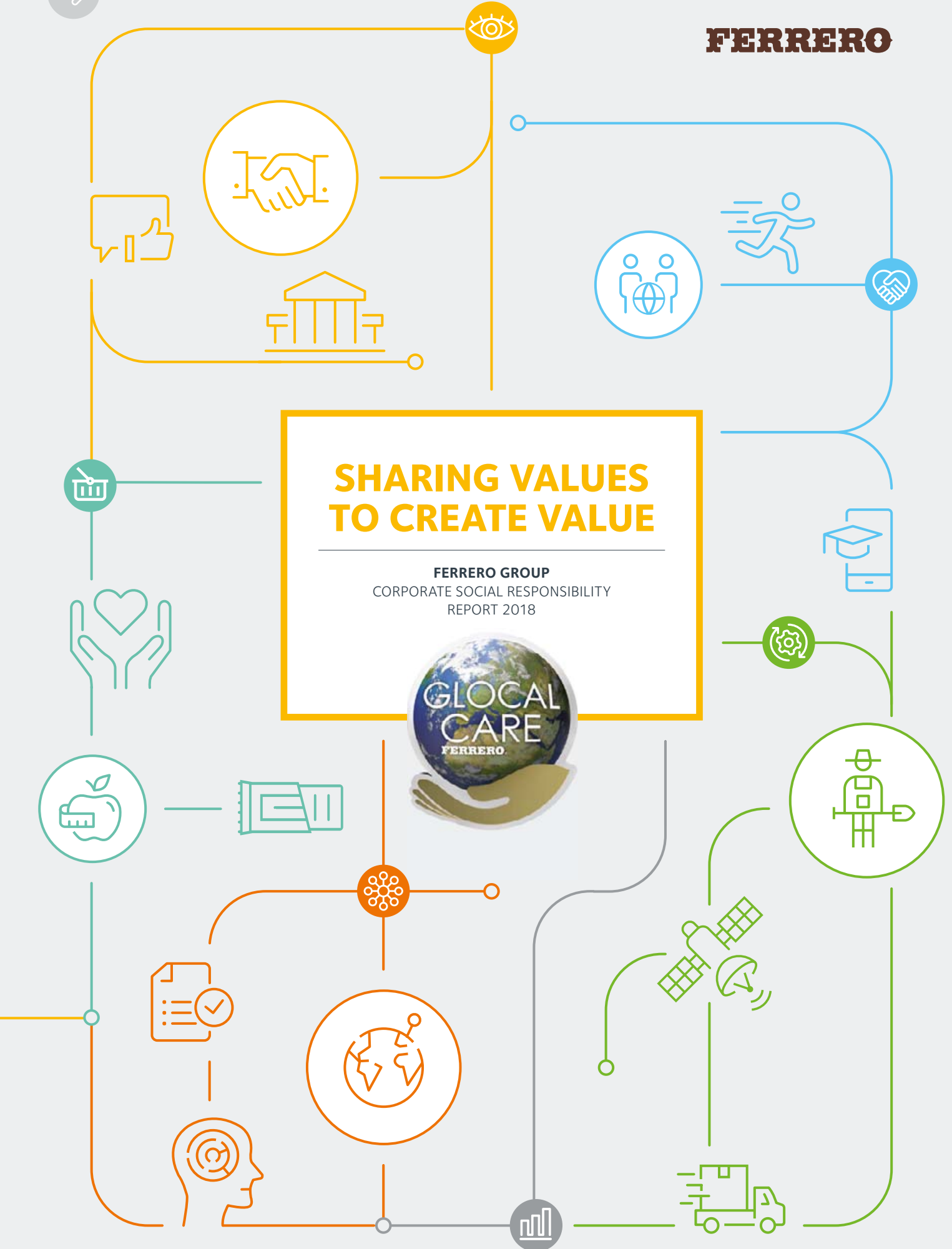




FERRERO

SHARING VALUES TO CREATE VALUE

FERRERO GROUP
CORPORATE SOCIAL RESPONSIBILITY
REPORT 2018





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ABOUT THIS REPORT

This report explains the Ferrero Group's corporate responsibility strategy and our global activities during Fiscal Year (FY) 2017/2018 (from September 1st, 2017 to August 31st, 2018). Along with the objectives set out in previous reports, the issues in this 10th edition have been selected via a materiality process, based on their level of importance to our Group, with constant input from key stakeholders.

Previous reports are available online at www.ferrerocsr.com

This report has been prepared in accordance with the GRI Standards: Core option, the GRI Content Index is available in the section "Our CSR Reports" of our website www.ferrerocsr.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 Co-operation and Development (OECD) Guidelines for Multinational Enterprises";
- the GRI and the UN Global Compact publication "An Analysis of the Goals and Targets".

It was drafted by the Corporate Communications and CSR office (email: csr@ferrero.com).

The scope of economic data included in the report corresponds with Ferrero International's consolidated financial statement. During the reporting period, the Ferrero Group and its affiliated companies acquired Nestlé's U.S. confectionery business. The Ferrero Group also completed the acquisition of Stelliferi & Itavex Srl (previously a joint venture).

With regards 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 Stelliferi & Itavex Srl, which processes and sells toasted hazelnuts at different stages of processing (except where specified);
- the companies belonging to Thorntons Plc. and Fannie May Confections Brands, Inc. (except where specified);
- Nestlé's U.S. confectionery business (except where specified).

The Piera, Pietro and Giovanni Ferrero Foundation (hereinafter "Ferrero Foundation") is included.

This report was the subject of a limited assurance engagement by PricewaterhouseCoopers.

Restatements of previously published figures that have been provided for comparison are clearly indicated as such.

Corporate Social Responsibility Report is also accessible online at www.ferrerocsr.com, where our previous nine CSR reports are also available. The previous edition (9th Ferrero Group CSR Report) was published in November 2018).

We will continue to publish reports on an annual basis.



View our previous reports at:
www.ferrerocsr.com



LETTER FROM OUR EXECUTIVE CHAIRMAN



Dear Reader,

Ferrero, as a family company, believes that value is created with trust and by taking responsibility for everyone that works with and for our company.

We are not just proud as managers, but above all as human beings, because we can operate as a “force of good”, being not only good Ferrerians, but also good citizens and good inhabitants of our planet. This is about caring for our communities, for our environment and for the future generations.

The Ferrero way of doing things prevails in every step we move forward.

In light of this, we feel honored to highlight the progress we are making on key targets, as outlined in this year’s report.

Today, I am proud to announce our new global commitment to work towards a circular packaging economy, driven by our new packaging objective: 100% packaging to be reusable, recyclable or compostable by 2025. This commitment is further enhancing our approach to sustainable packaging and it fits into our strategy aimed at minimizing our environmental impact, from raw materials to production plants and logistics, along the entire value chain.

