina, Australia, Chile, Georgia, Serbia and South Africa.

### Ferrero Hazelnut Charter Pillars

The three pillars are founded on a due diligence process which covers all Ferrero suppliers



### The Ferrero Farming Values (FFV) Hazelnut Production Standard



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## Hazelnuts continued

On our Agrifarms as well as in other countries with ground presence but where we do not own (e.g. Turkey and Italy) we run special orchard, harvest, mechanisation, drip irrigation and pruning educational days along with trainings explaining health and safety and sustainability practices. The social agenda of the FFV promotes the transition to responsible agriculture and builds farmers' understanding of the regulatory system related to employment of workers through social dialogue.

The farming community is invited to actively engage in dialogues, and we share needs, concerns, ideas and solutions regarding social issues in farming. Both areas are further facilitated through the FFV Standards, which are the framework to guide good agricultural and social practices.

Despite the challenges posed by Covid-19, we continued with audits and activities of the FFV in FY 2019/2020, leveraging phone and digital technologies wherever possible.

### KEY ACHIEVEMENTS OF THE FFV HAZELNUT IN TURKEY IN FY 2019/2020

During the 2020 growing season, our teams visited more than 450 orchards a day, covering more than 75,000 ha and 24,708 farmers. Further milestones delivered through the FFV programme and assessed our internal Monitoring & Evaluation System created within the Strategic Alliance with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH) include:

**6,567**

Participants received training\*

**24,708**

On-site farm visits performed

**23,300**

PPEs distributed to improve workers' safety

**4,342**

Farmers trained

**546**

Muhtars trained

**112**

labour brokers trained

**1,198**

workers trained

**1173**

internal observations

\* 2,466 trainings (Including in person and virtual trainings) to 6,567 participants provided to farmers, women, labour brokers (& some certified) and others.

## Human rights and social practice

We chair and represent the private sector in an extended Public-Private Partnership (PPP) with CAOBISCO (the European Association of Chocolate, Biscuits & Confectionery Industries) and the International Labour Organization (ILO) in Turkey focused on eliminating of worst forms of child labour in seasonal agriculture. It aligns with the Turkish Government's strategy which combines the National Employment Strategy (2014-2023) and the National Programme for the Elimination of Child Labour (2017-2023). The project is based on three pillars: capacity building, direct intervention and raising awareness. To date, our focus has been on three hazelnut producing regions of Turkey and the province of Sanliurfa where many migrant workers come from.

We plan to build on the achievements and learnings to extend the Caobisco-ILO PPP for another three years (2021-2023) and expand it into two new geographies: Giresun and Samsun. In addition to the collective PPP, we will be investing €3.5 million in a direct partnership between the ILO and Ferrero which will support knowledge sharing about what works to address child labour, particularly in the hazelnut supply chain to maximise learning opportunities across our entire hazelnut supply chain in Turkey. Our aim is to enhance the ability of national and local stakeholders to take the actions needed to eliminate the worst forms of child labour in two additional hazelnut producing areas in our supply chain: Trabzon and Zonguldak as well as one sending province.

The direct intervention achievements between 2013-2020 in the hazelnut supply chain through the PPP with CAOBISCO and ILO Turkey are displayed in the table at page 44.

## RESPONDING TO THE COVID-19 PANDEMIC



We carried out a rapid impact assessment in partnership with CAOBISCO and the ILO as well as directly with a local research organisation in Turkey to understand the issues and measures that could be taken to support these groups in response.

The aim was to contribute to the health and safety of hazelnut farmers, seasonal agricultural workers, their children and other stakeholders in our value chain. Based on the result of the assessment, the FFV team in Turkey distributed protective and hygiene materials in the field and launched awareness raising initiatives aimed to prevent the spread of Covid-19 due to seasonal migration of agricultural workers. By providing protective equipment and hygiene material, we ensured health & safety of hazelnut farmers, seasonal agricultural workers and their children.

What we achieved:

- 28.000 informative materials on safety measures
- hygiene kits distributed to 25,000 FFV farmers and 2,900 seasonal agricultural workers
- cleaning material packages for 480 households of seasonal workers
- water bottles for 960 children of seasonal workers to ensure their access to clean water
- thermo-bags and thermos bottles for 50 households of seasonal workers to ensure their access to safe food
- health screening of 605 seasonal workers

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Hazelnuts continued

A programme designed to fully cover Ferrero sourcing areas



Environmental protection and sustainability

In 2019, we announced our collaboration with Earthworm Foundation to shape the responsible sourcing approach and create a joint action plan of practical work on the ground.

The partnership was launched in summer 2019 with field visits in Italy and Turkey’s Eastern and Western Black Sea regions during the harvest season. Together with Earthworm Foundation experts we spent time interviewing and speaking with farmers, seasonal labourers, labour brokers, village heads, local project partners and other actors related to the value chain.

Based on the findings, Earthworm Foundation have recommended actions to address the opportunities and challenges linked to our hazelnut value chain. These include continuing to strengthen the relationships Ferrero has fostered with stakeholders in the hazelnut community – such as government, suppliers, farmers and NGOs – to develop effective multi-stakeholder solutions.

Supplier transparency

Being able to trace our hazelnuts back to their origin enables us to be confident in how they were grown and to support farmers and suppliers to develop better social and environmental practices. A traceable supply chain also provides a basis for effective supply chain monitoring and supports all actors who wish to improve the traceability of the hazelnut value chain.

We understand the importance of tracing hazelnuts to their source and supplier transparency will be a key commitment of the new Ferrero Hazelnut Charter released in 2021. This is not just an exercise in numbers but a commitment to foster a deep understanding and relationship with businesses and farming communities so that we can better identify challenges and implement solutions with sector-wide benefits.

Achievements between 2013-2019 in the hazelnut supply chain through the PPP with CAOBISCO and ILO Turkey

		2013	2014	2015	2016	2017	2018	2019
Families	Counselling services	330	313	1,033	1,500	1,050	668	<b>964</b>
	Individual counselling	192	101	202	267	330	349	<b>701</b>
Children withdrawn/prevented	Education services	381	408	1,165	1,200	1,125	1,252	<b>1,806</b>
	Regular attendance	252	310	719	1,015	1,064	1,022	<b>1,384</b>
Intermediaries	Group/individual counselling	22	20	41	48	54	112	<b>63</b>
Orchard owners	Counselling services	104	307	75	202	341	196	<b>160</b>

2020 results\*

**442**

Families

**105**

Intermediaries

**612**

Children (reg. att 430)

**145**

Orchard owners

\* Due to Covid-19 related restrictions, educational activities for children conducted only in Ordu in 2020.



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## Hazelnuts continued

The hazelnut supply chain includes specific challenges that may be deeply rooted in the environmental and social conditions of each geography. They range from the high fragmentation of the Turkish value chain, which includes several intermediaries who sell and process the nuts, to the limited availability of technology in many hazelnut-cultivating regions. Addressing these issues is crucial to develop a transparent supply chain and it will require close collaboration among stakeholders – from the farmer to the final processor.

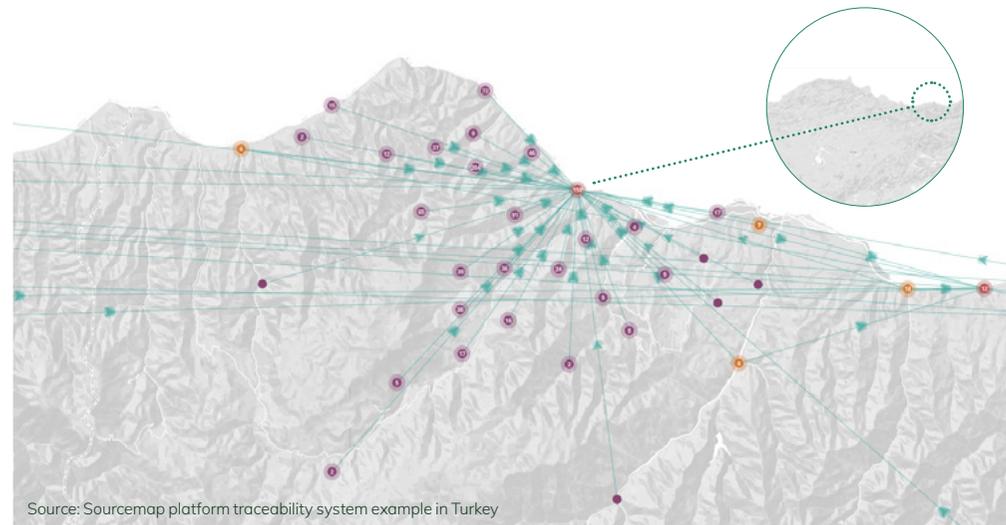
### How much of our hazelnuts are traceable?

Our traceability activities were impacted by the pandemic over the last year, which reduced the possibility to visit farms and to deliver farmer training in almost all geographies. We continued with audits leveraging telephone and digital technology wherever possible.

At the end of FY 2019/2020, we had achieved 51% traceability of our total sourced Hazelnuts. Some geographies, like Chile and USA, have reached 100% traceability. Others benefit from the continuous partnership with third-party certification bodies, like Italy that record a considerable increase, up to 64% traceability, and Turkey, where despite the complexity of the supply chain, the cooperation between farmers, suppliers and FFV field team achieved 44%.

To fulfil our ambition of full traceability down to farm level by 2023, we decided to redesign and strengthen our traceability approach, also mitigating the consequences of the Covid-19 along the industry. In 2020, Ferrero began a new partnership with Sourcemap, a leading provider of supply chain mapping and digital transparency solutions, with the ambition of developing a global traceability platform that we estimate to be able to trace ~60% of Ferrero hazelnuts to farmer level in FY 2020/2021.

Sourcemap's state-of-the-art technology provides a comprehensive platform to trace hazelnuts from farm to factory, further strengthening Ferrero's efforts in working with its suppliers to achieve greater transparency.



Through Sourcemap's platform, we will be able to support the value chain through data science, detect tomorrow's agricultural and social challenges, and ensure performance is continuously improving.

### Third-party verification and certification

#### Turkey

We have worked with Scientific Certification Systems (SCS Global Services) in Turkey since 2012. A strengthened sample methodology for our FFV Production Standard was developed. And the audit was conducted for the ninth year in a row during the harvest period of 2020. SCS Global Services executed the verification audit and reached 209 farmers in five regions. All non-compliances identified were tackled through a corrective action plan.

## DEVELOPING A NEW BENCHMARK FOR ENVIRONMENTAL AND SOCIAL STANDARDS



**We are working with the support of agronomic specialists and conservation organisations to define specific farming indicators as part of an environmental and social benchmark scoring system that appraises each farm's operations and impacts on our own environmental and social parameters along with relevant legislation and local standards.**

The benchmark assessment will provide a foundation for engaging with farmers to develop and deliver Farm Management Plans (FMPs) – a living document designed to evaluate and mitigate potential impacts on people and nature to deliver our standards. The FMP guides Agri-business advisors by translating Ferrero policy and local country regulation into practical and targeted implementation plans. These plans consider the reality of resources and time required to achieve meaningful change, while keeping the farm profitable and functional. As a result, Ferrero will leverage on its farms as opportunities to test first-hand and demonstrate the most promising agricultural practices and share best practices with farmers. The FMP also incorporates best available science and proven approaches and supports trials to test new and more sustainable practices.

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## Hazelnuts continued

## Italy

We have collaborated with the global assurance provider DNV to develop concrete actions for farmers and associations since 2015. The main actions taken in FY 2019/2020 were:

- **Training:** Good social practices/good agricultural practices training delivered remotely for the first time due to Covid-19. It included 249 participants, including farmers, associations and traders.
- **Audit:** On-site audits by DNV performed on farmers, associations and traders. First-tier suppliers audited demonstrated knowledge of all topics included in the Ferrero checklist, and their overall level of compliance with the checklist requirements demonstrated a positive trend. Moreover, despite difficulties posed by the pandemic, farmers adapted to make physical audits possible and enable remote training and remote audits to be conducted when needed.

## Chile

AgriChile has collaborated with SCS Global Services since 2017 to certify its own production processes under the Sustainably Grown Standard (an accredited certification programme aligned to global programmes and recognised by major stakeholders operating in sustainability). Its first Sustainably Grown certification was acquired in 2019, entering the three-year auditing cycle. In 2020, the surveillance audit by SCS Global was carried out remotely due to the Covid-19 outbreak. Even with many restrictions in place, AgriChile's Agrifarms and drying facilities were fully audited by means of cameras constantly connected with the auditor. The administrative processes have been extensively reviewed with attention to employee working conditions, health and safety and social practices. The successful outcome of the 2020 Sustainably Grown standard confirmed the commitment of AgriChile to the sustainable development of the hazelnut value chain.

## Serbia

AgriSer, our hazelnut farm located in Serbia, is Sustainably Grown certified and the certification programme provides agricultural producers with a technical curriculum to improve the sustainable management of their plantations. At the same time, this provides customers with assurance that products meet environmental standards, that farm workers and farm communities are protected and engaged, and that the farm is economically resilient.

## LOOKING AHEAD



**Using our Supplier Code and strategic partnerships as a foundation, we will continue working on the priorities defined in our Hazelnut Charter:**

**Pillar 1: Human rights and social practice**

The path to long lasting meaningful change comes from solutions created with the communities linked to the hazelnut value chain: we will develop pilot projects with farmers, workers and community members to enhance farmer resilience and reduce social risks during the hazelnut harvest season, including but not limited to decent living conditions on farm.

**Pillar 2: Environmental protection and sustainability**

The details of the Farm Management Plans of AgriAustralis, AgriChile, AgriSer and Agrisudafrica will be defined. We will further develop a roadmap for Georgia and Argentina Agrifarms as well as small scale structures in selected territories to be assessed and appropriate FMPs to be defined, to be then implemented at the right timing. Moving beyond, we aim to focus on Regenerative Agriculture Principles, including but not limited to Minimum Soil Disturbance, Maximising Biodiversity and Optimisation and minimisation of agricultural remedies.

**Pillar 3: Supplier transparency**

We will start the implementation of our re-designed traceability system in all the hazelnut sourcing areas. During this process we will directly engage with all our suppliers and build a continuously updated database, generated and managed by Sourcemap.

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## Palm oil

# Palm oil

**We are committed to playing a leading role in the sustainable transformation of the palm oil sector to benefit the environment and people living and working in palm oil producing communities.**



**T**he use of palm oil in human nutrition dates back to over 10,000 years. Over 40 countries around the world produce palm oil, Malaysia and Indonesia together account for around 85% of global production.

When sustainably sourced, there are good reasons to use palm oil; it has been used for thousands of years and provides a livelihood for millions of people. Palm oil has an excellent yield compared with other vegetable oils – it requires 0.26 ha to produce one tonne of palm oil compared with 1.25 ha for rapeseed and 2 ha for sunflower oil.<sup>3</sup>

We source palm oil for Ferrero products as it plays an important role in achieving a balance between the components, ensuring that the product has the desired structure. This enhances the taste of the other ingredients since it is odourless and tasteless after the refining process. It helps maintain the distinctive taste of Ferrero products along the entire shelf life because of its stability, also thanks to our way of processing it. For example, palm oil is key to Nutella's recipe as it ensures its texture and, with its neutral taste, heightens the flavour of other ingredients.

In FY 2019/2020, we sourced around 220,000 metric tonnes of palm oil from seven countries (see table). This amount is just below 0.3% of the total annual global palm oil production.

Country <sup>4</sup>	Volume %	# of Mills
Brazil	0.65%	5
Colombia	0.53%	8
Costa Rica	0.40%	2
Guatemala	3.17%	6
Honduras	1.32%	1
Indonesia	15.48%	40
Malaysia	77.18%	39
Papua New Guinea	1.23%	7

### What are the challenges?

The tropical areas suitable for palm oil plantations are rich in biodiversity. For many years, palm oil production has been associated with negative impacts on biodiversity as it significantly contributes to land-use changes in tropical forests, peatlands, and other species-rich habitats.

Tropical natural forests hold large stores of carbon and biodiversity, and are critical for millions of indigenous peoples who depend on forests for their livelihoods. However, this carbon is released and biodiversity is lost when these forests are cleared – otherwise known as deforestation.

In addition to environmental concerns, there are social issues that need to be addressed in the palm oil supply chain. Protecting land rights is a key issue concerning indigenous communities whose land rights are often not recognised, risking governments handing over their land to oil palm companies. This impacts rural livelihoods and cultural heritage and is closely connected with deforestation as the displacement of rural farmers can lead to land clearance. Labour rights is another important issue, as workers can live in poor conditions without access to basic facilities.

### Our approach

We are dedicated to leading the way in industry transformation, working with our suppliers and partners to ensure a palm oil supply chain that is reliable, safe and ready to innovate and improve. We are committed to securing a “No deforestation, No development on peatlands and No exploitation”<sup>5</sup> palm oil supply chain through collaboration with NGOs, stakeholders and suppliers.

A key factor in our work is maintaining robust traceability of the origins of our palm oil. Maintaining robust mill and grower level traceability allows us to understand the first mile of our palm oil supply. This enables us to work efficiently with suppliers and ensure we do not contribute to risks such as worker exploitation and deforestation.

<sup>3</sup> Source: IUCN <https://www.iucn.org/theme/science-and-knowledge/our-work/culture-science-and-knowledge/palm-oil-and-biodiversity-conservation/infographic>

<sup>4</sup> The traceability KPIs presented in this chapter are collected considering the period July 2019 – June 2020.

<sup>5</sup> NDPE policies include commitments to the following: Free, Prior and Informed Consent (FPIC) for indigenous and other local communities, zero burning, preventing poor working conditions, and preserving High Conservation Value (HCV) areas, High Carbon Stock (HCS) areas and peatlands.



Palm oil continued

## RESPONDING TO THE COVID-19 PANDEMIC



The palm oil supply chain was significantly impacted by the pandemic as it is labour intensive and heavily dependent on foreign workers who were impacted by movement restrictions. This was exacerbated by climate impacts which impacted volumes of palm oil produces Malaysia, where approximately 80% of our palm oil comes from. It will see pressure on the supply chain, including availability of certified palm oil, driven by increasing demand as companies catch up from the pandemic.

We worked with our suppliers to implement remote auditing and ensure measures were put in place to protect workers' health in the mills. Measures included Covid-19 testing and on-site temperature screening, disseminating information on preventative measures and social distancing, making handwashing facilities and sanitiser readily available throughout the plantations and establishing houses for employees who needed to isolate along with meals and health support. Workers had the option to be paid in part in cash to avoid the need to visit an ATM and on-site shops were provided with loans to maintain stocks and fair prices.

The Ferrero Farming Values (FFV) Palm Oil Programme and the Ferrero Palm Oil Charter have been in place since 2013. The Palm Oil Charter demonstrates our ambition to continuously increase the standards in the Palm Oil industry. It goes beyond 100% Roundtable on Sustainable Palm Oil (RSPO) segregated supply chain certification by incorporating the requirements and Verification Indicators of the Palm Oil Innovation Group (POIG), the High Carbon Stock (HCS) Approach (see page 50) and the Free and Fair Labour in Palm Oil Production: Implementation Guidance.<sup>6</sup>

We have been a member of the RSPO since 2005. In 2015, we became one of the first global companies to source sustainable palm oil that is 100% RSPO Certified Segregated. In 2013, we created the Ferrero Palm Oil Charter to manage our impacts on palm oil communities and address the leading causes of deforestation and social issues, as usual building on top of the Group due diligence process, as per all the commodities of the Group.

We are proud to lead the industry in terms of rigorous and credible traceability and we actively call for this to become the industry standard.



[Download the Ferrero Palm Oil Charter](#)

<sup>6</sup> <https://respect.international/free-and-fair-labor-in-palm-oil-production-principles-and-implementation-guidance-2/>

## Driving change through industry-wide collaboration

We are an active member of various multidisciplinary expert platforms and roundtables that are shaping the future of the palm oil industry. We have been a member of the RSPO, a not-for-profit that unites stakeholders from across the palm oil value chain to develop and implement global standards for sustainable palm oil, since 2005.

In 2020, Ferrero became a member of the RSPO Board of Governors' alongside NGOs and growers, and we continue to promote and democratise sustainable palm oil, following RSPO rules. We welcomed the Board of Governors' approval of landmark rules calling for "Shared Responsibility," and for all members of the RSPO to "Mobilise, Act and Transform" to fulfil its mission.