Our progress can also be seen in our agricultural supply chain on our key raw materials. Within our cocoa supply chain, in March 2018, Ferrero received the Fairtrade Germany Award for our commitment to the Fairtrade approach in the cocoa supply chain and our long-term partnership with Fairtrade and cooperative union ECOOKIM. Through this collaboration, Ferrero aims at improving the livelihoods of cocoa farmers and offering future perspectives. At the same time, we get closer to fulfilling our promise to source 100% sustainable cocoa beans for all Ferrero products by 2020. We continue to be on track with our objective roadmap, having reached 77% in August 2018.

Furthermore, within our palm oil supply chain, we remain fully committed to securing a 100% deforestation-free and exploitation-free palm oil supply chain and to leading the way in industry transformation through an active cooperation with NGOs, suppliers and other key stakeholders. Ferrero has strengthened compliance with its stringent Palm Oil Charter standards by completing supplier assessments and field visits.

Lastly, within our hazelnut supply chain, the Ferrero Farming Values Program (FFV) for hazelnuts continues to spearhead our drive towards a sustainable and traceable supply. The program aims at improving the conditions of the entire hazelnut community. Our approach encompasses many different aspects: including environmental, agricultural and social good practices to ensure that all parts of the value chain are aligned to pursue 360° sustainability.

This year’s report also re-confirms Ferrero’s dedication to positively contribute to different areas of the community through impactful social projects. These include the Ferrero Foundation in Italy and the Michele Ferrero Entrepreneurial Project in Africa and Asia. Additionally, we remain dedicated to our Kinder + Sport Joy of Moving program, promoting an active lifestyle to young people and families around the world, which we are delighted to confirm has reached 4.4 million children in more than 30 countries so far.

Given this innate sense of responsibility, we remain faithful to our Family Company ethical standards and also to our obligation to improve the lives not only of our consumers but also of all our partners and stakeholders such as farmers, suppliers, commercial counterparts, that interact with the enlarged Ferrero family.

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

I would finally like to thank each and every employee of our Ferrerian family - which has grown to more than 35,000 people from more than 120 countries - for their support, their dedication and for everything we have achieved together throughout the year.

Giovanni Ferrero
Executive Chairman – Ferrero Group



OUR SOCIAL RESPONSIBILITY

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



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

Michele Ferrero
1957

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



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

Giovanni Ferrero
Executive Chairman

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

For us, the most important report has never been our annual financial statement; it is in fact our Corporate Social Responsibility Report, which reflects our Group's respect for People and the Planet.

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

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

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



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



PEOPLE

At Ferrero, consumer focus isn't just an abstract value, it's something we put into practice every day, based on a sense of responsibility that goes beyond commercial goals. This responsibility is made into reality through our nutritional strategy, on-going innovation, the quality and freshness of our products, food safety and responsible and transparent communication. In addition, we show a constant interest in the lives of our current and former employees as well as the people living in the communities in which we operate.

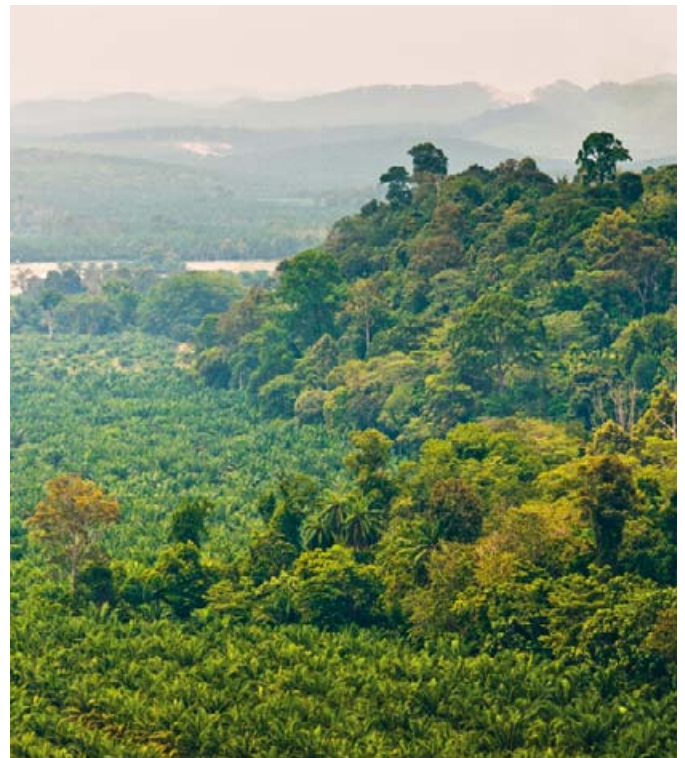
This commitment is demonstrated by the activities of the Ferrero Foundation and the Michele Ferrero Entrepreneurial Project, active in Africa and Asia. Our Group also continues its commitment to the promotion of active lifestyles by addressing young people and their families through the global Kinder + Sport Joy of Moving program.



PLANET

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

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





MATERIALITY ANALYSIS

Our Materiality Analysis aims to identify and assess the importance of various sustainability topics that affect our ability to create value and those considered relevant by our stakeholders.

In 2018 we decided to go a step further in our analysis, updating both topic mapping and prioritization to better meet stakeholder expectations.

The criteria were based on:

- **Credibility** – confidence in results that are data-driven and evidence-based.
- **Reach** – analysis of a broader range of data sources and stakeholder voices.
- **Efficiency** – time- and resource-effective without compromising quality and accuracy.
- **Transparency** – an auditable trail of evidence supporting the analysis.
- **Relevance** – analysis that can feed into key business processes, including risk management.

The first step has been conducting research on a wide range of topics, including various sources with the use of an external specific BI tool by Datamaran Limited. This list of topics has been then shortlisted to better align with our specificities. This analysis resulted in 26 material topics. Following the identification of the topics we proceeded with the prioritization process, based on both internal and external perception.

The relevance for our external stakeholders has been measured through a quantitative analysis performed on the basis of thousands of data points from corporate reports, mandatory and voluntary regulations (including NGO publications), news and social media posts¹.

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

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

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

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

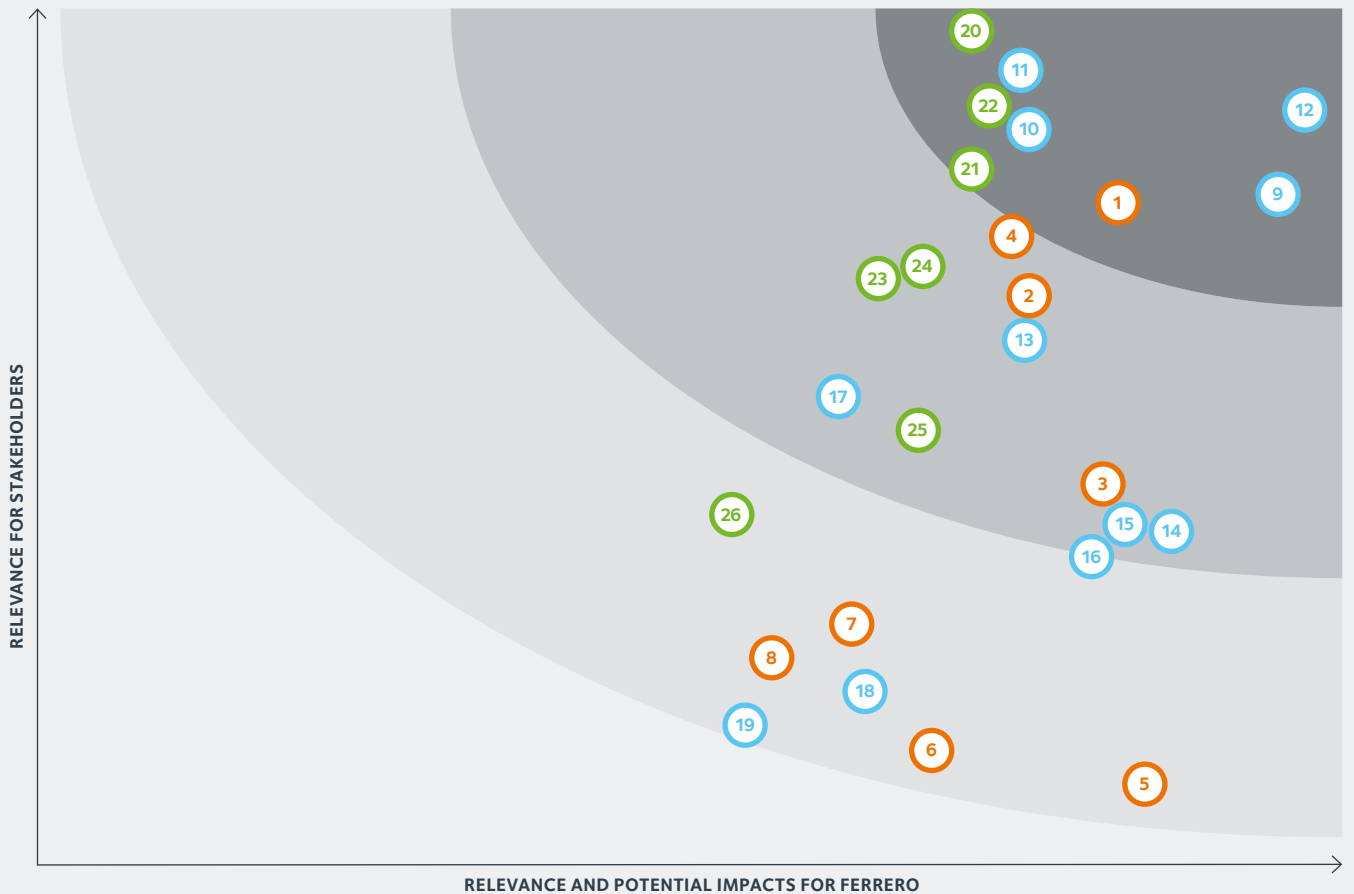
The importance of other environmental topics (*Water management* and *Waste management*) has also been highlighted, together with the confirmation of *Transparency* and *Ethics and Compliance* as crucial themes.

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

¹ Source: Datamaran Limited



MATERIALITY MATRIX



RELEVANCE AND POTENTIAL IMPACTS FOR FERRERO



THE GROUP

- 1. Responsible supply chain
- 2. Governance
- 3. Transparency
- 4. Ethics and compliance
- 5. Long-term value
- 6. Innovation and digitalization
- 7. Competitive pressure
- 8. Geopolitical events



PEOPLE

- 9. Human rights
- 10. Nutrition
- 11. Employee rights
- 12. Products and ingredients safety and quality
- 13. Talent and development
- 14. Consumer rights
- 15. Responsible marketing
- 16. Employee health, safety and well-being
- 17. Fair and inclusive workplace
- 18. Local community support
- 19. Inclusion and accessibility



PLANET

- 20. Climate change and air quality
- 21. Sustainable packaging
- 22. Natural capital preservation and biodiversity
- 23. Water management
- 24. Waste management
- 25. Energy efficiency
- 26. Animal welfare



The coverage of this is shown in the summary table, available in the section "Our CSR Reports" of our website www.ferrerocsr.com, compiled according to the form proposed by the GRI Sustainability Reporting Standards.



MATERIALITY ANALYSIS

CONTINUED

In order to identify where an issue generates an impact and consequently determine its relevance, a perimeter was defined and applied for each of the 26 issues that emerged as material.

The topics mentioned are consistently analyzed in the relevant chapters of this report, through a qualitative description of the management approach and specific performance indicators.

SCOPE	TOPIC	WHERE THE IMPACTS OCCUR	TYPE OF INVOLVEMENT
	Responsible supply chain	Ferrero Group, Suppliers	Contributed by the Group and directly linked through the Group's business relationships
	Governance	Parent company (Ferrero International S.A.)	Generated by the Group
	Transparency	Ferrero Group	Generated by the Group
	Ethics and compliance	Ferrero Group, Suppliers, Distributors and Retailers, Farmers	Contributed by the Group and directly linked through the Group's business relationships
	Long-term value	Ferrero Group	Generated by the Group
	Innovation and digitalization	Ferrero Group, Suppliers, Farmers	Generated by the Group
	Competitive pressure	Ferrero Group, Suppliers	Contributed by the Group and directly linked through the Group's business relationships
	Geopolitical events	Ferrero Group, Suppliers	Contributed by the Group and directly linked through the Group's business relationships
	Human rights	Ferrero Group, Suppliers, Farmers, NGOs	Generated, contributed by the Group and directly linked through the Group's business relationships
	Nutrition	Ferrero Group, Consumers, Consumer associations and NGOs, Institutions, Government and regulators	Contributed by the Group
	Employee rights	Ferrero Group, Suppliers	Generated by the Group and directly linked through the Group's business relationships
	Products and ingredients safety and quality	Production plants, Suppliers, Distributors and Retailers, Consumers, Consumer associations and NGOs, Government and regulators	Generated and contributed by the Group
	Talent and development	Ferrero Group	Generated by the Group
	Consumer rights	Ferrero Group, Distributors and Retailers, Consumers, Consumer associations and NGOs	Generated by the Group and directly linked through the Group's business relationships
	Responsible marketing	Ferrero Group, Institutions and regulators	Generated by the Group
	Employee health, safety and well-being	Ferrero Group, Suppliers	Generated by the Group
	Fair and inclusive workplace	Ferrero Group	Generated by the Group
	Local community support	Production plants, HCo, Kinder + Sport, Suppliers, Ferrero Foundation, Michele Ferrero Entrepreneurial Project, NGOs, Institutions, Governments	Generated and contributed by the Group
Inclusion and accessibility	Ferrero Group, Farmers, Local Communities	Generated by the Group and directly linked through the Group's business relationships	
	Climate change and air quality	Production plants, Warehouses, Employee travels, Suppliers	Generated by the Group and directly linked through the Group's business relationships
	Sustainable packaging	Production Plants, Warehouses, Consumers, Suppliers	Generated and contributed by the Group
	Natural capital preservation and biodiversity	Production plants, Warehouses, Consumers, Suppliers, Farmers	Generated by the Group and directly linked through the Group's business relationships
	Water management	Production plants, Warehouses, Suppliers, Farmers	Generated by the Group and directly linked through the Group's business relationships
	Waste management	Production plants, Warehouses, Suppliers, Consumers	Contributed by the Group
	Energy efficiency	Production plants, Warehouses, Suppliers	Generated by the Group and directly linked through the Group's business relationships
	Animal welfare	Ferrero Group, Suppliers, NGOs	Contributed by the Group and directly linked through the Group's business relationships