We are also a member of the POIG, a multi-stakeholder initiative with a mission to transform the palm oil industry. We actively support the POIG and share its vision to break the link between palm oil and deforestation, and human, land and labour rights violations.

We work closely with the European Palm Oil Alliance (EPOA), a business initiative that collaborates with national initiatives throughout different European countries, by educating stakeholders on the full palm oil story, facilitating science-based communication and creating a balanced view on the nutritional and sustainability aspects of palm oil. EPOA strongly supports the uptake of 100% sustainable palm oil.

## Committed to transparency

We commit to source only palm oil that is 100% RSPO Certified Segregated and traceable to plantations. We have worked extensively with our suppliers requiring palm oil that is traceable according to the RSPO Segregated supply chain.

The segregation model ensures that sustainable palm oil is kept separately from non-sustainable palm oil all the way along the supply chain, meaning it is traceable back to the plantations. This is something that other certification models such as Mass Balance and Book and Claim cannot guarantee.

As well as providing assurance that environmental and social standards are being met, certification helps to support suppliers' sustainable livelihoods by expanding access to markets, technical support and knowledge, and access to good seedlings which mean a higher output and better income.

Ferrero's palm oil supplies have come from 100% RSPO certified and segregated oil since 2015. We are recognised for our efforts: Ferrero's palm oil sourcing practice is ranked as the most sustainable out of 173 companies in the industry in the WWF's Palm Oil Buyers Scorecard published in early 2020.



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## Palm oil continued

Although our new acquisitions (Fannie May and brands that were part of Nestlé’s chocolate business in the United States) use only a very small volume of palm oil (less than 1% of our total palm oil sourced in FY19/20), we are working to extend to them our commitment to source only sustainable palm oil that is 100% RSPO Segregated certified. This process will take time as we align the new businesses to our established processes, standards and existing capabilities of the various supply chains (e.g. traceability and segregation).

### How much of our palm oil is traceable?

In the period July 2019 – June 2020, we were supplied with 212,000 tonnes of palm oil, of which 100% was RSPO Segregated certified sustainable palm oil (excluding new acquisitions). We achieved 100% traceability quantity to 108 palm oil mills and 99.96% traceability to 525 plantations. We recorded the contribution of some 41,087 smallholder growers.

When including newly acquired companies (Thorntons, Fannie May, Nestlé U.S. confectionery business), between January and June 2020<sup>7</sup>, we sourced 99.28% RSPO certified Segregated palm oil and 0.72% conventional palm oil. Of this total, 99.7% is traceable back to plantations.

### Increasing traceability of our mills

To increase the transparency of our supply chain, we have disclosed traceability data for our supplying mills twice yearly since 2018. In December 2020, we published two lists for the mills through which we source our palm oil for:

- Ferrero products – not including acquired products (100% RSPO SG certified sustainable palm oil).
- Acquired products: Thorntons, Fannie May and the brands that were part of former Nestlé U.S. chocolate confectionery business in the United States (currently mainly conventional palm oil).



See our disclosure on our palm oil mills

### Improving social conditions for palm oil workers

Responsibly sourcing palm oil requires more than just addressing environmental concerns, although social and environmental impacts are often interrelated. We are extending our focus to include the social impacts of palm oil such as worker rights, fair livelihoods and other social practices. Our main focus will be in Malaysia, our main sourcing Country, where the palm oil supply chain significantly relies on foreign workers. We will start to assess our main suppliers using a third-party and make an action plan to improve social practices based on the findings. This will be included in the new Palm Oil Charter.



**Developing a sustainable palm oil supply chain includes the need for reducing the impact of agrochemicals such as pesticides and to developing biodiversity-friendly production practices that promote resilient and nature-based production systems.**

We are part of a pilot project led by the Sustainable Agriculture Network (SAN), a global collaborative coalition of 16 NGOs and involving the Malaysian organisation “Wild Asia”, focused on helping small-scale farmers, workers and rural communities to thrive.

The pilot project aims to develop a set of recommendations for a Biodiversity and Advanced Integrated Pest Management (IPM) strategy to support producers and reduce the pesticide footprint of oil palm production in Malaysia.

The pilot includes the survey of biodiversity-friendly practices currently being implemented by farmers as well as a census of insect diversity – both pest and beneficial insects – and associated host plants on palm oil farms.

The project consists among other things of the development of Malaysia-specific pesticide data for the inclusion in the “Pesticides and Alternatives” app, designed to enable extension trainers to find less chemical-intensive ways to manage agricultural pests and diseases.

An international and interdisciplinary team of Entomologists, botanists, ecotoxicologists and ecologists has analysed the results and developed recommendations on how to promote the presence and conservation of beneficial insect populations. Based on the results, a set of advanced IPM and biodiversity conservation practices will be tested based on beneficial organisms and low-risk pesticides tailored to Malaysia’s palm oil production.

<sup>7</sup> Data availability for business acquired in the U.S. started from January 2020.



## Palm oil continued

## SUPPORTING SMALLHOLDERS TO BE PART OF THE SUSTAINABLE PALM OIL SUPPLY CHAIN



**The smallholders with whom we work in Malaysia produce sustainable palm oil with RSPO certification.**

They harvest their crops using basic tools and a small transportation firm gathers the fruit, driving from plantation to plantation – including those of non-certified growers. However, certified plantation owners must be able to prove which crops are theirs in order to retain their status as certified palm oil producers. Hence it is vital that small producers and distributors are able to keep track of which products are certified.

Therefore, we have supported training smallholders to use the “PalmoilTrace FarmGate” app to record transactions of certified smallholder producers and palm oil distributors. This allows certified palm oil to be traced

seamlessly. Moreover, we have been working with the Forum for Sustainable Palm Oil (FONAP<sup>8</sup>), WWF Germany and the local NGO Wild Asia to train smallholders on the use of sustainable cultivation methods. Wild Asia has extensive training expertise in sustainable palm oil production and works with independent smallholders to improve their farming practices and comply with national and international standards such as Malaysian Sustainable Palm Oil (MSPO) and the Roundtable on Sustainable Palm Oil (RSPO). [Ferrero has sponsored the first phase of the project which lasted from July 2018 until July 2019](#) as well as the second phase of the project which ran from December 2019 to March 2021.

The outcomes show that chemical-free production is possible and can even lead to higher yields. The add-on criteria which have been developed by FONAP and

go beyond certification schemes such as RSPO have been tested and applied with the aim to scale these measures across the whole palm oil supply chain in Malaysia. Initial evidence revealed that diversification can have a positive impact on soil fertility and income while reducing the dependency on synthetic fertilisers and pesticides. The project supports smallholder farmers to contribute to a sustainable supply chain and tackle conservation and deforestation issues.

<sup>8</sup> <https://www.forumpalmoel.org/en/welcome> FONAP is an alliance of companies, non-governmental organisations, associations, the German Federal Ministry of Food and Agriculture (BMEL) and the Federal Ministry for Economic Cooperation and Development (BMZ).

## Eliminating deforestation

We are an active supporter of the High Carbon Stock Approach (HCSA) – a methodology that identifies forest areas for protection and areas of degraded land with low carbon and biodiversity value that may be developed. The methodology helps to ensure a transparent, robust and scientifically credible approach to halt deforestation in the tropics, while ensuring the rights and livelihoods of local people are respected.

Ferrero and other members of the RSPO adopted the new RSPO Principles & Criteria in 2018 which introduced “No Deforestation, No Development on Peatlands and No Exploitation” restrictions.

To reinforce our Palm Oil Charter principle of No deforestation, we have been working with Earthworm Foundation to develop and implement our own Zero Deforestation Verification Protocol to demonstrate to external stakeholders the level of progress and compliance in achieving zero deforestation in our palm oil supply chain. The methodology will include pathways to follow in cases in which no deforestation is not possible to claim. Examples of activities in this case may include engagement with suppliers, field verification, forest conservation projects and active reforestation in key landscapes. The partnership will also develop initial guidance for scaling up Zero Deforestation Verification Approach to other priority raw materials.



Zero Deforestation Verification Protocol: from October 2020, we have started using the Starling satellite monitoring and verification service to ensure all of our supply chain is deforestation-free. The system independently verifies and monitors land use and identifies potential deforestation and conversion occurring within our palm oil supply chain. Operated by Earthworm Foundation and Airbus, it uses a combination of high-resolution radar and optical satellite imagery to monitor land cover change and forest cover disturbance in near real time.

## LOOKING AHEAD



Building on many years of positive impact, we are engaging with key internal and external stakeholders – including NGOs, smallholders, suppliers and internal stakeholders – to review and update the Ferrero Palm Oil Charter.

The new Charter will build on what we have learnt and achieved to date. Having made good progress around environmental issues, especially using satellite monitoring, we will increase the focus on social practices, including conditions for foreign and migrant workers in the palm oil supply chain.



## Milk and eggs

# Milk and eggs

**Animal welfare is a central principle of our ethical sourcing initiatives. One of our main objectives is to ensure the progressive improvement of animal welfare standards within the supply chains of animal origin products.**



**O**ur objective is to build a comprehensive programme dedicated to animal welfare, improving the quality and safety of our products and the sustainability of our supply chains. We require all Ferrero suppliers to take appropriate steps to ensure the protection of animals and the respect of animal welfare, as specified in our Supplier Code, seeking a constant progressive improvement of the mental and physical needs of animals. Animal welfare contributes to the quality and safety of products as well as the sustainability of the supply chain.

### Milk

The key issues in developing a sustainable milk supply chain include ensuring high standards of animal welfare, reducing carbon emissions and managing the impacts of dairy farming on water and biodiversity.

Through the Ferrero Farming Values for Milk, we have developed long-term relationships with carefully selected local milk producers who adhere to our standards and enable us to assure and improve the freshness and quality of our milk. We use these relationships to strengthen our controlled, short supply chain, paying particular attention to milk quality and activities of suppliers in the areas of animal welfare and environmental responsibility.

This enables us to create a streamlined system of traceability which goes beyond legislation to provide a clear picture of the journey from farm to product.

We strictly adhere to national production regulations on raw milk and other dairy products which vary from country to country. Our high standards for the supply of milk are applied globally, regardless of local regulations, and we source milk directly from our dairy partners, selected according to strict standards to ensure the control of the entire chain and constant freshness, taste and safety.

### VISION DAIRY

Vision Dairy is our leading quality and sustainability programme for our dairy supply chain developed in collaboration with FAI Farms and in consultation with key stakeholders such as Compassion in World Farming and our dairy suppliers.

The project aims to drive sustainability and continuous improvement across three main areas and 15 principles on our supplier dairy farms:

#### Cow welfare

To identify and demonstrate best practice in cow and calf welfare.

- Optimise animal welfare
- Provide sustainable diets
- Deliver quality calf care
- Practice responsible medicine use
- Employ humane transport and slaughter practices

#### Farm performance

To support efficient, resilient and ethical business practices.

- Build healthy and productive herds
- Efficiently delivering safe, high quality milk
- Uphold human rights
- Support health and wellbeing of workers
- Develop knowledge and skills of workers

#### Environmental stewardship

To protect and enhance our shared environment.

- Reduce carbon footprints
- Protect water quality
- Support soil health
- Minimise fresh water use
- Conserve and enhance biodiversity



Milk and eggs continued

**How much of our milk is traceable?**

We can trace our milk back to dairy farms globally. We work with our suppliers to drive continual improvement and encourage them to adopt best practices in milk production.

To create a shift towards greater sustainability in dairy farming, we have a role to play in bringing relevant stakeholders together to engage in constructive dialogue and to identify shared causes and solutions. We will leverage the experience gained through the Vision Dairy journey – including a pilot to understand suppliers' sustainability performance covering both European and global dairy supply chains. The outcomes will be used to develop the Ferrero Milk Charter, to be published by the end of 2021. The Charter will state our ambition for a milk industry that does good for people and nature and reinforce our commitment to deliver this ambition through our own milk sourcing.

**Sustainable Dairy Partnership**

Ferrero has been a member of the Sustainable Dairy Partnership (SDP) since 2018 (part of SAI platform). It provides a multi-stakeholder platform for developing a sustainable milk supply chain through collaboration between dairy customers, farmers cooperatives and suppliers. The SDP approach allows processors to leverage work already being done as part of industry sustainability initiatives, national programmes, voluntary certifications and regulatory compliance. As a member, we will consider the best way to align the Ferrero Milk Charter with the SDP standards.

**Eggs<sup>9</sup>**

The fair treatment of chickens is one of the main issues to be addressed in the egg supply chain. Our egg supply chain is fully integrated, meaning suppliers have the control over the lifecycle of their animals and the feed composition. We are committed to sourcing cage-free eggs for our global supply chain.

**How many of our eggs come from barn hens?**

Back in 2014 we reached our objective of using 100% cage-free eggs within the EU. Our European egg supply chains accounts for 95% of all the eggs we use globally. However, our commitment is to source only cage-free eggs and egg ingredients globally by 2025.

In 2013, we developed two new manufacturing plants outside Europe, in Turkey and Mexico. The eggs used in these plants make up approximately 5% of our global consumption and we are working with our suppliers to supply them with cage-free eggs, which are not readily available within the markets, to fulfil our commitment by 2025.

**Cage free eggs sourcing roadmap**



<sup>9</sup> Eggs sourced for the newly acquired plants in North America are not included yet.



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# Sugar

## Sugar

**We have a long-standing commitment to building strong, trusting relationships with the agricultural cooperatives and producers that supply our sugar.**

**W**e have a long-standing commitment to building strong, trusting relationships with the agricultural cooperatives and producers that supply our sugar. In FY 2019/2020, we purchased approximately 25% refined cane sugar and 75% beet sugar. We primarily source beets from European producers and our sugar cane comes mainly from Brazil, India, Mexico and Australia. We are committed to sourcing 100% sustainable cane sugar.

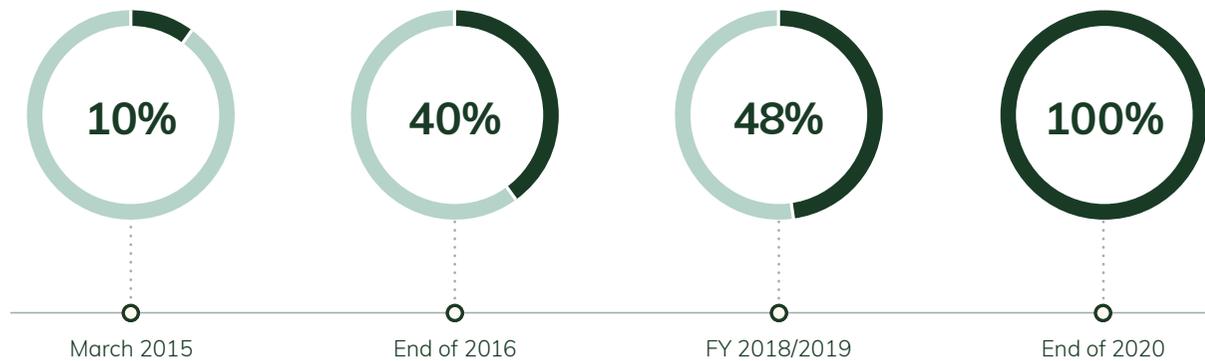
### What are the challenges?

Global sugar cane production is increasing and brings a number of socio-economic and environmental challenges. There is a risk of poor working conditions in some sugar cane producing countries and issues such as low wages and poor health and safety can exist. Sugar cane production can also have a negative environmental impact, including loss of biodiversity and pollution of land and water.

### Our approach

We have developed long-standing partnerships with suppliers who provide us with quality sugar and our procurement and quality teams apply a baseline selection procedure for new suppliers. This allows us to guarantee raw sugar that meets our strict quality criteria. We systematically evaluate available certification schemes to understand their robustness, impact, resource and cost efficiency as we work to expand our sustainable sugarcane supply chain. We also hold intensive discussions and field visits to identify and engage with suppliers to ensure sound sustainability strategies.

### Sustainable cane sugar sourcing roadmap



Sugar continued

**How much of our cane sugar is certified sustainable?**

We committed to source all our refined cane sugar from sustainable sources by 2020. We achieved this, with 100% cane sugar from sustainable sources, up from 48% in FY 2018/2019. We sourced sustainable cane sugar directly from Altromercato and Bonsucro (Mass Balance and through credits<sup>10</sup>).

**Bonsucro certified sustainable cane sugar**

We have been a member of Bonsucro Limited, a global non-profit organisation that exists to promote sustainable sugarcane production, processing and trade around the world since 2010. The scheme is underpinned by a production standard that focuses on reducing environmental and social impacts including biodiversity, ecosystem, human rights and labour standards, as well as legal compliance.

As a part of Bonsucro, we engage in continuous dialogue with local sugar producing communities and other Bonsucro members to find ways to promote sustainable sugarcane production and promote certification against the Bonsucro production standard.

FY 2019/2020 was a challenging year for sugar cane producers with forest fires, hurricanes, social unrest and Covid-19 which caused significant disruption and impacted demand from industrial users as manufacturing slowed down. Sugarcane mills also saw a surge in demand for ethanol, a co-product often produced alongside sugar, and many Bonsucro members donated ethanol to local governments and hospitals to help prevent the spread of the disease.

The Bonsucro Production Standard was used as a framework for enhanced protocols to protect the health and safety of sugarcane workers and their communities. Bonsucro launched a new Code of Conduct and Grievance Mechanism in 2020 and made good progress on the revision of the Bonsucro Production Standard as it works to develop a five-year strategic plan to be launched in 2021.

**Altromercato certified cane sugar**

Altromercato has created socially and environmentally sustainable Fairtrade supply chains for over 30 years. Ferrero has a commercial agreement with Altromercato to source 20,000 tonnes of cane sugar between 2016 and 2020. Altromercato focuses on developing sustainable cane sugar supply chain in Mauritius. Its main objective is to ensure no adverse environmental, social or economic impacts on the approximately 700 families who are part of the project.

Altromercato has developed a number of initiatives thanks to the sustainability incentive linked to the commercial agreement with Ferrero. They include a Young Professionals group which provides technical and administrative support to young sugar farmers while facilitating good practices and access to services. Improved practices for applying fertilisers in combination with microorganisms which improve the soil have been introduced in line with recent government policies on bio-farming in Mauritius.

These initiatives have allowed the 25 farmer cooperatives participating in the project to record overall productivity results of the cane above the national average, improving the condition of the 704 shareholders and their families. Around 8,000 people have been reached annually by direct and indirect benefits of the programme.

**WE ARE EXCITED ABOUT THIS SIGNIFICANT MILESTONE – IT FULLY DEMONSTRATES FERRERO’S STRONG COMMITMENT TO ENVIRONMENTAL AND SOCIAL SUSTAINABILITY IN SUGARCANE. CONGRATULATIONS TO THE TEAM THAT WORKED FOR YEARS TO ACHIEVE THIS GOAL.**

Rafael Seixas, Membership Manager at Bonsucro

<sup>10</sup> Bonsucro Credits are proof that a unit of sugarcane has been sustainably produced to Bonsucro’s Production Standard. Credits reward Bonsucro Certified Mills and Farms for their commitment to sustainability, and a portion of fees from Bonsucro Credit sales are invested directly in local impact initiatives for other farms and mills to adopt more sustainable practices. They account for around 60% of the total certified volume.



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## Shea and Sal

# Shea and Sal

**Shea stearin, processed from Shea nuts, is used to enhance the taste and consistency in our products.**

**Sal butter is extracted from its fruit seeds and then processed and refined to obtain a light-coloured butter which has a low odour and smooth, dense texture that makes it suitable for cosmetics and food.**



### Shea

The shea tree is a wild-growing tree that is found in the Sahel belt of West Africa. Its fruit provides nutrition and income to the rural population and the bark, leaves, sap and roots are used for traditional medicines. Women collect the shea fruits and the kernels are boiled, de-shelled and dried. The income from selling some of these kernels enables families to pay for school fees, clothing and farm equipment.

### What are the challenges?

One of the key challenges in the Sahel region is the seasonality of shea crop which leads to fluctuating incomes. Many households experience limited financial and food resources during part of the year when they need to invest in the next crop season. Another key challenge to consider is the declining tree population.

### Our approach

Ferrero is a member of the Global Shea Alliance (GSA), a non-profit association with more than 700 members which provides a platform to meet the needs of members and shea stakeholders. The GSA's mission is to drive a competitive and sustainable shea industry and improve the livelihoods of rural African women and their communities. GSA members have launched several new sustainability projects and investments, including the establishment of public private partnerships (PPPs).

We support Kolo Nafaso, a project that is empowering women and is enhancing responsible sourcing of shea kernels through our Shea supplier AAK, of which Ferrero is the largest customer and contributor.

The programme provides support, interest-free micro loans, training and direct trade for woman collecting shea kernels. Launched in 2009 in Burkina Faso, extended over the years to neighboring countries and now reaching more than 320,000 woman up 39% on 2019. In this way Kolo Nafaso reaches about 8%<sup>11</sup> of all Shea exporting woman. In 2020, the programme was externally verified by Proforest for the first time.

In 2020, Kolo Nafaso's main priority in response to Covid-19 was to ensure the health and wellbeing of its employees and the women involved in the programme. After some delays to pre-financing payment early in 2020, the AAK team in West Africa was able to achieve a "new normal" shea buying process. Close working between AAK and the members of Kolo Nafaso enabled clear communication and found innovative ways to give women access to their money. By being creative and agile, the Kolo Nafaso team ensured an as normal as possible shea season for the women it supports.

<sup>11</sup> The Global Shea Alliances estimates a total of 4 million woman to be involved in shea exporting, as Kolo Nafaso reaches 320.000 woman this equals to 8%.

### Sal

Sal is a semi-deciduous tree which grows mainly in moist evergreen regions of India.

Sourcing of sal seeds has strong social value and provides an important source of income and nutrition for the local population.

We source our Sal butter through a leading supplier, who has worked with the indigenous people that traditionally collect sal seeds. Our Sal supplier collaborates with thousands of women self-help groups and millions of tribal people across forest villages in India for the sustainable sourcing of superior-quality of raw material.



## Soy Lecithin and Paper

### Soy Lecithin

**We buy small volumes of Soy Lecithin which is used in many of our chocolate products.**



**W**e source it from Europe, India and Brazil where issues include the sustainable use of pesticides and fertilisers (Europe), addressing labour standards in the supply chain (India) and avoiding deforestation (Brazil).

In Brazil, we work with selected suppliers and Proterra, a non-profit organisation that promotes the sustainability of the food production system, to reinforce our commitments on deforestation. The initiative encourages the rational use of natural resources, recovery of degraded areas, promotion of technology and training and education. The ProTerra Standard focuses on the challenges faced by companies in the food supply chain to create social, environmental and economic benefits for everyone, starting from the protection of the Amazon, Cerrado, Chaco biomes, and any other High Conservation Value Areas. Through this project, our supplier supports rural producers and raw materials suppliers who work for our plants.

Already 80% of our soy lecithin is sourced as ProTerra certified (of which 100% of the soy sourced in Brazil).

### Paper

**Paper converters have been assessed and prioritised using the due diligence approach.**



**R**egardless of the risk category we require our converters to supply us only virgin fiber paper and cardboard from sustainable certified sources, this means that 100% of our virgin fiber paper and cardboard are certified FSC or PEFC.

As general rule we accept PEFC standard for European based converters considering the robustness of the legislative framework, while FSC is required for converters operating in more challenging geographies.



# Promote responsible consumption

We strive to offer products of the highest quality and freshness and always endeavour to communicate responsibly.



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## How we promote responsible consumption

Our products provide pleasure and joy for consumers in more than 170 countries. Ensuring they meet the highest standards of safety and quality and that they are consumed responsibly, as part of a balanced diet within an active lifestyle, is part of our sustainability journey.

### Why does it matter?

Nutrition is fundamental to human life. We live in a society where food plays a central role in cultures, both as a necessity and a pleasure. But the way food is produced, marketed and consumed needs to be sustainable and contribute to wellbeing and health.

As one of the world's biggest chocolate and confectionery producers, nutrition, health and lifestyles are material issues for our sustainable approach. Rising obesity rates in the global population, including among children and adolescents, is a complex issue with multiple causes. Globally, the increasing focus on diet, physical activity and health has put a spotlight on transparent marketing and communications.

As a leading producer of sweet, packaged food, we must ensure our communications are consistent with the principles of good nutrition, balanced diet and physical activity. Responsible marketing communications and product labelling assist consumers in making appropriate choices about the food products they buy and consume. Marketing to children is one of the most sensitive areas of marketing. As children can be highly receptive to marketing messages but lack the maturity to form well-considered judgements, we always ensure to target adults and parents with our product marketing communications across our entire portfolio.

### Our approach

Our Quality Policy drives us to reach the highest quality standards across all our plants. It is designed to ensure excellence at the time of consumption, maximum product freshness and product and packaging design that complies with environmental standards and avoids unnecessary waste.

Our highly rigorous quality system aims to guarantee product excellence across our global production sites. All production sites are subject to international recognised quality certifications such as the international standard for Quality Management System certification, ISO 9001, and FSSC 22000 for food safety. Safety-oriented design is especially crucial to Surprise toy development and all Kinder® Surprises must be fully compliant with international regulations and our own internal requirements.

To ensure the quality and freshness of our products, we measure perceived product quality at many different stages, including point-of-sale. The Ferrero Supplier Code also requires inspections to be carried out at our suppliers' production sites to ensure security and quality of supplies. Consumer feedback, requests and complaints are an important tool for reinforcing trust and improving product quality.

Addressing both diet and lifestyle are key factors in our approach which is shaped by the latest science on food nutrition and focuses on:

- serving sizes that let consumers manage their daily energy needs within their overall diet;
- high-quality ingredients that provide essential energy and micronutrients;
- food education including information on ingredients, foods, and structured eating occasions (balancing meals and snacks); and
- encouraging active lifestyles through our educational programme, Kinder Joy of moving.

Marketing and labelling ensure our communications are consistent with the principles of conscious consumption, physical activity and personal choice. To reinforce the credibility of our commitments, our annual performance is certified by independent, external third-party organisations.



## Products and ingredients' safety and quality

The quality and safety of our products starts with engaging our suppliers to use only safe, high quality and responsibly sourced raw materials. Our manufacturing plants are required to meet the standards set out in our Quality & Food Safety Management System and we carry out rigorous assessments of our products to ensure quality and freshness.

Ferrero's new Quality & Food Safety Policy, published in January 2021, drives the development of strategy, standards and competencies that deliver the highest consumer experience. Our business model is designed to:

- promote a quality and food safety culture driven by people centricity and engagement;
- achieve organoleptic excellence and product freshness throughout the value chain in all markets;
- ensure global integration across the business of our Quality & Food Safety Management System;
- protect brand reputation through effective risk management;
- drive continuous improvement by standardising the monitoring and analysis of primary processes and quality and food safety objectives; and
- leverage communication resources for an optimal information management within Ferrero and with our external stakeholders.

### The Ferrero Quality & Food Safety Management System

The Ferrero Quality & Food Safety Management System comprises a global network that includes the Central Quality Department and Local Quality Departments in our commercial and industrial subsidiaries. The Group Quality Organisation oversees the entire value chain from raw materials to market. It works closely with local teams to define quality and food safety objectives and monitor performance through a complex system of indicators and audit. Quality results are published in dedicated monthly reports and shared with relevant departments and corporate management.

In FY 2019/2020, the impacts of Covid-19 meant the three-day annual Quality Convention was held online. In addition, the e-commerce quality process played a major role in shaping how we adapted to the new consumption behaviours derived from Covid-19 crisis. It brought Ferrero people together from around the world to strengthen the concept of "Group Quality" through sharing ideas, problems and best practices.

### Ensuring the quality and freshness of our products

To ensure the quality and freshness of our products, we measure perceived product quality at different stages, including point-of-sale. We carried out 759,621 store visits to measure the freshness (period between the production date and the audit date in store) of finished products and temperature in store. Due to Covid-19-related restrictions, the number of store visits and quality checks was around 20% lower in FY 2019/2020 than planned. Perceived quality of the finished product at point of sales was assessed in 304,057 stores with auditors behaving as shoppers to check the presence of visual defects against a defined list for each product.

To ensure products comply with the required sensory profile, a sensory evaluation is carried out alongside laboratory tests. This evaluates the organoleptic attributes of each product, its aesthetic appearance and presentation. Tasting and sensory evaluation includes raw material taste tests and taste tests of semi-finished and finished products on the production line. Quantitative Descriptive Analysis is carried out by a trained panel of tasters in our centralised product observatory and production units. As an example, 76,300 sensory tests were carried out on Nutella across our production sites and central observatory in FY 2019/2020.

Our global taste project has a wide geographic coverage and involves 2,081 tasters around the world who are selected and trained according to the Ferrero Group Tasting Procedure. This project is aimed at maintaining trained panels and extending continuous taste tests across an increasing perimeter of product coverage and number of tasters.

### Ensuring the quality of raw materials and packaging

The quality and freshness of raw materials is crucial to the organoleptic characteristics of our products. This is fundamental to consumer trust in our products and we have always paid careful attention to our ingredients from a food safety and quality perspective.

Our so-called "known-bag" comprises a set of internal procedures that are carried out by specialist food technicians. They include sensorial evaluations and analysis, supplier inspections and food safety practices to guarantee the raw material's traceability. Our suppliers around the world are selected and evaluated using the defined criteria through an electronic platform that connects them with our expert food technologists.

The Ferrero Supplier Code requires continuous inspections to be carried out at our suppliers' production sites to ensure security and quality of supplies. Our plants use an internal risk-based Group protocol to define the type and frequency of the physicochemical, microbiological and organoleptic controls that must be performed on samples from incoming materials.



## Products and ingredients' safety and quality continued

### Listening to consumer feedback

Consistent and effective management of consumer requests, complaints and feedback allows us to reinforce trust and satisfaction and improve product quality. The Consumer Complaints Method function, part of the Ferrero Group Quality Organisation, allows us to provide consumers with prompt and effective support and resolve the cause of complaints through systematic and consistent analysis of all consumer feedback to improve of product quality. The function is responsible for implementation of the Customer Relation Management (CRM) tool – Ferrero CARE – and the maintenance and enhancement of the Contact Management Quality System which is applicable to all our brands and entities. We are working on a new project to enable consumers around the world to contact us directly through a central “Contact Us” module on the corporate Ferrero website. The module will be implemented by the end of FY 2020/2021.

### In FY 2019/2020, across 23 Ferrero production plants and 6 HCo manufacturing plants, we carried out:

# 1,563,221

controls on raw materials in addition to the controls on semi-finished and finished products

# 1,351,871

controls on primary and secondary packaging including organoleptic and defect detection tests

### Advancing standards across our plants

Our highly rigorous quality system aims to guarantee product excellence across our global production sites. The Corporate Quality Audit system provides the ultimate assurance of quality compliance. We continuously monitor and improve standards through a structured monitoring system that covers all quality processes. This includes inspections by qualified personnel of our plants, warehouses and contractor premises to verify the correct application of standards and identify opportunities for improvement.

Across our production plants and in main sub-contractors, a dedicated integrated global SAP (System Applications and Products) software system allows data related to the Ferrero Quality model to be shared, integrated and monitored. The system has now been implemented across all Ferrero plants including Alfreton (UK), Bloomington and Franklin Park (U.S.) where the management of process controlling was implemented in 2020 as planned.

To ensure the effectiveness of the Ferrero Quality System, all production sites are subject to international recognised Quality Certifications by accredited third-parties. We use the international standard for Quality Management System certification, ISO 9001. Our Food Safety Management System has been certified according to the FSSC 22000 standard across all our production plants. Other certified management standards are applied locally based on market demand (e.g. IFS, BRC, SQF) or statutory requirements.

We promptly activate certification procedures for production plants when we acquire new companies. Integration projects for FSSC 22000 and ISO 9001 are on-going at our acquisitions at Alfreton (UK), North Canton, Bloomington and Franklin Park (USA). We expect to complete them by end of 2022.

### HOW ARE WE DOING?

#### ISO 9001:2015 – Certification of the Ferrero Quality Management System

Within the framework of ISO 9001, a third-party certification body sampled four plants in FY 2019/2020: Alba (Italy), Hangzhou (China), Villers Ecalles (France) and Vladimir (Russia) as well as our company headquarters in Luxembourg. Overall results were positive with no site having any major “non-conformity” issues.

#### FSSC 22000 – Certification of the Ferrero Food Safety System

Regarding the framework of FSSC 22000 certification, all certified production plants in the Group were audited to verify the standard compliance. The overall outcome was positive with no critical “non-conformity” issues found.

#### IFS – International Food Standard

Audits were carried out to verify compliance with the IFS standard at production sites in Alba (Italy), Arlon (Belgium), Belsk (Poland) and Stadtallendorf (Germany). These audits uphold the highest level of compliance, providing a “higher level” certificate.

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## Quality and safety of our Surprises

### Safety-oriented design is one of the key pillars of Surprise toy development.

The Ferrero Toys Testing Protocol states that KINDER® Surprises must be fully compliant with international regulations and Ferrero internal requirements.

All toy certification tests are performed by independent, accredited laboratories that are world leaders in Safety Research and Certification.

### International standards and regulations

We strictly apply international regulations:

- European directive on toy safety 2009/48/CE;
- the European toy safety standards on mechanical and chemical requirements (EN71);
- the international toy safety standard ISO 8124
- MERCOSUR standards on internationally produced toys; and
- national standards and legislations of all the countries where Surprise toys are commercialised (e.g. REACH regulation and ASTM F963 standard for the USA).

### Ferrero internal requirements

We also carry out additional voluntary tests as part of the Ferrero Toys Testing Protocol which are more restrictive than those provided by international regulations. The number of tests required by the Ferrero Toys Testing Protocol is far higher than regulatory requirement, 75 for Ferrero vs. 48 required.

Strict guidelines related to the dimension, shape and morphology of toys are enforced on any item developed for KINDER® Surprise.

These precautions include avoiding button cell batteries, magnets and colours that could be confused with chocolate. We use only high-quality materials chosen to avoid breakage of the toy and its parts to guarantee high design standards.

A physical prototype of each toy is created using 3D printing technology.

This prototype reflects the shape and the function of the Surprise, while taking into account safety and production requirements.

A thorough analysis is carried out on any Surprise reaching the market:

**Safety assessment:** we run an extended preventative safety assessment of every single toy during the design and prototype phases, with the assistance of accredited external laboratories and doctors.

**Medical check:** a dedicated working group analyses and evaluates whether aspects of the prototype comply with requirements based on medical criteria.

**Age grading evaluation:** an independent third-party evaluates all toys using internationally recognised age grading guidelines to verify they are suitable for, and appeal to, only children over three years of age.

Toy certification tests are performed by two independent, accredited laboratories – both world leaders in Safety Research and Certification.

The Code of Conduct, called the “Ethical, Social and Environmental Requirements for Suppliers of KINDER® Surprise Toys”, is inspired by the most advanced international ethical codes and is equally rigorous and detailed. The Code and its implementation provide reassurance that KINDER® Surprise toy suppliers are operating in compliance with our requirements regarding working conditions. Manufacturers undergo a strict audit (with SMETA Methodology four pillar) aimed at verifying that they respect the fundamental rights set out in the Code. SMETA is an audit methodology

developed by Sedex members (a non-profit membership organisation) to give a central agreed protocol and is one of the most widely used ethical audit formats in the world. During the audit are verified topics under the four pillars: Labour rights, Health and Safety, Environment and Business Ethics. We have appointed two certified and globally well recognised third-party bodies (Bureau Veritas and Intertek) to inspect KINDER® Surprise toy manufacturers. Suppliers are audited (announced and unannounced) to ensure that our ethical requirements are applied and complied with.

## EDUCATIONAL WORLD OF OUR SURPRISES: THE APPLAYDU APP



**There is an evolution of kids' way of playing: the phigital play. Modern kids are naturally switching between the digital to the physical worlds.**

While the physical experience is and remains crucial, the time spent on digital devices is constantly growing. To capture this evolving way of playing, KPS launched Appplaydu, a disruptive playing experience designed with best in class partners: Gameloft to develop an extremely engaging digital gaming experience and Oxford University to ensure that every single detail is accurately crafted to support children's development.

<sup>1</sup> The Children's Online Privacy Protection Act.

Through this innovative digital platform kids will discover a new generation of surprises where all physical toys come to life through augmented reality. A new era of interaction, storytelling and never-ending play for a magic and bigger WOW. A new era of enjoyable learning and playing moments. All aspects of the app are EU Pledge compliant and, therefore, contain no products, ads, nor marketing messages. Also, Appplaydu intercepts the needs of parents to be reassured about how kids spent their time on the digital devices, both in terms of time and in terms of quality of the contents. In line with the KINDER® brand promise: “Delight kids while reassure parents”.

The application is COPPA<sup>1</sup> certified and received the highest score on the educational App store. Appplaydu is carefully tested with children and parents before any major release in order to integrate their feedback.

The Appplaydu App has been progressively launched globally since August 2020 until January 2021 and the partnership with Gameloft and Oxford will evolve in the coming years to ensure the best edutainment experience. The partnership with Oxford has been extended until January 2023 in order to allow the researchers to certify the educational value of the App.



## Nutrition

**By 2050, the global population is expected to reach 10 billion. As it stands, the way we produce and consume food as a society is pushing the planet and its systems to the limit. To ensure enough safe, nutritious and sustainable-produced food for all, we need a new approach to “Sustainable Nutrition” that optimises health and nutritional outcomes whilst respecting the ecosystems the world depends on.**

These are complex issues that cannot be solved in isolation. As one of the leading companies in confectionery, we want to help drive the change that is needed. We believe in the concept of Sustainable Nutrition applied through a system-wide approach encompassing agriculture, food, nutrition, health, livelihoods and the environment.

We also believe that the effects of food on health must consider the overall composition of macronutrients and the role of the food matrix, as evidenced by the most recent scientific evidence. The food matrix considers the complex assembly of physical and chemical interactions that take place between the compounds present in the food. The physiological response and health benefits of a particular compound depend on these interactions. For example, the introduction of bio-compounds present in raw material by-products, such as hazelnuts, can lead to health benefits in final products as part of a circular economy approach.

### Our approach

Ferrero produces and markets some of the world’s best-loved confectionery products. We believe all food types can be part of a varied and balanced diet without excluding certain foods or condemning specific ingredients or nutrients.

One of our goals is to help consumers make proper food choices and adopt a varied and balanced diet which provides essential nutrients and the right amount of energy from every food type.

In line with the scientific evidence, our strategy is based on the following key principles:

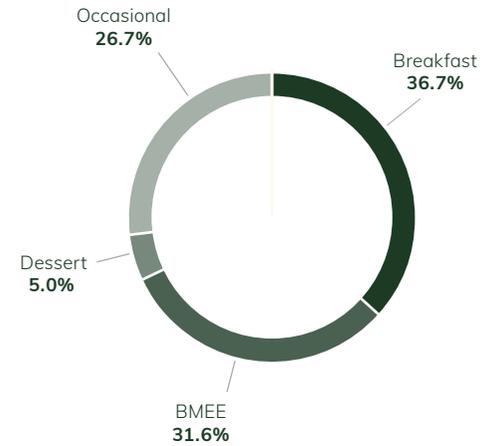
- 1 Suitable serving sizes of our products that allow consumers to better manage their daily energy needs within their overall diet.
- 2 Careful selection of high-quality raw materials that provide essential energy and micronutrients. The quantity and importance of these ingredients’ natural components are preserved by strategic industrial processes, maintaining their physiological role.
- 3 Promotion of ingredients, foods and structured eating occasions that can be integrated into food education programmes for consumers and the medical-scientific community.
- 4 Education on the importance and benefits of an active lifestyle.

### How and when are our products consumed?

We continue to expand and refine our analysis of the nutritional impacts of our products. In FY 2019/2020, we extended the scope of analyses to include products of recent acquisitions (Thorntons, Fannie May and Nestlé U.S. chocolate confectionery businesses). These are being integrated step by step within the pillars of our historical range of products. We assessed 100 Products Data Records<sup>2</sup> covering 95%<sup>3</sup> of our core marketed volumes.

Breakfast and Between Meals Eating Episode (BMEE) are confirmed to be the most common eating occasions for our core products, covering around 68% of our marketed volumes. This role of our products within consumers’ eating habits aligns with the sweet, packaged food sector. We contribute to efforts to promote the importance of having breakfast regularly as a good eating habit and to encourage moderate food consumption among all age groups and especially young people.