STAKEHOLDER MAPPING

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

We actively participate in debates, and in the work groups, of trade and industry associations to which we belong, at an international, European and national level.

In addition, we have developed a structured dialogue with some NGOs that work in CSR.





OUR GROUP GOALS

SCOPE	DESCRIPTION	PROGRESS	
	FSSC 22000 food safety certification for all Group production sites – excluding the plants of the Michele Ferrero Entrepreneurial Project	Reached in January 2017	●
	Enhance the activities of the Ferrero Foundation and of the Michele Ferrero Entrepreneurial Project	Reached and renewed	●
	Promote internal initiatives to support a “culture of diversity”	Commitment renewed until 2018	●
	5% increase of women in managerial positions (compared to August 31st, 2015)	By 2020	●
	On-going support and expansion of our Kinder + Sport program by extending it in 30 countries all over the world and moving 5 million children	Countries: reached 34 countries by August 2018	●
		Children moved: reached 4.4 million by August 2018	●*
	100% cocoa certified as sustainable	By 2020	●
	100% sustainable palm oil certified RSPO as segregated	Reached in December 2014	●
	100% refined cane sugar from sustainable sources	By 2020	●
	Implementation of the traceability plan for 100% of hazelnuts	By 2020	●
	100% of eggs from barn hens with respect for animal welfare	Reached in September 2014 in EU plants and extended to a global level by 2025	●



- On track
- Partially met
- Not on track
- ▲ New goal

* Learn more on page 93.



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



SCOPE	DESCRIPTION	PROGRESS
	Self-produced electricity totaling 70% (instead of 75%) of electrical consumption of all European plants, of which 18% (instead of 25%) was from renewable sources	Partially met in September 2014 ●
	Group ISO 50001 certification for the 17 production sites active in August 2014 – excluding the plants of the Michele Ferrero Entrepreneurial Project – including power generation plants	By 2020 ●
	Implementation of a global action plan on energy, according to local needs of existing and future plants, aimed at reducing emissions	By 2020 ●
	40% reduction of CO ₂ emissions from production activities (compared to 2007)	By 2020 ●
	30% reduction of greenhouse gas emissions (tons of CO ₂ eq) from transport and storage activities (compared to 2009)	By 2020 ●
	Use of packaging made from renewable sources (+10% compared to 2009)	By 2020 ● *
	All packaging 100% reusable or recyclable or compostable	By 2025 ▲ **
	100% virgin cardboard ¹ from certified sustainable supply chain	Reached in December 2014 ●
	100% of virgin paper ² from certified sustainable supply chain	Reached in December 2017 ●



- On track
- Partially met
- Not on track

▲ New goal

- 1 The term "cardboard" refers to materials with a density (mass per square meter) over 225 g/m².
 - 2 The term "paper" refers to materials with a density (mass per square meter) below 225 g/m².
- * Learn more on page 179.
** Learn more on page 124.





FERRERO GROUP

Our approach to corporate social responsibility focuses on offering consumers innovative products of the highest quality and freshness, made using carefully selected raw materials. Our Group's organizational structure and governance have evolved over time, in step with our global expansion into new markets and our constant innovation of products and their packaging.

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For more information visit:
www.ferrerocsr.com



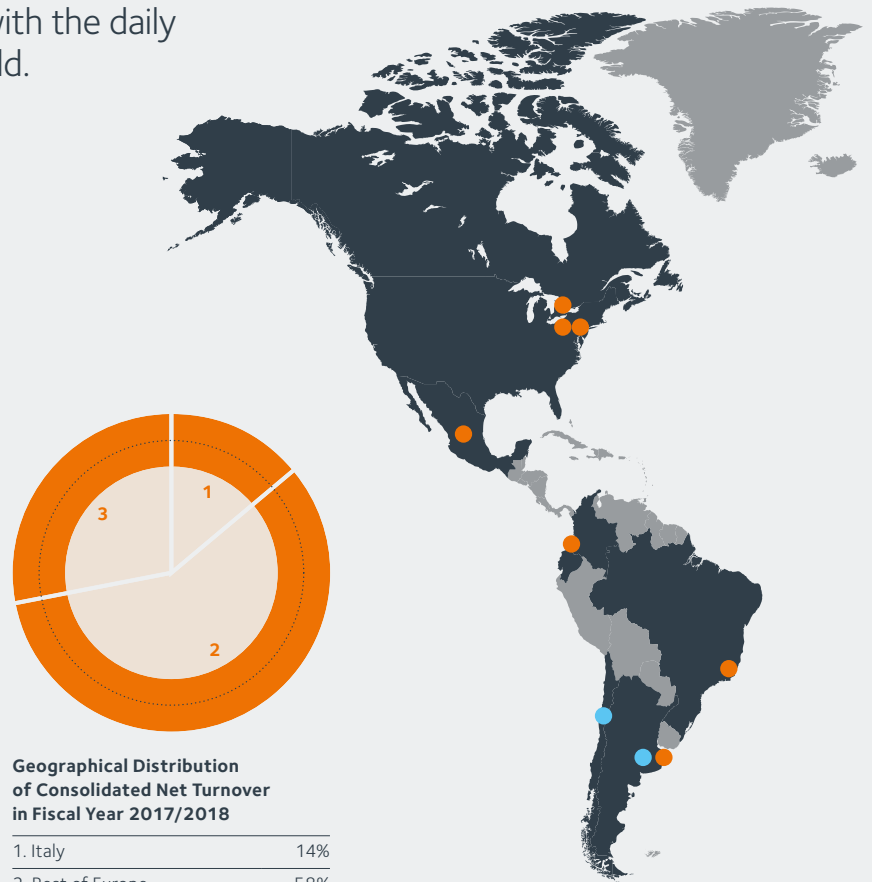
AT A GLANCE

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

PRESENCE IN THE WORLD

Our products are present and sold, directly or through authorized retailers, in more than **170** countries. Our Group is present in more than **50** countries:

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



Geographical Distribution of Consolidated Net Turnover in Fiscal Year 2017/2018

1. Italy	14%
2. Rest of Europe	58%
3. Outside Europe	28%

KEY NUMBERS

Total Production	(Tons)
+2.44%	
2017/2018	1,308,297
2016/2017	1,277,126

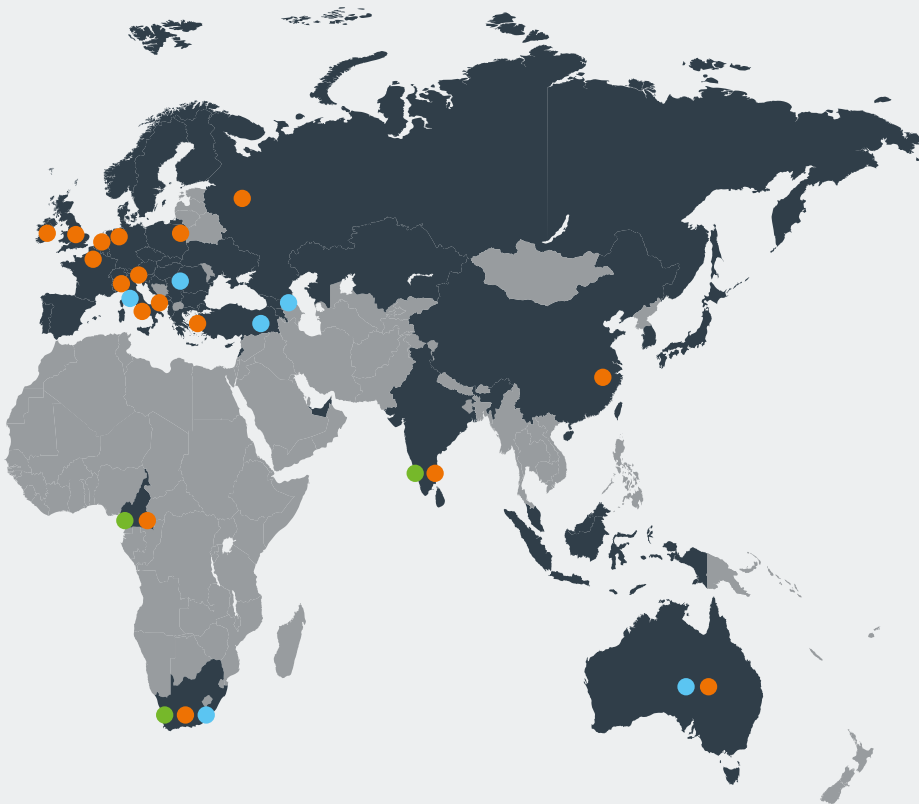
Consolidated Net Turnover	(€/000)
+2.14%	
2017/2018	10,709,051
2016/2017	10,485,058



For more information visit:
www.ferrerocsr.com



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



25 INTERNATIONAL MANUFACTURING PLANTS

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

* Michele Ferrero Entrepreneurial Project.

Average Group Workforce
(full-time equivalent)

+4.76%

2017/2018 31,748¹

2016/2017 30,305

1 The total reaches 31,758 including the Ferrero Foundation FTE.

RAW MATERIALS

During the FY 2017/2018 the Group used a total of **1,904,526 tons²** of agricultural raw materials and packaging raw materials.

2 Figure includes the volume of water used in the recipes of Ferrero products, raw materials for Surprises and auxiliary materials for the production process.

HCO – HAZELNUT COMPANY

6 Agricultural Companies:

- Argentina
- Australia
- Chile
- Georgia
- Serbia
- South Africa

7 Manufacturing Plants:

- Chile
- Italy
- Turkey



For more information visit:

www.hazelnutcompany.ferrero.com



CORPORATE GOVERNANCE

The Group's organizational structure and governance have evolved over time, in step with global expansion.

The key factors that characterize the Group's history and growth are:

- being a family-owned company;
- continuing expansion into new markets;
- the opening of new production plants;
- constant innovation of products and their packaging;
- always focusing on the highest quality and freshness.

As of August 31st, 2018, the Group was composed of 95 consolidated companies, managed under Ferrero International S.A., the parent company based in Luxembourg, the strategic and operational heart of the Group, where more than 1,000 employees work.

Since 1998, Ferrero International has applied a traditional Corporate Governance model, with the Shareholders' Meeting and the Board of Directors in a central role. The Chairman of the Board of Directors plays a guiding role, rather than an executive one.

The Board of Directors also has members who do not belong to the Ferrero family, including the Vice President. The executive members are appointed based on their qualifications and skills and subject to constant assessment based on merit.

Mr Giovanni Ferrero assumed the role of Executive Chairman as of September 1st, 2017, driving the Group by focusing on long-term strategies, new business directions and breakthrough innovation, whilst assuring continuity in our culture and values.

On the same date, Mr Lapo Civiletti was appointed as Chief Executive Officer, focusing on achieving short- and mid-term results. The Executive Chairman leads our Group Leadership Team (GLT) and our Boards/ Committees, with the aim of defining strategies, governance and business development activities. He defines our vision and long-term strategy.

In 2017, the Ferrero Group decided to introduce a new governance set-up to strengthen its competitive position in the chocolate and sweet packaged food market worldwide and accelerate growth momentum.



A family-owned company since

1946





The strategic functions reporting to him are:

- The CEO.
- Institutional Affairs, aimed at supporting the Executive Chairman in developing long-term networking strategies with key institutional stakeholders.
- Open Innovation, aimed at focusing on the scientific innovation that could lead to breakthrough discoveries for our products of the future.
- Strategic R&D, aimed at developing breakthrough products utilizing available science, leveraging on internal competencies and our expertise to support the product development of the newly acquired companies.
- Strategy and M&A, aimed at supporting the Group's medium- to long-term strategy development.
- Group Boards and Committees. In particular they are:
 - **Advisory Board**, to provide support to the Executive Chairman in the decision-making process, with specific focus on the economics/ financials and company value creation
 - **Audit Committee**, to provide oversight over the Risk Management process and the Internal Controls System, to assess the effective functioning of Group Internal Audit in providing independent assurance and to provide oversight over the Financial Reporting process
 - **Business Innovation and Science Committee**, to focus on new business model proposals such as: new channels, categories, media, raw materials, packaging materials, sourcing strategies, distribution models, and new big transversal projects
 - **GLT**, to guarantee the link between entrepreneurial and managerial worlds, supporting strategic decisions and business plan deployment
 - **Operations Committee**, to focus on the Industrial strategy and footprint evolution, logistic network transformation, raw material and packaging deployment, Information Technology systems, new plant evaluation
 - **Organization, Appointment, and Remuneration Committee**, to carry out analysis and proposals related to: Group organizational reviews, key position appointments, remuneration policies and incentive system
 - **Product Committee**, to focus on new product development (innovation) and portfolio management

The CEO, with the help of the Group Management Team (GMT), ensures continuity and maximizes our managerial capabilities to:

- Contribute to the definition of business targets, according to the Executive Chairman's guidelines.
- Secure the achievement of business targets (budget and 1-3 year plan).
- Supervise and manage trade-offs and arbitrages among Functions and Areas.
- Enhance the protection of Group know-how and foster its development.
- Guarantee continuity in Ferrero values and foster our innovative product development culture.