Repartition of the Product Data Records according to the target eating occasions, on marketed volumes\*



\* Marketed volumes worldwide, in the FY 2019/2020. Ferrero Group internal source.

2 Products Data Records: aggregated products with similar nutritional characteristics (delta Energy <5% on average value among “flavours”/“version” of the same product).  
 3 Exclusion criteria concern mixes (seasonal and stable products of which marketed values do not referred to specific product), mini versions (when they do not report a codified portion) and some seasonal products (marketed for specific occasion for sharing and festive moments without a codified portion).



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## Nutrition continued

### Great brands in small servings

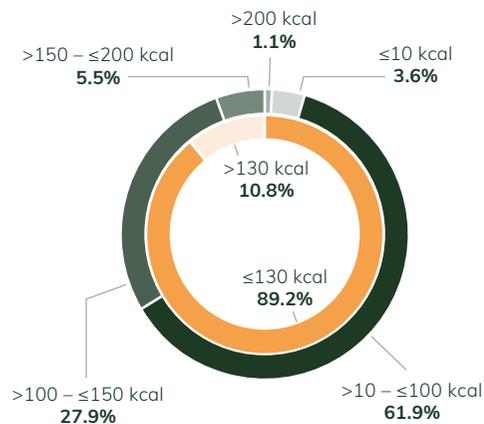
Most of our products are offered as single-wrapped servings. This enables people to enjoy them within a varied diet, in small serving sizes with a low-calorie load. In accordance with our nutritional principles, 89% of our marketed volume has a serving size with a calorie load of equal or less than 130 kcal. This is comparable with previous years and reflects our commitment to promote products that can be flexibility combined in individual structured eating episodes.

Of our marketed volumes in FY 2019/2020, around 65% were marketed in a serving size of 100 kcal or less and around 7% exceeded 150 kcal per serving, up from 4% in FY 2018/2019. This percentage increase is due to the inclusion of products of our new acquisitions and we are working to apply a common standard to historical Ferrero products and newly acquired commercial brands/entities. Our focus on consumers means we apply a step-by-step approach to changing the standards of new brands in order to let consumers of these products adapt to our core nutritional principles.

	FY 18/19	FY 19/20
≤10 kcal	4.9%	<b>3.6%</b>
>10 – ≤100 kcal	61.7%	<b>61.9%</b>
>100 – ≤150 kcal	29.3%	<b>27.9%</b>
>150 – ≤200 kcal	3.0%	<b>5.5%</b>
>200 kcal	1.0%	<b>1.1%</b>
≤130 kcal	91.2%	<b>89.2%</b>

We now have scientific data on the Glycaemic Index (GI) of 85.3% of our core marketed volumes. The GI is a relative ranking of carbohydrate in foods according to how they affect blood glucose levels. Carbohydrates with a low GI value (55 or less) are more slowly digested, absorbed and metabolised. They cause a lower and slower rise in blood glucose (and therefore also usually insulin levels) and there is a general scientific consensus supporting the positive effect of a "low-GI" diet.<sup>4</sup> Due to their composition and structure, the vast majority of our analysed Product Data Records have a low (55 or less) or medium (56-69) GI: 88% are rated low GI, 8% medium and only 4% high GI (70 and above). We determine the GI of new products when they are launched and stabilised on market.

### Repartition of the Product Data Records according to the energy delivered by portion, on marketed volumes\*



\* Marketed volumes worldwide, in the FY 2019/2020. Ferrero Group internal source

<sup>4</sup> <https://www.sciencedirect.com/science/article/pii/S0939475315001271>

### Our science-led approach

Food education is an efficient and effective way to promote conscious nutrition and healthy diet choices. Our research and education programmes are constantly expanding to include new ways of improving food and nutrition knowledge and information, including within our own Company. We work with recognised experts in different scientific fields to spread knowledge among Ferrero employees. We also keep up to date on the latest science-based data on the impact of ingredients and our products on human and planetary health.

In FY 2019/2020, we carried out and supported scientific research with internationally recognised scientific institutes. We select and work with University research groups and well-known international experts with unrestricted grants, recognising their expert standing in scientific research and importance of guaranteeing the principle of impartiality, independence and intellectual freedom. These collaborations aim to create solid scientific evidence to be disseminated through conferences, congresses and workshops and published in scientific journals.

We publish an official list of research results on our website showing the scientific work undertaken by the Group in last three years.



Download the list of scientific research and conferences for FY 2019/2020

## REFORMULATING OUR PRODUCTS



**The control of the serving is a solid way to control the intake of nutrients such as sugar and fats, characterising confectionery.**

The majority of our SKUs within the historical brands has already 8.0 g or less total sugars/serving, 4.6 and 2.2 g/serving of total and saturated fatty acid, respectively, and 14 or less mg/serving of sodium. Nevertheless in FY 2019/2020, we reformulated or launched a number of existing and new products including a breakfast bakery product with more than 3 g per 100 g of dietary fibres.

As part of our commitment to the IFBA product formulation and innovation framework, we stopped using partially hydrogenated fats in our products in 2006. This is fully in line with recent WHO requests of limiting industrial trans fats at a global level. Ferrero is actively collaborating to support the achievement of this objective, together with all other involved stakeholders.



Read our Statement on Product Formulation and Innovation



## Responsible communications, marketing and labelling

**We are committed to responsible communications that assist consumers in making appropriate choices about the food and beverage products they buy and consume. Communications and labelling help consumers understand the role of nutrition, diet and movement in achieving a healthy and active lifestyle.**

**G**lobally, the increasing focus on diet, physical activity and health has put a spotlight on the role of marketing and communications. As a leading producer of sweet, packaged food, we ensure our communications are consistent with the principles of good nutrition, balanced diet and physical activity.

As we know that responsible marketing can be a powerful force for behaviour change, we use it to convey the information consumers need to make responsible choices about our products and to engage them on the issues they are interested in. We go beyond legal requirements by adopting Industry standards on nutrition labelling and advertising to tangibly improve our positive social impact.

In general, advertising and marketing standards are administered by a broad legal framework that is further defined by industry standards. In Europe, legal standards include the Unfair Commercial Practice Directive and the Misleading and Comparative Advertising Directive. They work in combination with a series of global, regional and local Industry Self-Regulatory Codes. To further complete the structure, we also voluntarily subscribe to Industry Code of Conducts on responsible marketing to kids, such as the EU Pledge and International Food & Beverage Alliance (IFBA) Global Responsible Marketing Policy.

### Commitment to voluntary self-regulation

We apply the “Framework for responsible food and beverage communication” adopted by the International Chamber of Commerce (ICC) – the world’s foremost business organisation promoting responsible marketing and advertising communications – as well as relevant regional and national self-regulatory codes.

Effective self-regulation of commercial communications provides a valuable framework to serve the interests of consumers by providing truthful and accurate communications. We recognise the need for proper enforcement mechanisms to sanction or amend advertisements that do not meet these self-regulatory requirements.

As an active player in these frameworks, Ferrero is a member of:

- The International Food & Beverage Alliance (IFBA), through which the world’s leading food companies commit to promote self-regulation programmes regarding responsible advertising and nutrition information, formulation and portioning of food, and promoting physical exercise.
- The World Federation of Advertisers (WFA), an international organisation which promotes good and efficient practices in relation to responsible advertising.

### Responsible marketing to children

As a group commitment, we apply the IFBA Global Responsible Marketing Policy. This means that at a global level we do not advertise any our food products to audiences primarily composed of children under the age of 12 on TV, radio, print, cinema, online (including Company-owned websites and social media), DVD/CD-ROM, direct marketing, product placement, interactive games, outdoor marketing, mobile and SMS marketing. Beyond the placement of product marketing communications, we also consider the content of our advertising to ensure it is not designed to appeal primarily to children under 12. In Europe, we take part in the EU Pledge initiative which mirrors the parameters of our global commitment and fosters a responsible approach to food product advertising to children under the age of 12 across the same media.

Internally, a number of teams are involved in responsible marketing and advertising including Institutional Affairs, Marketing, Legal, Media Planning and Business Units. They work together to ensure we achieve the highest possible level of compliance. We continue to develop internal guidance and training tailored to the specific needs of the different markets and regions. In 2020, we created and launched a “responsible marketing to children” e-learning module as part of the Ferrero University. It is specifically designed to support our marketeers globally in understanding the details of our global responsible marketing to kids’ principles with real case examples and a quick test to put the principles into practice.

Our responsible marketing commitments are included in the Ferrero Advertising and Marketing Principles. These are frequently updated to keep up with the latest developments of the self-regulatory frameworks and are publicly available on our corporate websites.



## Responsible communications, marketing and labelling continued

### How responsible is our marketing and advertising?

Compliance with the EU Pledge commitment is subject to annual monitoring carried out by two independent third-party organisations: Ebiquity<sup>5</sup> for television advertising and the European Advertising Standards Alliance (EASA) for brand websites, social media profiles and influencer marketing posts.<sup>6</sup>

In FY 2019/2020, our overall compliance rate mirrored the positive results of previous years: 98.8% for television advertising and 100% for online advertising. This means all brand websites, social media profiles and influencer marketing posts that were analysed aligned with the EU Pledge commitment.

# 98.8%

**Overall compliance rate  
for television advertising**

### Commitment to healthy lifestyles

Ferrero has made a series of commitments to support the promotion of physical activity through national Ensemble Prévenons l'Obésité Des Enfants (EPODE)-based programmes in selected countries.

The European Commission has formally recognised EPODE as a best-practice model because it brings stakeholders together – including local authorities, health professionals, teachers, private partners and local communities – through an integrated approach to prevent childhood obesity.

In 2020, we financially supported the national French project “Vivons en forme” (VIF) which comprised a series of initiatives to promote the benefits of physical activity, nutrition and personal wellbeing among children and adults.

# 100%

**Overall compliance rate  
for online advertising**

### Commitment to transparent labelling

Our labels provide consumers with accurate and transparent nutrition information on front and back of packs in compliance with current legislation in different countries as well as voluntary commitments.

Globally, we are committed to meeting the IFBA Principles for a Global Approach to Fact-based Nutrition Information<sup>7</sup> on eligible products. This was finalised in January 2017 in countries where local regulation allows it. The general principles are that the provision of nutrition information should be:

- Objective, fact- and science-based;
- Presented in a legible, clear and visible format; and
- Understandable to consumers to enable them to make informed dietary decisions about the foods and beverages they choose.

In European markets, we voluntarily provide nutrition information on the front of pack of 100%<sup>8</sup> of our eligible products in the EU (KINDER® and Nutella® ranges and Ferrero snacks), in line with the requirements of Regulation (EU) No. 1169/2011 on the provision of food information to consumers and labelling recommendations of FoodDrinkEurope.

We also offer voluntary nutritional information on the front of packs outside the EU to ensure consistency across the Group. The nutrition information displayed includes the energy value and – when appropriate – amount of nutrients per portion and/or per 100 g of product, as well as an indication of what this amount represents as a percentage of an average person's daily dietary needs.

In countries where a recognised reference intake value does not exist or is not permitted, only the calorie content per 100 g and/or per portion is displayed on our packaging.

<sup>5</sup> Ebiquity monitored TV advertising broadcasted in Bulgaria, France, Germany, Italy, Poland and Spain.

<sup>6</sup> In 2020, EASA monitored brand websites, social media profiles and influencer marketing through evaluations carried out by the national advertising self-regulatory organisations in Belgium, France, Germany, Greece, Italy, Romania, Spain and Sweden.

<sup>7</sup> <https://ifballiance.org/publications/ifba-principles-for-global-approach-to-nutrition-information/>

<sup>8</sup> This percentage does not cover small packs or seasonal products, as the recommendation explicitly exempts such categories.



# Empower people

We will continue to develop and motivate our people and focus on strengthening diversity and inclusion across the business.



## How we empower people

### Why does it matter?

With over 37,000 employees based in more than 50 countries, we must engage all our people to continue to succeed. This means listening and responding to their views and creating a working environment where people feel valued and able to grow.

For over 70 years, we have believed that a diverse and inclusive workforce and culture of strong values is crucial to long-term business success. We motivate and develop our employees to improve their decision making, consumer focus and engagement. Their safety is of paramount importance and we strive to ensure their wellbeing and manage risks to our business.

Respect for human rights is a core value within our operations and supply chains. We work with multiple stakeholders to address worker safety, labour rights and children's rights and to contribute to inclusive and thriving communities.

### Our approach

Ferrero employees are first introduced to the Company vision when they join the Company and they continue to be engaged throughout the employee lifecycle. Our People Centricity Strategy is focused on bringing about positive change in three key ways:

- Evolution of the relationship between Ferrero and its employees. This includes enabling proactivity and accountability for growth and career development through digitalisation.
- Developing a new role and expectations for line managers as catalysts for change. This is delivered through the Line Managers Excellence manifesto and programme.
- Enabling Human Resources (HR) professionals to play an innovative and transformative role as guarantors of processes, while facilitating Managers to be accountable and proactive.

Our strategy applies across the entire employee lifecycle and guides all aspects of employee engagement, development of HR processes and tools and leadership.

Our focus on people extends across the whole value chain, ensuring we uphold high standards of safety, human and labour rights in both our operations and global supply chain. We apply a due diligence-based approach which ensures the standards set out in the Ferrero Code of Ethics and Code of Business Conduct are adhered to by our employees, suppliers and collaborators (see page 77).

We also deliver societal impact through our social activities:

**The Ferrero Foundation** – offering Ferrero Seniors (Group employees who have retired) a new concept of old age with its programme of creative, recreational and social activities, accompanied by social and healthcare services investing in the promotion of individuals and of culture (page 78).

**Michele Ferrero Entrepreneurial Project** – supporting social initiatives that safeguard the health, education and social development of children and young people in the least developed areas of emerging countries (page 79).

**Kinder Joy of moving** – our international social responsibility project which aims to bring the joy of movement into the life of every child by promoting physical activity and an active lifestyle in an easy, engaging and joyful way (page 80).



## How we empower people continued

RESPONDING  
TO THE COVID-19  
PANDEMIC

Despite the challenging and ever-changing situation, we maintained our focus on achieving high ethical standards and ensuring the wellbeing of our employees, communities and consumers. The challenges posed by the pandemic provided an opportunity to renew this contract of engagement and enhance our commitment to protect the health of our employees. All our production sites were exposed to sudden changes in working conditions and they adapted quickly and effectively. Measures were put in place in record time according to Group Guidelines and local requirements to prevent risks of infection while maintaining production. These measures included distributing masks for employees, calls and emails managed by the Security Control Room, and development of Group and local guidelines. Moreover, a dedicated app has been launched to keep employees promptly informed about the evolution of the virus and the different travel restrictions, and give them the possibility to report a positive or suspected case to the Ferrero Global Security Operations Center.

A consolidated view of production sites was updated daily by our security teams to monitor the consistent implementation of measures across plants and share examples of good practices.

At the same time, office-based employees adapted quickly to remote working, supported by measures to ensure a seamless transition and support their wellbeing. Thanks to the technologies in place and the progress of our digital transformation, we were able to adapt without compromising the health and safety of our employees or the wider business continuity. During this time, each region has developed a detailed communication plan to keep people informed and engaged, organising meetings, virtual events and other activities. On top, thanks to the support of our Line managers, we have monitored the wellbeing of our employees. The dedicated services of our Employee Assistance Programme were already in place and in the meantime a Group solution has been designed and it will be launched.

Covid-19 affected the delivery of learning and development with many programmes, including Ferrero University courses, adapted to be delivered online.

Partly as a result of employee feedback during the pandemic, we developed a Global Wellbeing Programme designed to provide a holistic framework for supporting the wellbeing of Ferrero people around the world (see case study on page 75).



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## Engaging our people

**As Ferrero grows and diversifies, we need to support the business by engaging and inspiring our global workforce. Facilitated by digital platforms, we encourage a culture of managerial excellence and an inclusive mindset to ensure the highest level of engagement among our people.**

**W**e conduct a global YOU employee Survey every two years to understand progress and opportunities for improvement. The survey engages more than 20,000 employees and we analyse the quantitative results and qualitative comments made by participants. The results of the survey are essential input for developing our action plans.

In 2020, we launched the third survey, YOU 2020, to measure employees' perceptions of the deployment of our actions plans via a questionnaire provided by the Great Place to Work Institute®, a globally recognised organisation that assists in evaluating results against national and international benchmarks. The survey included employees of new acquisitions such as the Nestlé U.S. confectionery business.

71% of employees took part in the survey despite it being launched at the start of the pandemic, and 40% of respondents replied to the open-ended question. These two indicators highlight our people's desire to be heard and to play an active role in improving their workplace.

The overall key learnings are:

- High level of responses that prove the willingness of our people to be engaged;
- overall improvement vs last two Survey editions;
- good results in terms of pride to be in Ferrero and to recommend others to join us;
- positive comments regarding the family dimension of the Company and appreciation of our distinctive product know-how;
- areas of improvements targeted to the managerial capabilities of our line managers and the work-life balance; and
- diversity is confirmed to be a crucial topic for the Company and it remains an area of attention.



We continue to facilitate open and consistent communication across our Company using newly developed digital tools and channels. Forward is our digital platform, available in 10 different languages, that provides a key entry point for employees to Company news, tools and applications. Our aim is that all employee groups will be able to access content from their computers, smartphones and other devices – anytime, anywhere.

### PERFORMANCE MANAGEMENT

Our Performance Evaluation process is based on employee achievement and behaviours across three dimensions: individual performance, contribution to the team and contribution to the matrix organisation (multifunctional team) – all of which must reflect the Ferrero values and core competencies. Employees receive feedback from their professional and managerial heads and internal clients. In FY 2019/2020 11,158 employees, from 55 locations (71% employees, 25% middle managers and 4% senior managers and above) were involved in the performance evaluation process, of which 41% were women and 59% were men.

### Global employee survey 2020

# 10

different languages

# 71%

of employees took part in the survey despite it being launched at the start of the pandemic

# 20,000

more than 20,000 employees engaged



## Diversity and inclusion

**We are committed to building a diverse and inclusive culture in which all employees feel welcome, appreciated and treated equally. Our diversity of talent makes the Ferrero work environment multicultural, innovative and highly rewarding. This diversity is an essential building block for developing a strong culture and workplace.**

**O**ur culture is rooted in values such as respect and integrity. We believe all our people are equally talented in their own way. In nurturing their curiosity and natural abilities, we provide the means to succeed personally and professionally throughout their journey with Ferrero.

Our recognition that diversity and inclusion (D&I) are key drivers of business success has seen D&I included as a priority in the Ferrero Group strategic plan which will shape our actions in the years to come. Our diversity programme focuses on the four dimensions of gender, nationality, generations and working culture.

Building a truly inclusive environment takes time and requires the development of processes and guidelines to support the change. In FY 2019/2020, we started the deployment of a three-year plan including a full set of initiatives addressing aspects such as recruitment, succession planning, learning, flexible working and reward.

Actions taken include:

- Appointment of the Company's first Global Diversity and Inclusion Manager.
- Design and communication of a global governance model, including a group council and several regional councils to drive the global and local D&I agenda respectively. Regional councils will be established during FY 2020/2021.
- 17 Regional D&I Ambassadors were nominated to work as a network on D&I programmes considering local needs.
- Creation of a global D&I dashboard and roll out to all regions to monitor KPIs (such as representation per gender, generations, nationalities in the different levels of the organisation, recruitment of female candidates, turn over, promotion rates) and progress. This will hold our management and regional D&I Councils accountable and enable us to evaluate progress against our internal and external targets.
- Gender pay equity analysis was conducted for around 1,000 people (representing mainly Senior Manager and above population) with no significant gaps found. This analysis will be extended to all employees in 2021.

- Country Navigator, a cross-cultural platform that supports people from different backgrounds to improve cultural intelligence, was made available to all employees globally.
- Ferrero became a global supporter of Catalyst, a global non-profit that works with over 800 companies around the world to accelerate women into leadership.

Looking ahead, we will continue to evolve our strategy focusing on creating an inclusive mindset. During the next year, our objective will be to put inclusive policies and process into practice, engage employees and embed D&I into various Company programmes.