The CEO leads the GMT, comprised of heads of the following functions:

- Areas: Europe, International, APAC & MEA
- CFO
- Global Brands Soremartec
- HR&OI
- Industrial and Supply Department
- Legal
- Quality
- Sales Business Development
- Strategic Business Units (SBU)



Consolidated
companies managed
under Ferrero
International S.A.

95

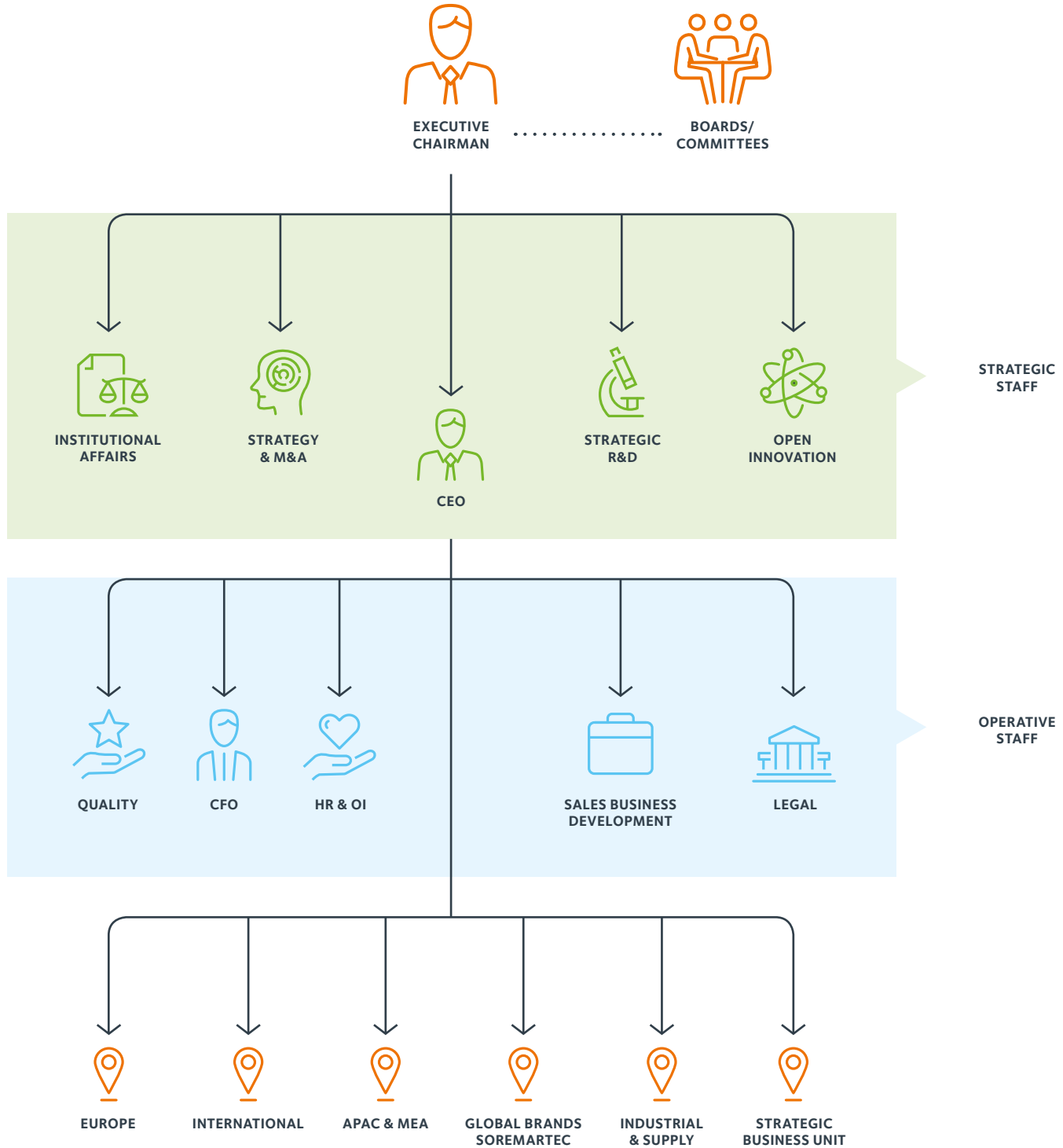
August 2018



CORPORATE GOVERNANCE

CONTINUED

FERRERO GROUP GOVERNANCE STRUCTURE





FERRERO'S 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 CSR Report is distributed in different ways to various internal and external stakeholders.

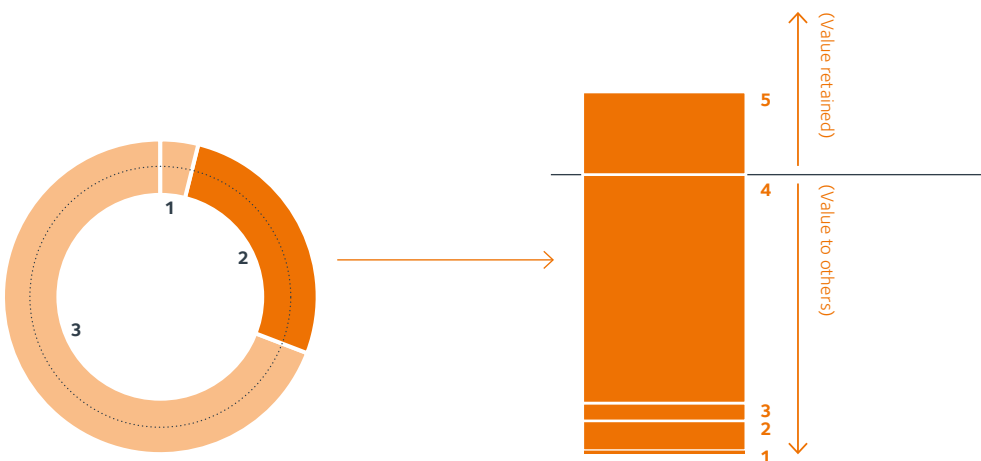
The item "Human Resources" includes all types of salaries and wages paid for work carried out by employees, including social and welfare contributions made by our Group.