### Increasing gender balance among our managerial positions

We committed to increase the number of women in managerial positions by 5% by 2020 against an August 2015 baseline. We reached this target in January 2021. As of August 2020, there were 29.8% women and 70.2% men among our managerial positions (Middle Manager and above), a 3.9% increase. This increased by January 2021 to 30.8% women and 69.2% men, representing a 5% increase since 2015. This result includes new acquisitions (Thorntons, Fannie May and the Nestlé U.S. confectionery business).

#### Gender balance among our managerial positions

	Unit	2015		2016		2017		2018		2019		2020	
		Men	Women										
Middle Manager and above	%	74.1	25.9	73.1	26.9	72.1	27.9	70.8	29.2	69.8	30.2	69.2	30.8

### REGIONAL DIVERSITY & INCLUSION AMBASSADORS

Regional Diversity & Inclusion Ambassadors

D&I Ambassadors will drive the regional Diversity and Inclusion agenda, reinforcing the subject regionally and elevating local voices by adapting the Group vision in accordance with specific priorities and needs.

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## Continuous learning

**As our Company becomes increasingly international and we evolve our governance and business model, it is imperative that our approach to developing people also changes.**

**W**e aim to preserve and protect the unique and distinctive know-how, experience and expertise we have built up throughout our long heritage while developing new skills and capabilities through lifelong learning.

### The Ferrero University

The Ferrero University provides critical programmes aligned with business needs to foster employee development globally. Some are delivered locally and some are delivered online, including mandatory programmes. Covid-19 deeply affected the learning strategy of Ferrero University and many courses were adapted to be delivered online.

We are lucky to have many expert professionals who, in addition to their day jobs, support the design, development and delivery of the learning provided by our central University team. To date, more than 100 of our professionals have been involved in the creation and delivery of learning as Subject Matter Experts (SMEs) and instructors, disseminating their expertise and knowledge to others in the organisation through the programmes of the University. When it comes to learning delivery, more than 200 internal trainers of various seniority facilitate or instruct Ferrero University programs.

We have developed seven programmes which are delivered through an online learning platform organised around three pillars. This structure supports a solid learning experience for our employees and professionals.

- 1 **Starting the learning journey**  
**Welcome to Ferrero**
- 2 **Building technical skills**  
**Ferrero Know-How Academies**
- 3 **Becoming a leader**  
**Ferrero Leaders**

## 1 Welcome to Ferrero



Welcome to Ferrero programmes support employees during the onboarding phase at a global and local level. The goal is to provide an interactive experience using a blended learning approach.

### FERRERITÀ

Ferrerità is a programme designed for new employees to understand the spirit of the Company, its culture, values and business model. In FY 2019/2020, five classroom editions were delivered to 261 participants in Brazil, Italy, Luxembourg, Poland and Russia. As a result of the pandemic, we embarked on a major project to convert Ferrerità into a virtual programme combining modules with virtual instructor-led sessions that can take place over a month. We will deliver this e-learning over the coming year with Talent teams worldwide trained to deliver the programme to local colleagues. Combining online and in-person options provides an opportunity to enlarge the reach of this programme in the long term.

## JOIN!

A 12-month targeted programme of training for new University graduates. In FY 2019/2020, 183 graduates from Europe, Colombia, Brazil, Australia, China, Mexico, Russia and Singapore participated in six editions of JOIN! Due to the pandemic, five of the six editions were delivered virtually and facilitated on Microsoft Teams. The programme will continue to be delivered virtually for the next year. We will continue to improve the programme to support the learning needs of young graduates upon joining Ferrero.



A new series of e-learning courses designed to support all Ferrero employees with acquiring common knowledge relevant to all functional areas. The courses illustrate the foundational concepts of the "Ferrero Way" of doing things across essential topics. In FY 2019/2020, three e-learning courses were launched to all employees worldwide: Governance Risk and Compliance Corporate Standards; Data Protection; and Anti-bribery and Corruption. In the next year, three additional e-learning courses will be made available: Cybersecurity Fundamentals; Developing Cultural Intelligence; and Health and Safety Basics.



Continuous learning continued

2 Know-How Academies



The Know-How Academies safeguard and disseminate distinctive areas of expertise. An Academy Board comprised of functional experts governs each Academy and is responsible for identifying and prioritising the professional, functional training programmes that each Academy designs and delivers. By the end of FY 2019/2020, there were 12 Academies and 96 Senior Leaders involved in the Academy Boards.

The Ferrero Know How Academy programmes are delivered by 24 internally accredited trainers and/or external facilitators. We reviewed the training offer in light of Covid-19 and converted 15 courses to be delivered virtually using Microsoft Teams and other platforms by the end of FY 2019/2020.

3 Leadership



The Leadership pillar of the Ferrero University supports employees in management positions to develop their leadership capabilities. Becoming a leader at Ferrero means fully understanding the Company vision, culture and values. Along with sharing their deep knowledge and expertise, our leaders are expected to engage and inspire Ferrero people. The Leadership pillar supports our initiative of building Line Manager Excellence throughout our organisation.



A milestone Senior Manager promotion and integration programme supported by Ferrero University. Each year, we promote between 40-80 people to the Senior Manager role in our Company. The programme supports them by sharing experiences, discussing relevant business and people management topics, and reflecting on leadership behaviours and critical skills for new ways of working. Participants learn how to cope with the changing nature of our business and stay connected, continuing to develop their networks and support their teams. Covid-19 meant we had to shift to online learning and virtual instructor-led learning platforms for a majority of courses in FY 2019/2020.



Masters in International Management

A bespoke Masters programme jointly designed with the prestigious Italian international business school, SDA Bocconi. In FY 2019/2020, we launched the third edition and 32 Ferrero Managers started their 18-month learning journey in November 2019. The programme was already designed to be virtual which limited the impacts of Covid-19.



A course to give Line Managers awareness of the Line Managers Excellence Manifesto, HR processes and core competencies and elements of the Employee Lifecycle. In FY 2019/2020, more than 90% of the target population completed the course.

599,238

Overall training hours

24,460

Training participants

17.5

training hours per capita

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## Employee rights

### Ferrero has a long history of upholding employee rights and maintaining positive and constructive industrial relations.

Our mature approach to industrial relations made it possible to renew the expiring agreements in countries in South America and Europe in 2020. Despite challenging socio-economic conditions in some countries, negotiations ended positively in compliance with the schedule to the satisfaction of the stakeholder involved.

### Driving improvements in workplace conditions

Our annual ethical audit programme, launched in 2019, continued despite difficulties posed by the pandemic. Specific areas of the business were examined using the SMETA 6.1 methodology which combines best practice ethical audit techniques focused on four pillars of labour, health and safety, environment and business ethics. Evaluations are underway to extend the use of this methodology to other areas of the Company to monitor the situation relating to labour conditions, health and safety, environment and business ethics. Based on the findings, we will develop specific projects to further raise the ethical standards of the Group.

### Activities of the European Works Council

As of the end of 2020, the European Works Council (EWC) involved more than 18,500 (corresponding to approximately 55% of all Ferrero Group employees) Ferrero employees including workers, employees of the commercial network and the 10 plants located in Italy, Germany, Belgium, France, Poland, Ireland and the UK. The mutual agreement and communication among the European plants reinforce our network and way of working.

The impacts of Covid-19 changed the nature of management of European industrial relations. It stimulated us to find innovative solutions to guarantee the activity of our EWC, including the virtual management of its seminars and training courses.

We made up for the missed spring meeting by using local training to maintain contact between all the countries involved in the EWC. The training is a requirement of the EWC agreement and is held every two years across relevant European sites. In 2020, the subject was environmental and social sustainability. Our aim is to resume the previous joint training format through local delivery moving forwards.

EWC meetings were held remotely in all locations: in Belgium (August 2020) and in Poland, Ireland, Italy, France and Germany (September 2020). The meetings were supported by an external consultant to manage the interventions and encourage active group working among the participants.

A virtual method was also adopted for the Institutional Meeting in which all members of the EWC participate simultaneously. This involved the use of an online platform that could support simultaneous translation into five languages. The meeting took place on 6 and 7 October and lasted one and a half days. During the meeting, participants jointly agreed to extend the validity of the EWC's founding agreement until October 2021, postponing the renewal of the framework agreement in light of the pandemic and related limitations.

**THE IMPACTS OF COVID-19 CHANGED THE NATURE OF MANAGEMENT OF EUROPEAN INDUSTRIAL RELATIONS. IT STIMULATED US TO FIND INNOVATIVE SOLUTIONS TO GUARANTEE THE ACTIVITY OF OUR EWC, INCLUDING THE VIRTUAL MANAGEMENT OF ITS SEMINARS AND TRAINING COURSES.**



## Health & safety and wellbeing

**Our vision is a proactive culture which protects and continuously improves the health and safety of everyone.**

**W**e are committed to Zero Accidents through continuous improvement and implementation of robust safety management systems. We focus on visible leadership, safe behaviours and training and equipping employees to safely carry out their work.

### Our approach

In Ferrero all production facilities must comply with applicable health and safety (H&S) legislation in the country of operation, as well as Ferrero's stricter procedures. The Group Health and Safety Function provides strategic direction and leads the development of Group-wide initiatives, tools, frameworks and requirements applicable to all sites. These focus on high-risk activities and topics of relevance to our operations (e.g. Lock Out, Tag Out (LOTO), machine safety, working at heights, etc.) and in accordance with international best practice standards including ISO, ILO, IOSH and other relevant applicable international standards.

To perform an effective risk assessment and put in place appropriate control measures, we have incorporated the concept of the hierarchy of controls across all Group procedures. This concept helps facilities to prioritise and select the most effective way to control an identified risk during the implementation phase.

We also extend our safety standards to the third-parties who work at our sites and aim to manage and mitigate impacts on health and safety deriving from interactions with contractors and commercial relationships with third-parties. Ferrero has put in place contractual obligations and requirements for the health and safety of contractors. A H&S induction is provided to all Ferrero contractors and visitors before entering our facilities to work and information on specific work-related hazards and hazardous activities are shared with contractors by both sides.

### Strengthening H&S operational management

In FY 2019/2020, we strengthened the organisational H&S structure to consolidate activities in manufacturing and extend efforts beyond direct operations, starting with the Agri-business and non-manufacturing areas.

We continued the develop and implement the "Ferrero Operational Requirements H&S" Programme to guide the development and implementation of a comprehensive H&S management system and develop our safety culture. The aim of the programme is to drive H&S improvement in a systematic way, using leading and lagging KPIs and applying a step-wise approach which takes into account the maturity of sites in the journey towards H&S excellence. It is based on the gradual and progressive application of requirements supported by the implementation of specific operational tools and monitoring.

The annual H&S Strategic Plan process represents a key moment in the year when the global functional strategy for aligning all areas of the business within a common framework is defined. In FY 2019/2020, we defined a strategic plan with the vision to build a global health and safety organisation with long-term orientation and increasing safety performance.

Some of the main projects and processes include:

- Development of H&S training within the Ferrero Academy framework starting with an e-learning training mandatory for everyone, providing basic knowledge on safety principles and precautions;
- Reinforced focus on consistency of reporting of key H&S data capturing all locations of the Ferrero Group including commercial locations, offices, retail and Research and Development;
- Deployment of Safety Culture Assessment in cooperation with Dupont Sustainable Solutions to identify our Strengths and Weaknesses in order to develop our Ferrero H&S management system (F.O.R. – Ferrero Operational Requirements) further;
- Definition of H&S strategy for non-manufacturing areas with initial focus on safety precautions in office environments;
- Development and implementation of mandatory Group H&S procedures for the highest risk activities, defining minimum requirements for all Ferrero sites to adhere to independent of location;
- Health and Safety digitalisation processes; and
- Conducting pilots in partnership with an external provider to implement a global contractor qualification process.



## Health & safety and wellbeing continued

### Developing our safety culture

To develop a robust safety culture, our plants develop campaigns and training to engage employees and address local health and safety needs according to local legislation and Ferrero H&S requirements.

The roll-out of a Safety Culture Assessment Process will identify our Strengths and Weaknesses in order to develop our Ferrero H&S management system (F.O.R. – Ferrero Operational Requirements).

Occupational health services are offered to support employee wellbeing in line with regulatory requirements. These include access to works doctors/ nurses, first aid services and counselling, etc. H&S professionals are employed in the regions and countries where we operate to ensure occupational health hazards are identified and risks minimised through the development of occupational health services. These services are subject to regular review by local HR and the Ferrero Group H&S function. Additional activities and benefits aimed at prevention and wellbeing are offered to employees free of charge at various sites, including:

- A free nurse and doctor on-site service for first-aid and other services such as paediatrician;
- Employee Care Assistant on-site;
- A balanced food offer in indoor restaurant with nutritionist on-site;
- Free regular medical check-ups;
- Internal promotion to sports communities; and
- Fitness on-site with various classes.



WELLBEING @FERRERO

In September 2019, we started work to develop a Global Wellbeing Programme designed to provide a holistic framework for supporting the wellbeing of Ferrero people around the world. It responds to employee feedback and questions about how to stay resilient, positive and forward-looking, especially during the pandemic.

The programme will encompass 20 initiatives, grouped in 4 pillars, which aims at developing and promoting:

- a **healthy** lifestyle at the workplace and beyond by providing physical and mental wellbeing initiatives and encouraging healthy habits and behaviors;
- high **energy** levels to increase emotional and mental resilience;
- a high level of **protection** at work by providing the safe and secure workplaces;
- social wellbeing by fostering internal networks and creating a sense of belonging as well as establishing external initiatives through volunteering to provide a positive contribution to **communities**.

The Programme will be rolled out alongside local wellbeing activities starting in FY 2020/2021 and over the next three years. It will be accompanied by the global launch of an Employee Assistance Programme (EAP) in FY 2020/2021. This will be accessible to all employees and their immediate family members.

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Health & safety and wellbeing continued

**WHAT WE HAVE ACHIEVED**

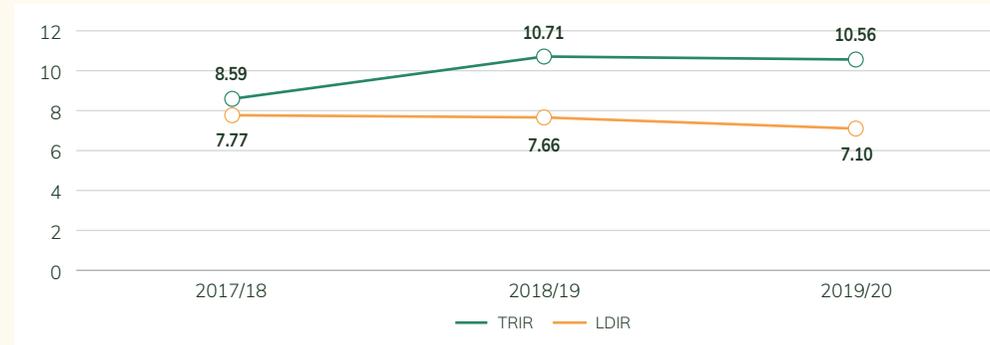
**FY 2019/2020 performance**

Overall, the trend for H&S in FY 2019/2020 was positive. From September 2019, four new plants located in North America (see page 5) were included in within the scope of our safety data along with the Hazelnut Company (seven production plants and six Agrifarms).

From September 2019, we have used the TRIR<sup>1</sup> (Number of total recordable accidents per million hours worked requiring more than one day of absence from work) in addition to LDIR (Number accidents per million worked hours more than one day of absence from work). We started to monitor and report the TRIR as it is a more inclusive measure, accounting several types of accidents.

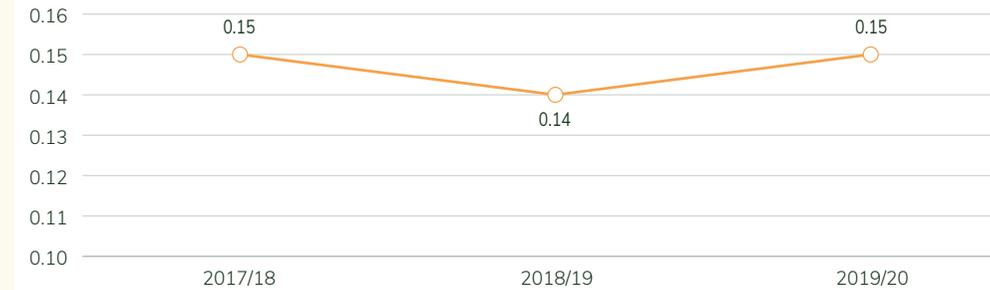
In FY 2019/2020, our LDIR decreased from 7.66 accidents per million hours worked to 7.10 (- 7.3%). The TRIR was 10.56 and the injury severity rate, which measures the days of work missed every 1,000 hours worked, was 0.153.

**TRIR vs LDIR**



**Ferrero Group accident severity rate**

Severity Index (1.000 hrs) Excluded commuting



1 The TRIR includes all recordable accidents, lost injury cases, medical treatment cases and restricted worked cases.

The frequency index is calculated including temporary workers, excluding commuting accidents. Statistical data on the occurrence of workplace accidents in the area did not include contractors and third party business relationships.

CRITERIA: The injuries included for the KPIs are the ones with an absence of more than 1 day (excluding commuting accidents); temporary worker data is included for FY 2019/2020.



## Human rights

### Together with the Company values, Ferrero's respect for human rights guides strategy, policy and activities across our operations and supply chain.

**W**e promote respect for human rights along the entire value chain, adhering to the Principles of the United Nations Global Compact and to the United Nations Guiding Principles of Business and Human Rights (UN Guiding Principles). We are determined to eliminate all forms of modern slavery, human trafficking, forced, compulsory and prison labour, and child labour – beginning with its worst forms.

### Understanding our human rights risks

To strengthen our human rights due diligence, we collaborated with Shift, the leading centre of expertise on Human Rights globally. In 2018, we worked with them to identify 10 key salient human rights risks which occur across the value chain and on which we focus our efforts:

1. Child protection and no child labour
2. No forced, bonded and compulsory labour
3. Fair wages
4. Working hours
5. Diversity and inclusion, including no discrimination and harassment
6. Freedom of association and collective bargaining

7. Health and safety
8. Privacy
9. Environmental-related human rights issues
10. Rights relating to consumer health and responsible marketing

Ferrero's Human Rights Policy Statement sets out our response to these issues. It also highlights our approach and drives engagement with our employees, business partners and relevant stakeholders on our Human Rights Policy Statement and principles.

### Human rights due diligence

Our due diligence-based approach ensures we identify, prevent and address any adverse human rights impacts we may cause or contribute to – either directly or indirectly – through our operations, products, services and business relationships. As human rights issues are systemic, we expect our business partners to take appropriate steps and measures to do the same.

The Ferrero Code of Ethics and Business Code of Conduct clearly set out our human rights expectations of our employees, suppliers and collaborators, who are contractually required to comply with them. We have conducted a series of impact assessments to inform our future approach towards addressing human rights – including developing a Human Rights Due Diligence Framework and identifying remediation actions.

### Partnerships and collaboration

Partnerships are critical to addressing complex human rights issues and we collaborate with business partners, international organisations, governments and NGOs to tackle potential issues across our value chain.

In the agricultural sector, migrant workers, women and children may be exposed to hazardous conditions and can be vulnerable to poor labour practices such as forced labour, human trafficking and child labour. We work with others to raise awareness of these issues, tackle the root causes and advance the promotion of human rights in agricultural supply chains, reaching all the way to our farmers. The Ferrero Farming Values Programs (FFV) focus on addressing key sustainability impact areas including human and labour rights for each of our main raw materials (see page 32).

## LOOKING AHEAD



### We are in the process of developing a new Human Rights Strategy for 2030 and strengthening our Company-wide approach including:

- Defining a human rights policy statement in line with UN guidelines and current regulatory trends and strengthening our human rights governance;
- Embedding strong human rights due diligence including clear standards and risk assessments to identify high risk areas within our operations and supply chain;
- Developing human rights grievance mechanisms and a remediation policy which we will also extend to our operations and supply chain; and
- Capacity building through training and awareness of human rights risks and issues, as well as responsible sourcing in 2021.

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## Ferrero Foundation

**The Ferrero Foundation – established by Michele Ferrero as a pioneering social initiative in 1983 – officially became a Foundation in 1991. Today, under the guiding principle of “Work, Create and Donate”, it supports employees with 25 years of work experience – affectionately known as Ferrero Seniors.**

### Responding to the pandemic

The social and cultural activities of the Ferrero Foundation were shaped by the health measures taken in response to Covid-19 in 2020.<sup>3</sup> In March, the Foundation suspended all planned activities and its medical lab was approved by the local healthcare centre to support the frontline response to the health emergency from April 2020.

This included providing rapid antibody tests for SARS Cov-2, nasopharyngeal antigen rapid swab tests for SARS Cov-2, nasopharyngeal antigen rapid swab tests for the virus of influenza, A and B, and saliva antigen swab tests for SARS Cov-2. In total, 705 diagnostic tests were performed during the year.

This made it possible to identify a cluster of people within the Ferrero Senior Group who had taken part in a stay in Alassio (Italy) in February 2020. They became the subjects of a scientific paper published in the international magazine “Aging Clinical and Experimental Research” entitled “Why data on frailty and SARS-CoV-2 infection are basic to progress”.

The medical service continued working throughout the year with 628 medical examinations carried out. Physical exercise was suspended in March 2020 and activities resumed “one-to-one” in June to September, registering 604 attendees.

### Promoting active aging

In cooperation with Dr. Alberto Zucchelli of the Stockholm Karolinska Institutet, a new project was launched to support scientifically rigorous research on the effects of the activities of the Ferrero Foundation on the “successful ageing” of Ferrero Seniors. A Facebook page went live in May and appointments started in June.

A series of expert dialogues were held on Covid-19 and other topics. These involved immunologists, clinicians, geriatricians, epidemiologists and virologists and other leading experts from hospitals and research institutes across Italy.



For full information on activities see the Ferrero Foundation website

### The Ferrero nursery

The Ferrero nursery in Alba is well-known for serving children and providing a space for meetings, information exchange for parents, educators and care and support workers, and creative activities. The nursery can look after 80 children aged between three months and three years old. Ferrero Seniors act as “grandparents”, participating in activities with children and parents and offering their time, experience and affection. The Foundation’s medical service also provides advice at the Ferrero nursery.

### The Piera, Pietro and Giovanni Ferrero Foundation Nursery School

The Piera, Pietro and Giovanni Ferrero Nursery School welcomed 80 children in the school year 2020/2021. The Nursery School offers intergenerational encounters with Ferrero Foundation’s Seniors. A Scientific Committee chaired by Professor Marcel Rufo, one of the world’s most authoritative specialists in childhood and adolescence, has been established to ensure a high educational standard.

### Future initiatives

In November 2021, The Ferrero Foundation will host Healthy Ageing Week – a week of events, symposia and conventions on the topic of ageing. These events are being planned in cooperation with Turin Medical Academy, Milan Catholic University of the Sacred Heart and Stockholm Karolinska Institutet. In addition, between October 2020 and February 2021, an international art exhibition will be held in tribute to the Italian artist Alberto Burri (Città di Castello 1915-Nizza 1995).

## HOSPITAL MICHELE & PIETRO FERRERO – VERDUNO



**On 29 September 2020, a new hospital in Verduno, Italy, was named after Michele and Pietro Ferrero – a sign of gratitude towards the two entrepreneurs who were deeply bonded to their community.**

Mrs. Maria Franca Ferrero, president of the Ferrero Foundation, and Mr. Giovanni Ferrero, Group Executive Chairman, took part in the ceremony. A new initiative was announced during the event to create a park surrounding the hospital to provide a healing garden for patients, healthcare personnel and visiting relatives. Hospitalised children and adults will be able to stay outdoors, move around and enjoy the area – all crucial to wellbeing and psychophysical health.

<sup>3</sup> Information reported on the Ferrero Foundation covers the calendar year 1 January 2020 to 31 December 2020.



## Michele Ferrero Entrepreneurial Project

### MICHELE FERRERO ENTREPRENEURIAL PROJECT



The entrepreneurial and philanthropic spirit that has characterised Ferrero since its founding was the inspiration behind the Ferrero Social Enterprises, established in 2005 in Cameroon, and later in South Africa and India. In 2015, to honour their founder, these were renamed Michele Ferrero Entrepreneurial Project (MFEP).

Fully fledged commercial enterprises joining the MFEP share the goal of earning profits in a “social” spirit, by creating job opportunities and carrying out humanitarian initiatives aimed at safeguarding the health, educational and social development of the young, within emerging countries.

#### Mission

##### Be a catalyst for local socio-economic development

The MFEP contributes to foster a modern, industrial workplace culture in communities characterised by low employment rates and a high prevalence of so-called “informal economic activities” i.e. activities that are not subject to government regulation or taxation.

Ferrero production plants in Cameroon, India and South Africa provide business opportunities for a variety of companies in the area.

## FERRERO SOUTH AFRICA'S PRIMARY HEALTH CARE CENTRE



**Ferrero South Africa's Primary Health Care Centre (PHCC): an effective outpost in the war against Covid-19**

In March 2018, a primary health care centre (PHCC) was launched near the Ferrero plant at Walkerville (in Gauteng, South Africa).

The PHCC's original scope was to improve and strengthen the occupational medical services to the Ferrero plant workers by extending them to include also free of charge primary health care services accessible by Ferrero workers, their children and family members.

During the period covered by the present Sustainability Report, the PHCC proved to be also an un-hoped for powerful tool against Covid-19, greatly contributing to support the Company's safety preventive measures introduced to contain the spreading of the virus among Ferrero workers and its impact on the plant operations.

## LOOKING AHEAD

In 2020 Covid-19 pandemic slowed down the implementation, at field level, of new social projects both in South Africa and in India, however without halting them altogether.

In South Africa, progress was made towards the completion of a new project at the Laerskool De Deur Primary School (not far from the Ferrero plant at Walkerville), where its original basic sports facilities were fully upgraded and turned into a proper modern sports centre. The school will dispose of a football field equipped with an irrigation system; bleachers covered with canopies; and changing rooms for pupils. It will be accessible to c.5,000 pupils from 5 local rural schools most of which do not dispose at all of sport facilities. Once operational, it is meant to serve as a stepping stone also for the future launching, in South Africa, of Ferrero “Kinder Joy of moving” project.

Also in India progress was made towards the completion of the first three “anganwadi” in villages within the Baramati district (Maharashtra state) where the Ferrero plant is located. Anganwadi are centres for mother and child care providing supplementary nutrition, health, immunisation and non formal pre-school education to children under five years; health and nutrition education, health check-up, and referral services to lactating mothers, vulnerable adolescent girls and women especially in rural areas. The Ferrero Anganwadi Programme is planning the construction of further five anganwadi in other Baramati villages, home to many of its local plant workers.

Locally sourced raw materials are selected when possible, creating additional jobs to support economic development and prosperity within the wider local community, promote children's health and educational care in the local communities.

Each company participating in the Michele Ferrero Entrepreneurial Project commits to make financial allocations to a dedicated Local Social Fund. These funds can be accessed on a three-year basis to support social and humanitarian projects.

Projects benefiting and involving the local communities where the Ferrero plants operate are identified in partnership with the institutional authorities of the host countries and the Ferrero Foundation. To date, they have focused on providing educational and healthcare assistance to children. Activities include: construction of nurseries and primary healthcare facilities; renovation of primary schools; construction of schoolrooms for children of refugee families; a primary healthcare centre; funding of seminars to raise awareness on the prevention of infectious diseases among young people.



**Further online information on the Michele Ferrero Entrepreneurial Project**

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## Kinder Joy of moving



**Kinder Joy of moving is a Kinder Social Responsibility project that is part of the Ferrero Group Corporate Sustainability approach. Having its commitment in bringing joy to children through moving, encouraging their natural inclination to be active, move and play, and ensuring their right to play everywhere in the world, the project forms part of the “Empower People” pillar.**

**T**he project, now in its fifteenth year, aims to bring the joy of movement into the life of every child by promoting physical activity and an active lifestyle in an easy, engaging and joyful way.

At the heart of the project is the strong belief that a positive attitude towards movement will make today's children, better adults tomorrow; because children who manage to associate movement with joy and fun are more likely to develop moving as a habit that leads to a healthier lifestyle as adults.

The commitment didn't even stop during the Covid-19 emergency: Kinder Joy of moving has strengthened its purpose of being close to people, increasing its social responsibility value despite the partial stop of in-field events.

We continued to propose digital content, suggestions and advice, to always be alongside families and encourage parents to move with their children, even at home, reaching 81 million social users worldwide.

We activated several initiatives, mainly in Italy, France, Poland, Spain, Portugal, Argentina, Brazil and United Kingdom. These include recommendations for home and outdoor games, enriching the content stream dedicated to families with new sections such as the “JOM Games”. Designed for children aged 3 to 10, they are based on the innovative educational Joy of moving method, allowing kids to acquire or improve specific skills while having fun at the same time. Specific content has also been provided for schools, receiving considerable appreciation from both teachers and parents.

When conditions allowed, with great attention to safety and prevention, Kinder Joy of moving was back to the field for its Global events, such as the Kinder Joy of moving Tennis Trophy and the Garda Lake Optimist Meeting, as well as local initiatives held in different countries.

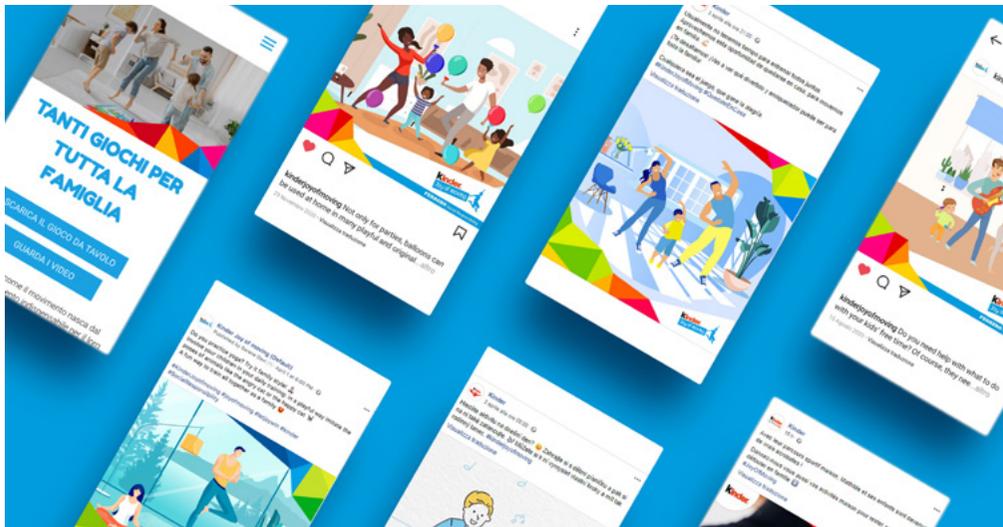
### In evidence: Target reach

**81** million users reached with  
Kinder Joy of moving editorial  
plan on social channels  
Period: March-November 2020

On-field and virtual activities have ensured the presence of the project in 28 Countries and Regions, with 2.6 million kids moved with joy, together with accredited partners and experts including 120 Sports Federations and 5 Olympic Committees, Government institutions, and Universities; with an investment of 10.3 million euros.

Kinder Joy of moving is inspired by a scientifically recognized educational method, that inspires kids to move through play, while developing key skills in 4 major areas: physical fitness, motor coordination, cognitive function and creativity, and life skills.

The methodology is part of school activities in some countries such as Italy, Australia, Brazil and Saudi Arabia, through the collaboration with the Ministries of Education and Universities, with efforts toward further expansion into new areas. In the UK and USA, the Joy of moving methodology is present through extra curriculum activities in collaboration with strong local partners.



## Kinder Joy of moving continued



Vision to  
**INSPIRE**

Future generations to adopt  
the culture of physical activity  
and to lead a life full of joy



Mission:  
**TO FACILITATE**

Physical activity as a simple,  
daily practice for children  
all over the world



Objective:  
**TO MOVE  
WITH JOY**

The largest possible number  
of children worldwide

Further to this, other countries like Poland and Romania collaborate with the Ministries of Education by implementing the Kinder Joy of moving program in different school contexts.

It is particularly noteworthy that in 2020 the Joy of moving method also enriched the advanced training proposals of the Bachelor's Degree Course in Motor and Sport Sciences at the SUISM Turin University (Italy) with the new training course Winter School SUISM "JOY OF MOVING MindMovers & ImaginAction and a new internship dedicated to the method."

In the wake of the experience during the Covid-19 emergency, Kinder Joy of moving is opening a new project dedicated to families, with games promoting physical activity and an active lifestyle in an easy, engaging and joyful way that can be applied within one's daily routine: Joy of moving Family.

Also, Village Joy of moving – a sports center in Alba (Italy) and a permanent research center on the Joy of moving method that is recognised by Institutions focused on children's motor activity – did not stop during the emergency period, providing its members with distance learning and virtual training activities thanks to its specialised trainers.

**WHATEVER THE GAME, LET JOY WIN**

Irrespective of the sports discipline, the playing field and the level of performance or ability of the child, all Kinder Joy of moving activities are based on the joyful aspect of play and on the motto "Whatever the game, let joy win".

**THE RIGHT TO PLAY**

Kinder Joy of moving is committed to bring the joy of movement into the life of every child, all around the world, in accordance with Article 31 of the United Nations Convention on Children's Rights, that recognises playing as a fundamental right of all children.



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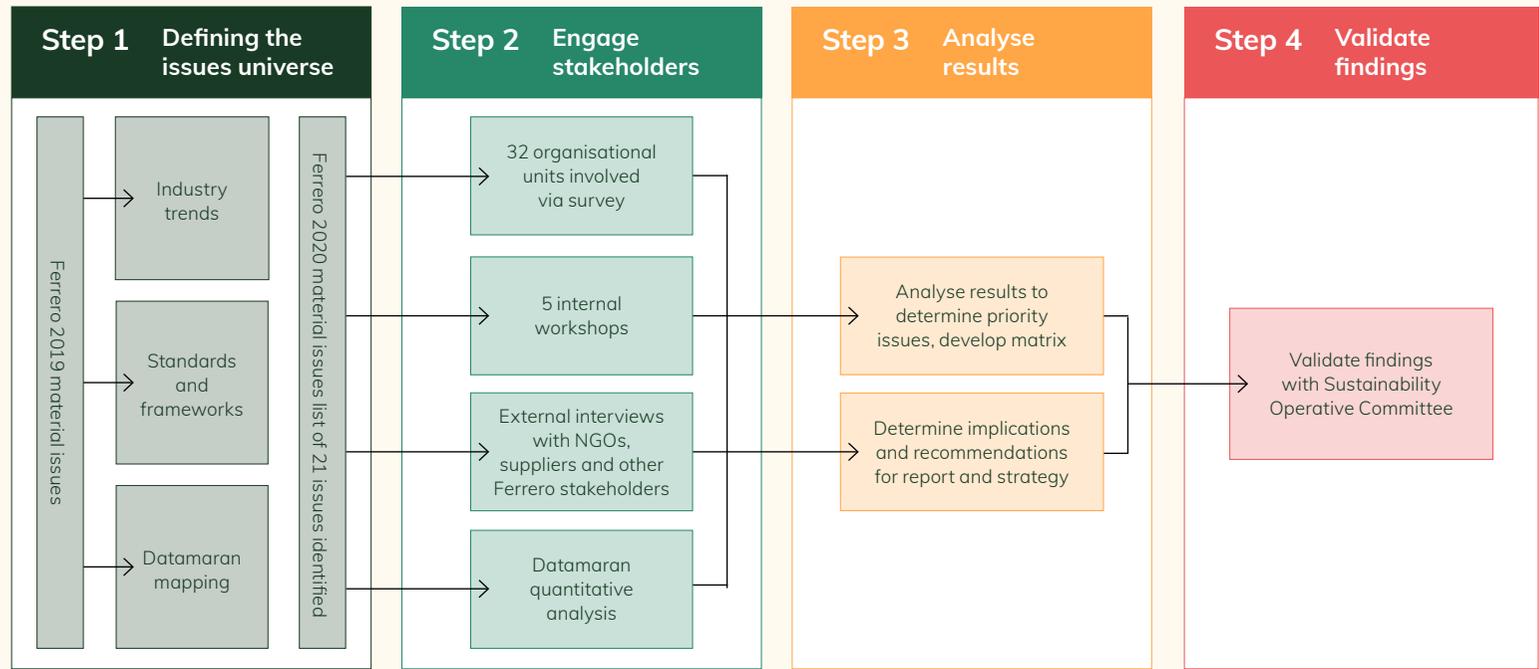


# Materiality

To succeed in a changing world, we must identify, respond and adapt to the sustainability issues that matter most to our stakeholders and our business. This understanding defines our strategy and shapes our reporting to meet the needs of diverse audiences.

**W**e have carried out a detailed materiality analysis to identify and assess the relative importance of different sustainability topics for their impact on our ability to create value and their relevance to key stakeholders. We analysed internal and external stakeholder perspectives and ranked key material topics following a stepwise process (see infographic):

## Materiality assessment process



### Defining the issues universe

Using the material topics identified in 2019, we carried out a desk-based review of external information sources including external standards frameworks and industry trends to identify a list of 21 topics for further analysis.

### Stakeholder engagement

We engaged internal and external stakeholders via online surveys, workshops and interviews to collect quantitative and qualitative feedback on the relative priority of each issue. This was supplemented with quantitative analysis using Datamaran, a fully automated solution to identify and monitor sustainability topics on an ongoing basis – by scanning the regulatory, media and corporate disclosure environments.

### Results analysis

We used the outcomes of Step 2 to determine priority topics to develop a materiality matrix before considering the implications for our strategy and reporting.

### Validate findings

The outcomes were validated by the Sustainability Operative Committee.

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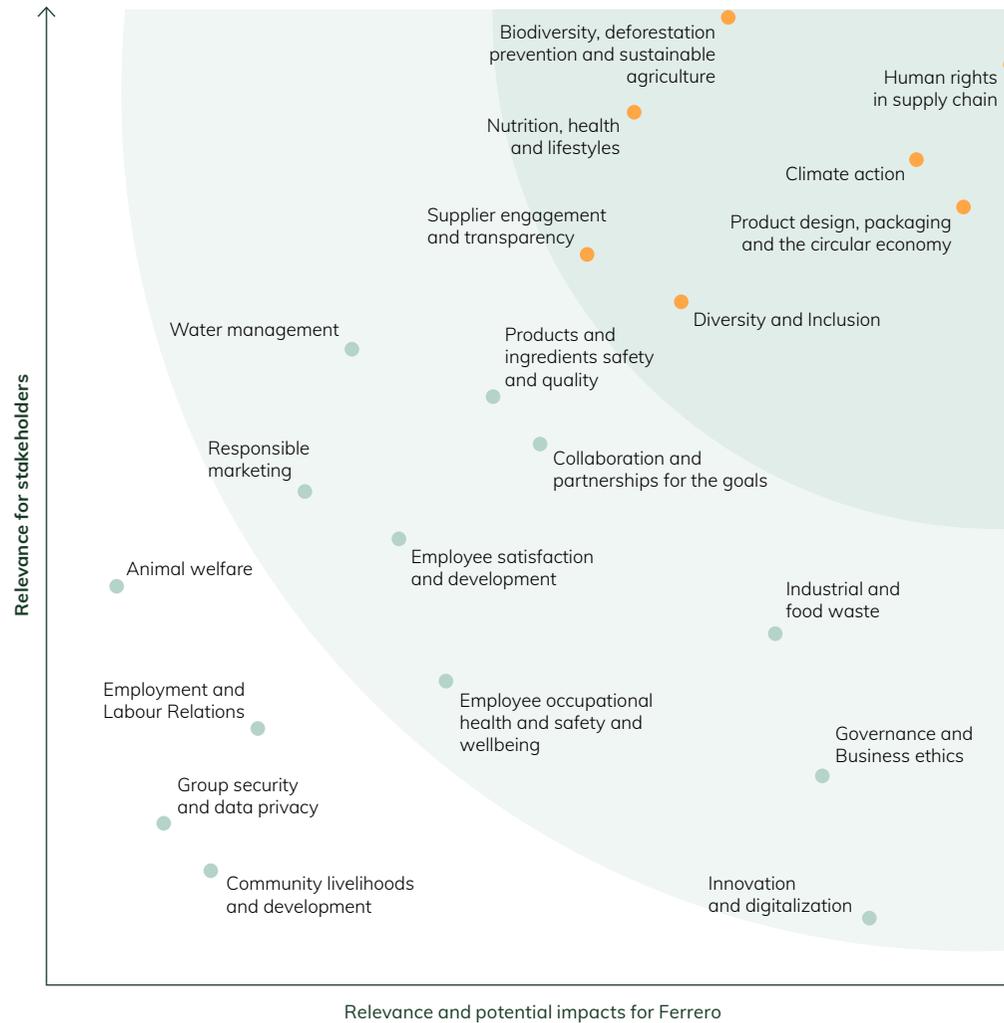


## Materiality continued

### Outcomes of the assessment

There were a number of key outcomes and insights from the materiality assessment:

- Most topics on the matrix are linear suggesting broad agreement between Ferrero internal management and external stakeholders about the relative importance of topics.
- There was a reduction from nine to seven topics within the top priority section compared to the assessment undertaken last year.
- “Human rights in supply chain” moved to the top of the list with “Climate action” and “Product design, packaging and the circular economy” following closely behind.
- A mapping exercise found that topics are inherently interlinked and tackling one topic may either support progress on another topic or present tensions. For example by implementing transparent responsible marketing practices, the business can help address issues within nutrition, health and lifestyles.