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 centers.

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 2017/2018

1. Depreciation	3.9%
2. Net Added Value	27.2%
3. Operating Cost Reclassified	68.9%

Added Value Distributed 2017/2018

1. Community	1.1%
2. Public Sector	8.5%
3. Capital Remuneration	4.9%
4. Human Resources	62.8%
5. Enterprise System	22.7%



ORGANIZATIONS AND ASSOCIATIONS

OUR PRIMARY EUROPEAN AND INTERNATIONAL ORGANIZATIONS AND ASSOCIATIONS

UNITED NATIONS GLOBAL COMPACT (headquarters in New York)

A political and strategic initiative for businesses that are committed to aligning their activities with the 10 universally accepted principles on human rights, labor, environment and combating corruption.

www.unglobalcompact.org

GRI – GLOBAL REPORTING INITIATIVE (headquarters in Amsterdam)

A non-profit organization that promotes economic, environmental and social sustainability by providing a comprehensive framework of reporting parameters.

www.globalreporting.org

CSR EUROPE (headquarters in Brussels)

An organization founded in 1995 to encourage and support corporate social responsibility. CSR Europe has 50 corporate members and 45 national partner organizations. In total, the organization connects over 10,000 companies.

www.csreurope.org

AEF – ADVERTISING EDUCATION FORUM

A non-profit organization that provides information on advertising regulations at an international level, with a particular focus on advertising aimed at children.

www.aeforum.org

AIM – EUROPEAN BRANDS ASSOCIATION

A European association that brings together brand manufacturers, for a total of 1,800 businesses in 21 countries, disseminating information and raising awareness of issues such as developing, distributing and marketing brands.

www.aim.be

BONSUCRO

A non-profit organization that fosters the sustainability of the cane sugar industry through its metric-based certification scheme. Today its members total over 400 in 32 different countries, representing all stages of the production chain.

www.bonsucro.org

CAOBISCO – EUROPEAN ASSOCIATION OF CHOCOLATE, BISCUIT & CONFECTIONERY INDUSTRIES

An association that represents around 11,000 chocolate, biscuit and confectionery companies in the European Union with the aim of creating an innovative, modern and more sustainable chocolate, biscuit and confectionery industry.

www.caobisco.eu

EUFIC – EUROPEAN FOOD INFORMATION COUNCIL

A non-profit organization supported by companies in the food and beverage industry and by the European Commission. EUFIC provides information on and carries out research into food safety and quality.

www.eufic.org

ETRC – THE EUROPEAN TRAVEL RETAIL CONFEDERATION

An industry association for the duty-free and travel retail industry in Europe, serving the industry and its members to help create the right environment for the industry to achieve its potential.

www.etric.org



EUROPEAN – THE EUROPEAN ORGANIZATION FOR PACKAGING AND THE ENVIRONMENT

An industry organization representing the packaging supply chain in Europe on topics related to packaging and the environment.

www.euopen-packaging.eu

FoodDrinkEurope – EUROPEAN FEDERATION OF FOOD & DRINK INDUSTRIES

A European federation that promotes and represents the interests of the food and beverage industry.

www.fooddrinkeurope.eu

ICGA – INTERNATIONAL CHEWING GUM ASSOCIATION

A global association representing the interests of the entire chewing gum supply chain, covering ingredients to chewing gum base to finished chewing gum.

www.gumassociation.org

IFBA – INTERNATIONAL FOOD & BEVERAGE ALLIANCE

An organization bringing together the world's leading companies in the food and beverage industry, with the shared goal of promoting a balanced diet and healthy lifestyle for consumers.

www.ifballiance.org

CGF – THE CONSUMER GOODS FORUM

A global network that brings together approximately 400 distributors, manufacturers, service providers and other stakeholders from 70 countries in order to promote efficient business practices with a view to positive change.

www.theconsumergoodsforum.com

TIE – TOY INDUSTRIES EUROPE

An organization that represents the interests of toy manufacturers in the European Union and promotes the role of toys and the act of playing in children's educational, physical and social development.

www.toyindustries.eu

WFA – WORLD FEDERATION OF ADVERTISERS

A global organization uniting national associations and businesses in the advertising industry that represents roughly 90% of all the global marketing communications spend, promoting responsible and effective marketing communication.

www.wfanet.org

WSRO – WORLD SUGAR RESEARCH ORGANIZATION

An international scientific research organization dedicated to encouraging a better appreciation of the direct and indirect contribution made by sugar to the nutrition, health and well-being of all the populations of the world.

www.wsro.org



RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Since 2011 we have been implementing the ABCDE Plan (A Business Code Dialogue Engagement), aimed at sharing the Group’s Code of Business Conduct with all stakeholders in the value chain, and in 2013 the goal of sharing was achieved.

The code is based on our principles, complies with our Code of Ethics and defines our practices in the following areas:

1. excellent product quality and safety;
2. commitment to protecting human rights;
3. environmental protection and sustainability;
4. guaranteeing standards in the workplace environment;
5. business integrity.

The Code of Business Conduct has been our starting point, then specific verification protocols for the sustainability of agricultural raw materials have been created; in particular the Ferrero Farming Values protocol for the field production of hazelnuts, developed in partnership with SCS Global Services, which provides the verification audits of our supply chain.

Furthermore, since December 2013, we have been part of the Supply Chain Initiative, promoting the implementation of the Principles of Good Practices in Vertical Relations in the Food Supply Chain. The Supply Chain Initiative was jointly launched by seven European associations with the aim of increasing fairness in trade relations throughout the entire food supply chain.

In February 2019, the promoters of the Supply Chain Initiative submitted their fifth annual report, which provides an overview of progress and achievements in the Supply Chain Initiative since its launch in September 2013.



Since December 2013, Ferrero has been part of the Supply Chain Initiative



Code of Ethics, available at: www.ferrero.com
Principles of Good Practices in Vertical Relations in the Food Supply Chain: www.supplychaininitiative.eu
Milk Supply Chain Partnership Project.
For further details, please see the chapter “Our Value Chain – Choose”





HUMAN RIGHTS

HOW WE RESPECT HUMAN RIGHTS

Our commitment to the respect of human rights, together with our Company values, constitutes the basis of our approach to business, through policies and our everyday activity. We confirm our strong determination to contribute to the elimination of all forms of modern slavery, human trafficking, forced or compulsory, and prison labor, as well as child labor, starting from its worst forms.

We already strongly promote respect for human rights and have zero tolerance for any form of human rights abuse along our value chain. We furthermore adhere to the Ten Principles of the United Nations Global Compact and to the United Nations Guiding Principles of Business and Human Rights (UN Guiding Principles).