#### ● Material topics

Biodiversity, deforestation prevention and sustainable agriculture  
Climate action

Diversity and inclusion  
Human rights in supply chain  
Nutrition, health and lifestyles

Product design, packaging and the circular economy  
Supplier engagement and transparency

### Qualitative analysis via direct engagement

This year, we included direct stakeholder engagement as part of our qualitative analysis of material issues for the first time.

**Internal stakeholders:** 32 organisational units from across the Group were engaged via an online survey with an 80% response rate. We also carried five dedicated workshops involving more than 25 colleagues from different departments.

**External stakeholders:** We carried out direct interviews with external stakeholders including representatives from NGOs, suppliers, universities and industry associations.

External stakeholder perceptions provided a number of key insights and the picture was completed through quantitative analysis performed with Datamaran.

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## Governance

We have evolved our governance structure to ensure sustainability is fully embedded across the Ferrero Group as we continue to expand into new markets. We develop policies and programmes to guide our practices and manage impacts at all locations where we operate around the world.

### Ferrero Corporate Governance<sup>1</sup>

Ferrero is a family-owned company and the Group adopts a traditional Corporate Governance model. The Shareholders' Meeting, Board of Directors, Executive Chairman and Chief Executive Officer (CEO) guide projects and initiatives in line with the long-term strategic objectives of the Group, promoting transparent and consistent communications towards the stakeholders.

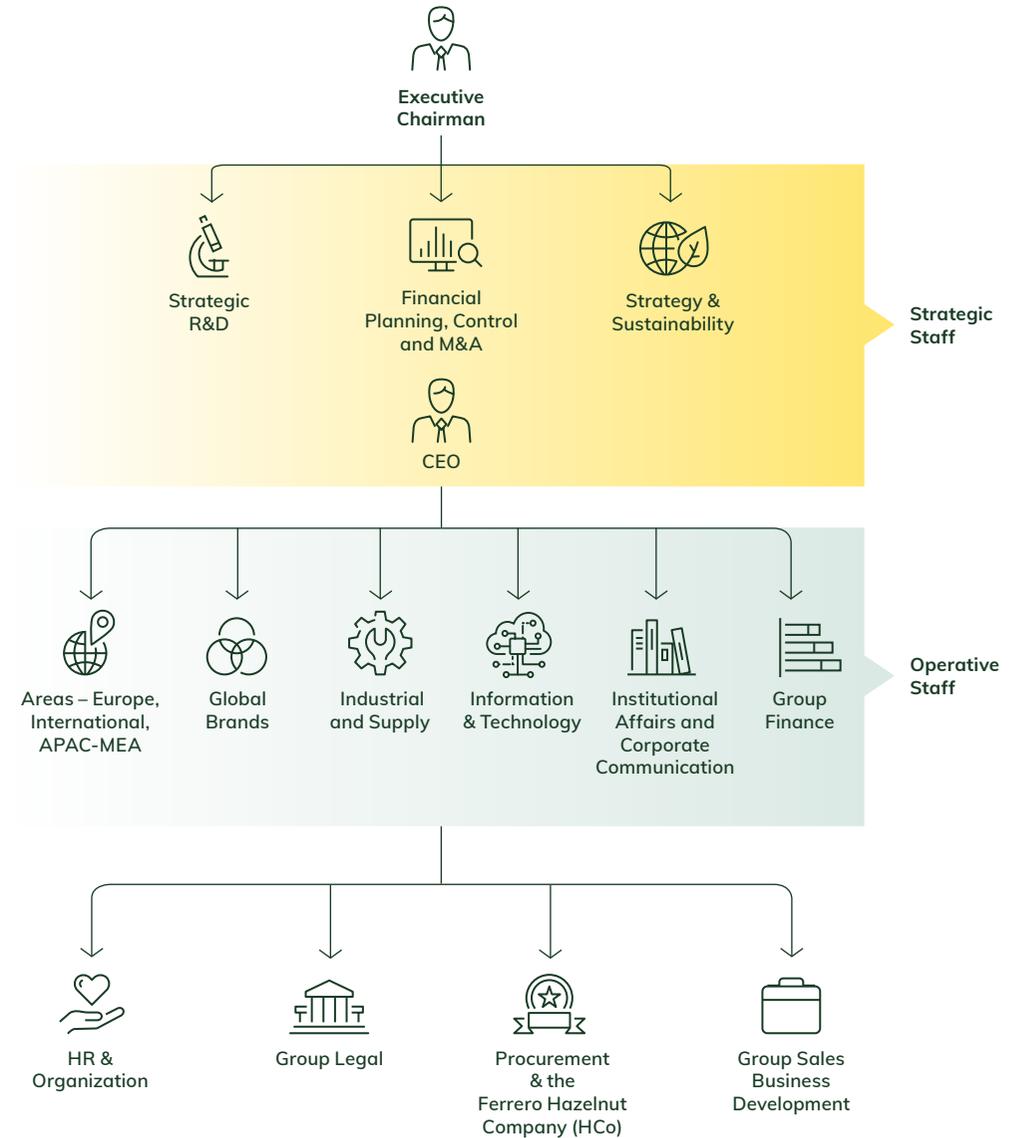
The Board of Directors includes Ferrero family and non-family members. It is assessed on a regular basis to ensure appropriate balance of knowledge, skills and expertise and a proactive contribution from all the Board members to drive the achievement of the Group's goals.

The Executive Chairman, Mr. Giovanni Ferrero, reviews and approves the Group long-term direction and strategy in line with our culture and values, defining new business directions and breakthrough innovations. He leads the Strategic Staff (composed of Strategic R&D, Strategy and Sustainability, Financial Planning & Control & Mergers & Acquisitions), Group Leadership Team (GLT), the Audit Committee and the following Group Boards: Human Resources (HR) & Organisation Development Board; Industrial & Supply Board; Product Board; Procurement Board; Reputation Board.

The CEO, Mr. Lapo Civiletti, focuses on achieving short- and mid-term results in line with the Executive Chairman's long-term direction, ensuring business continuity and maximising our managerial capabilities to:

- contribute to the definition of business targets, in line with the long-term guidelines;
- secure the achievement of business targets by operations (budget and one to three-year plan);
- oversee and manage trade-offs and arbitrages among Functions and Areas;
- enhance the protection of Group know-how and foster its development; and
- ensure continuity in Ferrero values and promote our innovative product development culture.

### Ferrero Group Governance structure



<sup>1</sup> The information provided refers to the organisation in place since 1 September 2020.



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## Governance continued

The CEO leads the Group Management Team (GMT). It is composed of the Heads of the following functions: Areas – Europe, International, APAC-MEA; Global Brands; Industrial & Supply; Information & Technology; Institutional Affairs & Corporate Communication; Finance; Human Resources and Organisation & Improvement; Legal; Procurement & HCo; Sales Business Development.

As of 31 August 2020, the Group was composed of 105 consolidated companies, managed under Ferrero International S.A., the parent company based in Luxembourg.

### Sustainability Governance

A robust sustainability governance structure ensures we define the Group's sustainability strategy based on key sustainability and consumer trends and embed it into the Group's strategic sustainability approach.

The CSR & Sustainability organisational unit is part of the Strategic Staff and interacts with business functions to provide strategic guidance on all sustainability topics.

Its responsibilities include:

- driving the sustainability agenda within Ferrero Group by integrating sustainability principles into strategies, policies and procedures;
- successfully steering responsible business practices; and
- contributing to create positive impacts within the communities in which we operate.

Its objectives are the following:

- define the Group's sustainability strategy based on key sustainability and consumer trends, integrating it into the Group's strategic long-term Guidelines;
- support all business functions in implementing plans and monitoring sustainability initiatives with a main focus on monitoring key social and environmental sustainability initiatives;
- develop long-term corporate sustainability projects; and
- develop and maintain a transparent reporting system.

### Guiding principles for business ethics

Our guiding principles are set out in the Ferrero Code of Ethics and Code of Business Conduct. Employees are required to respect these principles and all Ferrero employees receive a copy of the Code of Ethics when joining the Group.

The Ferrero Integrity Helpline is available for employees and those who work with us to report concerns and ask questions related to the Code of Ethics and Code of Business Conduct. Managed by an independent third-party, the confidential helpline is available 24 hours a day, 365 days a year in 43 languages via a website and toll-free local numbers in 55 countries. Reports are made available to a Ferrero Steering Committee for review and investigation.

The Ferrero Group Anti-Bribery and Corruption Policy sets out our commitment to ensure no detrimental treatment of any person as a result of reporting in good faith their suspicion that an actual or potential violation of the standards has taken place.

### SUSTAINABILITY OPERATIVE COMMITTEE

As part of our governance structure, we established a Sustainability Operative Committee which met for the first time in November 2020.

The committee is made up of managers from across the Group representing different departments working on sustainability topics, including packaging, operations, human resources, brands social responsibility, risk management, communications, institutional affairs and sourcing. The committee will be involved in key decisions on sustainability and responsible for ensuring implementation of the strategy, guaranteeing coordinated effort and alignment between the functions involved.

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## About this Report

**This Report explains the Ferrero Group's sustainability strategy and global activities during Fiscal Year (FY) 2019/2020 (from 1 September 2019 to 31 August 2020). Along with the objectives set out in previous reports, the issues in this 12th edition have been selected via a materiality process involving internal and external stakeholders (described on page 83).**

**T**his report has been prepared in accordance with the GRI Standards: Core option; the GRI Content Index is available in the section "Sustainability Reports" of our website: [www.ferrerosustainability.com](http://www.ferrerosustainability.com)

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

The following points of reference were also taken into consideration:

- the "Ten Principles" of the United Nations Global Compact (UNGC);
- the ISO (International Standard Organisation) 26000:2010 "Guidance on social responsibility";

- the "Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises"; and
- the GRI and the UN Global Compact publication "An Analysis of the Goals and Targets".

It was drafted by the CSR & Sustainability organisational unit.

The scope of economic data included in the report corresponds with Ferrero International's consolidated financial statement.

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

- the companies belonging to Kellogg Company's cookie, fruit snack, ice cream cone and pie crust businesses (except where specified) and Ice Cream Factory Comaker (except where specified).

Information on the Piera, Pietro and Giovanni Ferrero Foundation ("Ferrero Foundation") is included in a specific chapter.

A specific methodological note regarding our environmental data is included in the Key Data section of this report.

This report was the subject of a limited assurance engagement (under the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information") by PwC Luxembourg in some of its parts. The details of the scope of the assurance are reported at page 101.

Changes of calculation methodologies of previously published figures, provided for comparison, are clearly indicated as such.

The Sustainability Report is also accessible online at [www.ferrerosustainability.com](http://www.ferrerosustainability.com), where our previous ten reports (named "CSR Reports" in the editions from 2009 to 2018, "Sustainability Report" in 2019) are also available.

The previous edition (11th Ferrero Group Sustainability Report) was published in October 2020.

We will continue to publish reports on an annual basis.



# Key data

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## Plant location and biodiversity

We map our plants according to the WDPA – The World Database on Protected Areas.

None of our plants are located in protected or highly biodiverse areas. In some cases, there are protected areas near our factories (less than 2 km away). Please find the list below:

Plant name	Protected area	Type of area	Type	Distance	IUCN cat.	Area (square km)
Belsk	Dolina Rzeki Jeziorki	Protected Landscape Area	National	<1 km	Not Ass.	153.794095
S.Angelo dei Lombardi	Querceta dell'Incoronata (Nusco)	Site of Community Importance (Habitats Directive)	Regional	<1 km	Not Rep.	13.62
Alfreton	Oakerthorpe	Local Nature Reserve	National	<2 km	IV	0.0266097
Alfreton	Penny Town Ponds	Local Nature Reserve	National	<2 km	IV	0.0545065
Belsk	Modrzewina	Nature Reserve	National	<2 km	IV	3.3219
S.Angelo dei Lombardi	Alta Valle del Fiume Ofanto	Site of Community Importance (Habitats Directive)	Regional	<2 km	Not Rep.	5.9
Stadtallendorf	Brückerwald und Fußgeweid	Site of Community Importance (Habitats Directive)	Regional	<2 km	Not Rep.	4.1075
Stadtallendorf	Herrenwald östlich Stadtallendorf	Site of Community Importance (Habitats Directive)	Regional	<2 km	Not Rep.	28.5208
Villers-Ecalles	Boucles de la Seine normande	Regional Nature Park	National	<2 km	V	896.138423

IUCN categories in order of significance:

**Category Ia:** Strict Nature Reserve

**Category Ib:** Wilderness Area

**Category II:** National Park

**Category III:** Natural Monument or Feature

**Category IV:** Habitat/Species Management Area

**Category V:** Protected Landscape/Seascape

**Category VI:** Protected Area With Sustainable Use Of Natural Resources



## Environment

### Energy

	UNIT	2018/19	2019/20
Green energy consumption	%	19.0%	20.5%
Purchased electric energy certified renewable	%	64%	68%
Energy intensity ratio	GJ/t	8.4	8.3
Total energy consumption	TJ	10,222.0	10,714.5
Total fuel consumption	TJ	9,434.5	9,598.3
– Total fuel consumption from non-renewables	TJ	8,446.3	8,610.7
– Total fuel consumption from renewables	TJ	988.1	987.6
Total electricity consumption (electricity sold excluded)	TJ	997.0	1,338.9
– Total electricity consumption (electricity sold excluded) from non-renewables	TJ	42.6	129.2
– Total electricity consumption (electricity sold excluded) from renewables	TJ	954.5	1,209.8
Steam or hot water consumption (sold streams excluded)	TJ	(209.5)	(222.7)

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## Environment continued

## Emissions

	UNIT	2018/19	2019/20
GWP Emissions TOTAL (Total Scope 1 + Scope 2 Market based + Scope 3)	tCO <sub>2</sub> eq.	6,500,552.01	6,601,489.25
GWP Sc.1 Emissions – Total emissions	tCO <sub>2</sub> eq.	469,556.27	466,714.71
GWP Sc.1 Emissions – (Of which) for Energy streams sold externally	tCO <sub>2</sub> eq.	80,445.26	73,199.77
GWP Sc.1 Emissions – Net total emissions	tCO <sub>2</sub> eq.	389,111.02	394,706.18
GWP Sc.2 Emissions – Market based	tCO <sub>2</sub> eq.	116,838.45	111,195.55
GWP Sc.2 Emissions – Location based	tCO <sub>2</sub> eq.	264,863.40	288,442.19
GWP Sc.3 Emissions – Cat 1.Purchased goods and services	tCO <sub>2</sub> eq.	4,767,559.46	4,884,782.34
GWP Sc.3 Emissions – Cat 2.Capital goods	tCO <sub>2</sub> eq.	171,483.34	149,416.35
GWP Sc.3 Emissions – Cat 3.Fuel-and-energy-related activities	tCO <sub>2</sub> eq.	92,116.38	92,762.51
GWP Sc.3 Emissions – Cat 4.Upstream transportation and distribution	tCO <sub>2</sub> eq.	610,173.59	634,612.05
GWP Sc.3 Emissions – Cat 5.Waste generated in operations	tCO <sub>2</sub> eq.	4,790.87	5,574.52
GWP Sc.3 Emissions – Cat 6.Business travel	tCO <sub>2</sub> eq.	19,887.51	10,659.71
GWP Sc.3 Emissions – Cat 7.Employee commuting	tCO <sub>2</sub> eq.	48,791.81	39,033.45
GWP Sc.3 Emissions – Cat 8.Upstream leased assets	tCO <sub>2</sub> eq.	105,980.92	109,414.19
GWP Sc.3 Emissions – Cat 9.Downstream transportation and distribution	tCO <sub>2</sub> eq.	10,312.94	11,001.44
GWP Sc.3 Emissions – Cat 10.Processing of sold products	tCO <sub>2</sub> eq.	–	–
GWP Sc.3 Emissions – Cat 11.Use of sold products	tCO <sub>2</sub> eq.	–	–
GWP Sc.3 Emissions – Cat 12.End of life treatment of sold products	tCO <sub>2</sub> eq.	83,060.48	86,322.45
GWP Sc.3 Emissions – Cat 13.Downstream leased assets	tCO <sub>2</sub> eq.	–	–
GWP Sc.3 Emissions – Cat 14.Franchises	tCO <sub>2</sub> eq.	–	–
GWP Sc.3 Emissions – Cat 15.Investments	tCO <sub>2</sub> eq.	–	–

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## Environment continued

## Water

	UNIT	2018/19	2019/20
Water consumption	m <sup>3</sup>	5,330,058.80	5,450,190.80
Water consumption from water main	%	63.3%	65.3%
Water consumption from well	%	22.5%	26.5%
Water consumption from river	%	14.1%	8.2%
Water consumption from other sources	%	0.7%	0.0%
Water consumption ratio	m <sup>3</sup> /t	4.38	4.20
Wastewater	m <sup>3</sup>	3,367,387.23	3,391,409.02
Wastewater Sewage	%	94.7%	94.8%
Wastewater Surface water	%	3.4%	3.2%
Wastewater Ground and underground	%	1.9%	2.0%

## Waste

	UNIT	2019	2020
Waste production ratio	kg/t	82.21	72.88
Total waste	t	99,987.90	94,552.69
Percentage of recovered waste	%	96.8%	96.1%
Non-hazardous waste recycled	t	96,095.67	90,027.93
Non-hazardous waste disposed	t	2,431.44	2,755.09
Hazardous waste recycled	t	665.85	849.49
Hazardous waste disposed	t	794.94	920.18



**Environment** continued**Packaging and other figures**

	UNIT	2018/19	2019/20
Recycled materials in packaging	%	34.2%	34.6%
Renewable materials in packaging	%	36.9%	36.5%
Reusable, compostable or recyclable packaging	%	81.7%	82.9%
Total raw materials used	t	1,971,811	2,042,494
Refrigerant gases: ODP contribution	kgR11eq.	10	1
Refrigerant gases: GWP contribution	tCO <sub>2</sub> eq.	10,943	12,225

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## Added Value

By “Added Value” we mean the economic value generated by our Group.

The “Net Added Value” in particular represents the economic value generated during the reporting period, net of depreciation and operating costs, which includes payments to suppliers (mainly for raw materials and services). As illustrated in the chart below, our Net Added Value for the period considered in this Sustainability Report is distributed in different ways to various internal and external stakeholders.

The item “Human Resources” includes all types of salaries and wages paid for work carried out by employees, including social and welfare contributions made by our Group.

The item “Capital Remuneration” includes the distribution of the net profit for the reporting year and the recognition of accrued interest.

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

The item “Community” includes donations, gifts and investments in social projects and partnerships with universities and research centres.

Finally, the item “Enterprise System” represents the economic value retained in our Group: the difference between the generated economic value and the distributed economic value.

### Added Value Generated in FY 2019/2020

Depreciation	5.5%
Operating costs reclassified	68.1%
Net Added Value	26.4%

### Added Value Distributed in FY 2019/2020

Value Distributed	
Human resources	66.8%
Capital remuneration	25.2%
Public sector	6.7%
Community	1.3%
Value Retained	
Enterprise system	0.1%



## Health & Safety

### Ferrero Group (industrial and supply) safety performance

	2017/18	2018/19	2019/20
Frequency Rate – LDIR (1.000.000 hrs)	7.77	7.66	7.10
Frequency Rate – TRIR (1.000.000 hrs)	8.59	10.71	10.56
Accident Severity Rate (1.000 hrs)	0.151	0.137	0.153

The TRIR includes all recordable accidents, lost injury cases, medical treatment cases and restricted worked cases.

The frequency rate is calculated including temporary workers, excluding commuting accidents. Statistical data on the occurrence of workplace accidents in the area did not include contractors and third party business relationships.

### Ferrero Group (industrial and supply) safety performance by geographic area

	2017/18	2018/19	2019/20
<b>Lost Day Injury Rate – LDIR</b>			
Europe	11.35	11.00	9.74
International	4.74	4.33	4.53
APAC MEA	2.06	2.59	1.82
<b>Total Recordable Injury Rate – TRIR</b>			
Europe	11.65	11.55	11.15
International	6.79	10.00	9.30
APAC MEA	2.75	3.17	2.82
<b>Accident Severity Rate*</b>			
Europe	0.23	0.21	0.23
International	0.09	0.06	0.06
APAC MEA	0.01	0.03	0.02

\* The injuries included for the KPIs are the ones with an absence of more than 1 day (excluding commuting accidents); temporary worker data is included for FY 2019/2020.



## HR Workforce

### Internal and external workforce as of 31 August

	No. employees as of 31/08/2019	No. employees as of 31/08/2020
Group	36,372	37,122
Ferrero Foundation	11	12
External workforce	7,942	6,924

### Group workforce by type of contract

Type of work contract	No. employees as of 31/08/2019	% as of 31/08/2019	No. employees as of 31/08/2020	% as of 31/08/2020
Fixed term	8,070	22.40%	7,865	21.70%
Permanent contract	27,893	77.60%	28,375	78.30%
<b>Total</b>	<b>35,963</b>	<b>100%</b>	<b>36,240</b>	<b>100%</b>

Type of work contract	Europe* as of 31/08/2020	% as of 31/08/2020	Extra-Europe as of 31/08/2020	% as of 31/08/2020
Fixed term	5,338	23.37%	2,527	18.86%
Permanent contract	17,504	76.63%	10,871	81.14%
<b>Total</b>	<b>22,842</b>	<b>100%</b>	<b>13,398</b>	<b>100%</b>

\* Europe includes the 27 European Union member Countries and the United Kingdom to guarantee comparability to 2019 data.

Part-time / Full-time	% as of 31/08/2019	% as of 31/08/2020
Part-time	6.80%	6.02%
Full-time	93.20%	93.98%

### Exact workforce of the Group as of 31 August

	No. employees as of 31/08/2019*	No. employees as of 31/08/2020**
<b>Total</b>	<b>35,963</b>	<b>36,240</b>
Of which women	45.90%	45.17%

\* Exact workforce figures include employees who are employed directly by Ferrero as of 31 August, including the employees of the Piera, Pietro and Giovanni Ferrero Foundation, but excluding those of Fannie May.

\*\* Exact workforce figures include employees who are employed directly by Ferrero as of 31 August, including the employees of the Piera, Pietro and Giovanni Ferrero Foundation but excluding those of ICFC.



## HR Workforce continued

## Group Workforce at 31st August

Geographical Area	No. employees as of 31/08/2019	Women % as of 31/08/2019	Men % as of 31/08/2019	No. employees as of 31/08/2020	Women % as of 31/08/2020	Men % as of 31/08/2020
Europe	23,021	44.98%	55.02%	22,842	44.33%	55.67%
Extra-Europe	12,942	47.72%	52.28%	13,398	46.60%	53.40%
<b>Employee Category</b>						
Blue Collar	22,308	49.00%	51.00%	22,268	47.71%	52.29%
Employees	10,068	44.84%	55.16%	10,466	44.92%	55.08%
Middle manager	2,549	35.66%	64.34%	2,440	35.16%	64.84%
Senior manager	1,038	16.96%	83.04%	1,066	17.54%	82.46%
<b>Type of contract</b>						
Permanent	27,893	42.89%	57.11%	28,375	42.19%	57.81%
Fixed term	8,070	56.60%	43.40%	7,865	55.96%	44.04%
<b>Part Time / Full Time</b>						
Part-Time	2,428	79.20%	20.80%	2,183	78.70%	21.30%
Full-Time	33,535	43.56%	56.44%	34,057	43.02%	56.98%
<b>TOTAL</b>	<b>35,963</b>	<b>45.96%</b>	<b>54.04%</b>	<b>36,240</b>	<b>45.17%</b>	<b>54.83%</b>



## HR Workforce continued

## Personnel turnover\*

Europe	Outgoing 2018/2019			Incoming 2018/2019		
	Women	Men	Total	Women	Men	Total
<30	89	105	194	179	229	408
30 – 50	147	183	330	178	241	419
>50	154	234	388	19	27	46
<b>Total</b>	<b>390</b>	<b>522</b>	<b>912</b>	<b>376</b>	<b>497</b>	<b>873</b>
%	3.91%	4.23%	4.09%	3.77%	4.03%	3.91%
Europe	Outgoing 2019/2020			Incoming 2019/2020		
	Women	Men	Total	Women	Men	Total
<30	377	164	541	435	332	767
30 – 50	308	258	566	238	288	526
>50	281	320	601	51	42	93
<b>Total</b>	<b>966</b>	<b>742</b>	<b>1,708</b>	<b>724</b>	<b>662</b>	<b>1,386</b>
%	9.33%	5.86%	7.42%	6.99%	5.23%	6.02%
Extra – Europe	Outgoing 2018/2019			Incoming 2018/2019		
	Women	Men	Total	Women	Men	Total
<30	253	236	489	274	304	578
30 – 50	411	631	1,042	327	559	886
>50	70	101	171	16	23	39
<b>Total</b>	<b>734</b>	<b>968</b>	<b>1,702</b>	<b>617</b>	<b>886</b>	<b>1,503</b>
%	13.46%	15.18%	14.38%	11.31%	13.89%	12.70%
Extra – Europe	Outgoing 2019/2020			Incoming 2019/2020		
	Women	Men	Total	Women	Men	Total
<30	182	181	363	405	376	781
30 – 50	377	437	814	407	632	1,039
>50	64	76	140	176	278	454
<b>Total</b>	<b>623</b>	<b>694</b>	<b>1,317</b>	<b>988</b>	<b>1,286</b>	<b>2,274</b>
%	10.09%	10.26%	10.18%	16.00%	19.01%	17.57%

\* Thorntons retail workforce is excluded from the calculation of the turnover.



## HR Workforce continued

## Personnel turnover continued\*

Group	Outgoing 2018/2019			Incoming 2018/2019		
	Women	Men	Total	Women	Men	Total
<30	342	341	683	453	533	986
30 – 50	558	814	1,372	505	800	1,305
>50	224	335	559	35	50	85
<b>Total</b>	<b>1,124</b>	<b>1,490</b>	<b>2,614</b>	<b>993</b>	<b>1,383</b>	<b>2,376</b>
%	7.28%	7.96%	7.66%	6.43%	7.39%	6.96%

Group	Outgoing 2019/2020			Incoming 2019/2020		
	Women	Men	Total	Women	Men	Total
<30	559	345	904	840	708	1,548
30 – 50	685	695	1,380	645	920	1,565
>50	345	396	741	227	320	547
<b>Total</b>	<b>1,589</b>	<b>1,436</b>	<b>3,025</b>	<b>1,712</b>	<b>1,948</b>	<b>3,660</b>
%	9.63%	7.23%	8.41%	10.37%	9.80%	10.18%

\* Thorntons retail workforce is excluded from the calculation of the turnover.



## About our environmental data

### Data collection

We manage the collection and analysis of plants' data through an internal platform called SuRe (Sustainability Reporting). This tool allows better management, flow optimisation and data transfer.

Moreover, we have developed with Exentriq, a new dedicated platform to aggregate, validate and manage all Group environmental data, using innovative technologies and allowing more complex analyses.

### Standards and methodologies

Our carbon footprint is fully compliant with the Corporate Accounting and Reporting Standard – GHG Protocol – developed by the World Resources Institute (WRI) for the World Business Council for Sustainable Development (WBCSD), today used globally as the main internationally recognised measurement tool and carbon reporting standard. We account our GHG emissions using an operational control approach.

The environmental impact assessment is carried out following the ISO 14040 and ISO 14044 LCA standards, including the relevant Principles and Reference Framework, Requirements and Guidelines.

### Calculation details

The percentage of recycled materials in packaging represents an estimate on the quantity of recycled content, as per our total packaging materials.

For paper and cardboard, the data is based on a calculation based on the composition of the materials purchased. For rPET and rPP, the data is the exact calculation of the recycled material purchased in the reference year of this report. For glass and aluminium the data comes from the suppliers' surveys and takes into account the different plants the materials were sourced from and is therefore linked to the efficiency of collection and recycling of the countries in which the packaging suppliers are located and operate.

The CO<sub>2</sub>eq emission coefficients used for the assessment of Location-based and Market-based emission factors come from the Ecoinvent 3.4 database, except for the 2019 Location-based data (Ecoinvent 3.6). For Scope 3 GHG calculations, the sources are mainly commercial databases (i.e. Ecoinvent 3.1, International Energy Agency) as well as some specific datasets developed internally.

The emission factors related to the conversion of energy from fuels come from Ecoinvent 3.4 database datasets and EPA Centre for Corporate Climate Leadership – GHG Emissions Factors Hub (March 2018).

Products made in-house from renewable sources and the electricity supply from a marketplace certified by renewable sources do not contribute to greenhouse gas emissions, which follows best-practice examples stated in GHG protocol. Emissions from cooling gases have been calculated using the IPCC Fifth Assessment Report, 2014 (AR5) emission factors, 100-year horizon.

The emissions resulting from leased cars were calculated based on data collected internally from all 30 countries in which we have leased cars.

### GHG emissions updated baseline

We developed our GHG emissions reduction targets by 2030 considering a FY 2017/2018 baseline that includes also recently acquired companies and other significant contributions which are not part of the disclosure of this report.

Climate change targets	Base year data [FY 17/18]	Most recent year data [FY 19/20]	Delta
Scope 1&2* (Abs.)	724,697 [tCO <sub>2</sub> e]	<b>627,021 [tCO<sub>2</sub>e]</b>	-13.5%
Scope 1,2&3** (Int.)	4.6 [tCO <sub>2</sub> e/t prod.]	<b>4.4 [tCO<sub>2</sub>e/t prod.]</b>	-4.2%

\* Market based Scope 2.

\*\* Includes key purchased goods (such as packaging, hazelnuts, cocoa, flour, palm oil, dairy, sugar), upstream logistics, upstream fuel and energy related activities and end of life.

Note: this data is not subject of the third-party external assurance.

Data was collected in May 2018; values have been calculated for the whole Fiscal Year. The emissions resulting from capital goods are based on estimations.

### Data perimeter

The data is related to 23 production plants, excluding Yaoundè (Cameroon), North Canton (USA), HCo manufacturing plants and the plants already defined as out of scope in the "About this Report" note (ICFC and Kellogg's cookies, crust and cones business plants).

Data also includes warehouses directly managed by Ferrero except where clearly indicated.



## Material topics and key data covered by the external assurance

### Protect the environment p.16-30

	Value FY 2019/20	Unit
<b>Energy data</b>		
Green energy consumption	20.50	%
Purchased electric energy certified renewable	68.00	%
Energy intensity ratio	8.30	GJ/t
Total energy consumption	10,714.50	TJ
Total fuel consumption	9,598.30	TJ
– Total fuel consumption from non-renewables	8,610.70	TJ
– Total fuel consumption from renewables	987.60	TJ
Total electricity consumption (electricity sold excluded)	1,338.90	TJ
– Total electricity consumption (electricity sold excluded) from non-renewables	129.20	TJ
– Total electricity consumption (electricity sold excluded) from renewables	1,209.80	TJ
Steam or hot water consumption (sold streams excluded)	-222.70	TJ
<b>GHG emissions data</b>		
GWP Emissions TOTAL (Total Scope 1 + Scope 2 Market based + Scope 3)	6,601,489.25	tCO <sub>2</sub> eq.
GWP Sc.1 Emissions – Total emissions	466,714.71	tCO <sub>2</sub> eq.
GWP Sc.1 Emissions – (Of which) for Energy streams sold externally	73,199.77	tCO <sub>2</sub> eq.

	Value FY 2019/20	Unit
GWP Sc.1 Emissions – Net total emissions	394,706.18	tCO <sub>2</sub> eq.
GWP Sc.2 Emissions – Market based	111,195.55	tCO <sub>2</sub> eq.
GWP Sc.2 Emissions – Location based	288,442.19	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 1.Purchased goods and services	4,884,782.34	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 2.Capital goods	149,416.35	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 3.Fuel-and-energy-related activities	92,762.51	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 4.Upstream transportation and distribution	634,612.05	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 5.Waste generated in operations	5,574.52	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 6.Business travel	10,659.71	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 7.Employee commuting	39,033.45	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 8.Upstream leased assets	109,414.19	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 9.Downstream transportation and distribution	11,001.44	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 10.Processing of sold products	–	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 11.Use of sold products	–	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 12.End of life treatment of sold products	86,322.45	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 14.Franchises	–	tCO <sub>2</sub> eq.
GWP Sc.3 Emissions – Cat 15.Investments	–	tCO <sub>2</sub> eq.

Introduction

Our sustainability approach

Our progress and performance

Our reporting

Key data



## Material topics and key data covered by the external assurance continued

## Protect the environment p.16-30 continued

	Value FY 2019/20	Unit
<b>Water consumption data</b>		
Water consumption	5,450,190.80	m <sup>3</sup>
Water consumption from water main	65.30	%
Water consumption from well	26.50	%
Water consumption from river	8.20	%
Water consumption from other sources	–	%
Water consumption ratio	4.20	m <sup>3</sup> /t
Wastewater	3,391,409.02	m <sup>3</sup>
Wastewater Sewage	94.80	%
Wastewater Surface water	3.20	%
Wastewater Ground and underground	2.00	%
<b>Waste data</b>		
Waste production ratio	72.88	kg/t
Total waste	94,552.69	t
Percentage of recovered waste	96.10	%
Non-hazardous waste recycled	90,027.93	t
Non-hazardous waste disposed	2,755.09	t
Hazardous waste recycled	849.49	t
Hazardous waste disposed	920.18	t

## Source ingredients sustainably p.31-56

	Value FY 2019/20	Unit
<b>Raw materials</b>		
% certified sustainable cocoa	100.00	%
% certified sustainable chocolate	71.00	%
% traceable cocoa to farmer group	99.00	%
% traceable cocoa to farm gate	96.00	%
% traceable hazelnuts	51.00	%
% RSPO certified segregated palm oil	99.30	%
% traceable palm oil to mills	100.00	%
% traceable palm oil to plantation	99.96	%
% certified sugar incl. Bonsucro Credit System	100.00	%
% certified sugar via Bonsucro Credit System	58.50	%
% eggs from barn hens	95.00	%
Total raw materials used	2,042,494.00	t



## Material topics and key data covered by the external assurance continued

## Promote responsible consumption p.57-65

	Value FY 2019/20	Unit
<b>Plants certifications</b>		
ISO 14001 certified plants	21	plants
ISO 50001 certified plants	19	plants
FSSC 22000 certified plants	All production plants	plants
<b>Packaging data</b>		
Recycled materials in packaging	34.60	%
Renewable materials in packaging	36.50	%
Reusable, compostable or recyclable packaging	82.90	%
<b>Nutrition</b>		
<b>Repartition of the products according to the target eating occasions, on marketed volumes</b>		
Occasional	26.70	%
Breakfast	36.70	%
Dessert	5.00	%
BMFE	31.60	%

	Value FY 2019/20	Unit
<b>Repartition of the Product Data Records according to the energy delivered by portion, on marketed volumes</b>		
> 200 kcal	1.10	%
> 150 – ≤ 200 kcal	5.50	%
> 100 – ≤ 150 kcal	27.90	%
> 10 – ≤ 100 kcal	61.90	%
≤ 10 kcal	3.60	%
>130 kcal	10.80	%
≤ 130 kcal	89.20	%
<b>SKUs Glycemic Index (GI)</b>		
Low (55 or less)	88	GI
Medium (55-69)	8	GI
High (70 and above)	4	GI



## Material topics and key data covered by the external assurance continued

## Empower people p.66-81

	Value FY 2019/20	Unit
<b>Occupational Health &amp; Safety</b>		
Accident frequency rate (LDIR)	7.10	%
Accident frequency rate (TRIR)	10.56	%
Accident severity rate	0.15	%
<b>Internal and external workforce</b>		
Group	37,122	employees
Ferrero Foundation	12	employees
External workforce	6,924	employees
<b>Kinder Joy of moving</b>		
Countries covered by the program	28	countries
N. of children moved	2,600,000	childrens
Investments	10,300,000	€
Sports federations involved	120	sports federations

## Key data – Added value p.94

	Value FY 2019/20	Unit
<b>Ferrero's Added Value (Added Value Generated in FY 2019/2020)</b>		
Depreciation	5.50	%
Operating costs reclassified	68.10	%
Net Added Value	26.40	%
<b>Added Value Distributed in FY 2019/20</b>		
Human resources	66.80	%
Capital remuneration	25.20	%
Public sector	6.70	%
Community	1.30	%
Value retained – Enterprise system	0.10	%



# Assurance statement



## Independent Limited Assurance Report on the disclosures in the Sustainability Report

To the Board of Directors of  
Ferrero International S.A.

We have performed a limited assurance engagement to report on the disclosures in the Sustainability Report of Ferrero International S.A. (hereinafter "the Company"), for the period from 1 September 2019 to 31 August 2020 (hereinafter the "Sustainability Report").

Our engagement in this context relates solely to certain disclosures detailed in the table p.101 named: "**Material topics and key data covered by the external assurance**" (hereinafter "the Table"), in accordance with the relevant GRI-Criteria.

### Understanding the reporting and measurement methodologies

The Sustainability Report needs to be read and understood together with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the "GRI-Criteria"), which the Company is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

### Responsibilities of the Board of Directors

The Board of Directors of the Company are responsible for the preparation of the Sustainability Report in accordance with the principles stated in the GRI-Criteria.

This responsibility of Company's Board of Directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the board of directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Sustainability Report that is free from material misstatement whether due to fraud or error.

### Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a limited assurance conclusion on certain disclosures included in the Sustainability Report as detailed in the Table based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the "International Auditing and Assurance Standards Board" (IAASB). This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that certain disclosures included in the Company's Sustainability Report for the period from 1 September 2019 to 31 August 2020 as detailed in the Table have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg  
T: +352 494848 1, F: +352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518

In a limited assurance engagement, the procedures vary in nature and timing and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

### Work done

Within the scope of our engagement we did not perform an audit or a review on external sources of information or expert opinions, referred to in the Sustainability Report.

Within the scope of our limited assurance engagement, we performed, amongst others, the following procedures:

- Obtained an understanding of the structure of the sustainability organization, including governance and of the stakeholder engagement;
- Performed analysis of how the processes underlying the generation, collection and management of information disclosed in the Sustainability Report operate;
- Performed inquiries with the management of the Company regarding 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;
- Identified the likely risks of material misstatement of the Sustainability Report under consideration of the GRI-Criteria;
- Analysed the compliance and the internal consistency of the qualitative information disclosed in the Sustainability Report in relation to the GRI-Criteria;
- Analysis of relevant underlying supporting information supporting the key disclosures in the Sustainability Report;
- Compared the selected financial data and disclosures in Sustainability Report with corresponding data in the consolidated financial statements and in the group management report for year ending 31 August 2020;
- Evaluated the presentation of the disclosures in the Sustainability Report regarding sustainability performance;
- Obtained representations from management and the Company's CSR responsible officer confirming compliance with the GRI-Criteria and completeness and accuracy of the information presented.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the disclosures as detailed in the Table included in the Company's Sustainability Report for the period from 1 September 2019 to 31 August 2020 has not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 13 July 2021

Electronically signed by:  
Tal Ribon

Tal Ribon  
Partner



**FERRERO**

[www.ferrerosustainability.com](http://www.ferrerosustainability.com)