We understand the significant work to be done and are committed to improving our existing efforts on advancing respect for human rights. We engage with different stakeholders on human rights and have defined a binding Code of Ethics and Code of Business Conduct all along our supply chain, laying out our human rights expectations to our suppliers and collaborators, who are contractually required to comply with them.

We believe that human rights due diligence – an on-going risk management process to identify, prevent and mitigate adverse human rights impacts – is key to ensuring the respect of human rights within our own operations and along the supply chain. For this reason, we have started reviewing our approach through a human rights lens and conducting a series of impact assessments.

We also believe that partnerships are critical to address the complexity of human rights issues. We collaborate with a variety of stakeholders from business partners to international organizations, governments and non-profit organizations, to tackle the issues collectively.

UNDERSTANDING OUR SALIENT HUMAN RIGHTS IMPACTS

To strengthen our approach to human rights due diligence across our operations and value chain, we collaborated with Shift, the leading center of expertise on the UN Guiding Principles on Business and Human Rights, to support us in reviewing our current approach.

In early 2018, Shift developed and facilitated a workshop for us to explore the meaning of implementing our responsibility to respect human rights under the framework of the UN Guiding Principles, as well as to help to identify and prioritize the Company's salient human rights issues across the value chain.



We believe that partnerships are critical to address the complexity of human rights issues



HUMAN RIGHTS

CONTINUED

RESPECTING HUMAN RIGHTS IN SUPPLY CHAINS

Responsible Sourcing

We have a wide range of direct and indirect suppliers from small-scale producers to multinational businesses, including critical suppliers that provide ingredients and packaging materials for our products, and indirect suppliers that provide services to support our operations. We acknowledge that our sourcing activities not only contribute to impact on workers, but also present opportunities to support local communities.

We expect all our business partners to uphold our Code of Business Conduct, which lays out our human rights expectations. Through our Supplier Sustainability Programme we are finding ways to measure and improve practices of suppliers, to address any identified human rights and labor issues through:

- Risk and opportunities analysis.
- Compliance and improvement.
- Capability building.

From 2015–2018, more than 420 third-party supplier CSR assessments were carried out in both direct and indirect supply chain categories.

Sustainable Agriculture

In the agricultural sector, migrant workers, women and children are often exposed to hazardous conditions and vulnerable to poor labor practices such as forced labor, human trafficking, and child labor. As a relevant stakeholder in the supply chain, we are committed to addressing human rights issues and advancing the promotion of human rights along our agricultural supply chain, reaching all the way to our farmers.

For this reason, we aim to promote good labor practices and human rights and improve the living and working conditions of the workers, through a dedicated program, F-ACTS – Ferrero Agricultural Commitment to Sustainability.

For each raw material, we designed a tailored Ferrero Farming Value (FFV) program. The programs focus on all key sustainability impact areas including human and labor rights. They are guided by specific objectives based on a three-pillar approach: development of dedicated projects and partnerships; adoption of standards and certifications; institutional and collective engagements.

From 2015–2018, more than 420 third-party supplier CSR assessments were carried out in both direct and indirect supply chain categories.



Third-party supplier
CSR assessments
carried out from
2015–2018

420+



Learn more about our Supplier Sustainability Program in the chapter “Our Value Chain – Choose”.







OUR CONSUMERS

We always wanted to translate into action our passion and engagement for satisfying our consumers. Consumers are at the center of our daily activities, which range from creating a product of the highest quality, to on-going innovation, commitment to freshness and food safety, and responsible communication. Special attention is dedicated to parents and their children, with the activities of the Kinder Surprise Company.

Nutrition	26
Innovation	32
Quality	34
Responsible Communication	38
Kinder Surprise Company	44



For more information visit:
www.ferrerocsr.com



NUTRITION

Nutrition is a fundamental element of life, both a pleasure and a necessity. Ferrero produces and markets some of the world’s best-loved confectionery products, in over 170 countries.

These products are of high quality and can be enjoyed within a varied diet and an active healthy lifestyle.

A healthy and balanced diet is the basis for human well-being. One of our corporate goals is to help our consumers make proper food choices and encourage them to adopt a varied and balanced diet, which provides essential nutrients and the right amount of energy from every food type.

We believe that all food types can be equally part of a varied and balanced diet, without excluding certain foods, or condemning individual ingredients or specific nutrients.

The body of scientific evidence on food and nutrition is wide and keeps growing. In light of this, the role of our “Great Brands”³ in daily nutrition is in line with the basic guidelines of modern nutritional science:

- a varied and balanced diet provides all necessary nutrients;
- a healthy diet is based on the inclusion of all food types, when consumed in proper amounts;
- a daily and moderate physical activity ensures a healthy lifestyle, while a sedentary lifestyle is a predisposing factor for the development of overweight and obesity.

These general statements are summarized by local guidelines in the various versions of the “food pyramids” where also confectionery is present on top of it.



Number of countries where Ferrero distributes

170+



³ Please refer to page 32 and 34 for the list of brands.



In line with these principles, we have developed our strategy based on:

1. suitable serving sizes of our products that can let consumers better manage their daily energy needs within their overall diet;
2. the 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 peculiar strategic industrial processes, maintaining their physiological role;
3. the promotion of ingredients, foods, and structured eating occasions that can be integrated into food education programs for both consumers and the medical-scientific community;
4. the development of an educational program dedicated to promoting active lifestyles⁴.

Since well before general food safety guidelines were introduced, we have always selected our raw materials according to strict quality criteria, and we have carefully produced and handled our finished products. This has enabled us to avoid the use of hydrogenated vegetable oils, and to not fortify our products with artificial micronutrients during industrial manufacturing processes.

We believe that food education is the most structured and effective way to promote a healthy approach to nutrition and healthy diet choices. Offering our products in serving sizes with a low-calorie load allows consumers greater flexibility in managing their daily intake of food, considering our products as manageable options within their varied diet. Since the obesity rate, in the overall population and in children/adolescents, is well-known and is a complex multi-factorial system with several consequences, our commitment since the beginning was and still is to deliver the vast majority of our products in single-wrapped servings in order to let people enjoy their taste and palatability with limited impact on nutrients, such as sugars and fats, that characterize the confectionery sector.

Our educational program is constantly expanding its horizons to cover ways of improving food and nutrition knowledge and information and also look internally at the Company, for example we involved the medical-scientific community and internationally recognized experts in different workshop days to spread scientific knowledge among employees.

According to science-based data, we continue to study the impact of ingredients and our products on human health. The research evaluating the role of saturated fats in the human diet was particularly noteworthy: today, saturated fats, when maintained at no more than 10% of the overall energy intake, are believed to have a lower impact on health than believed in the past⁵. Hazelnuts, which are the most characterizing ingredient in Ferrero products, have a positive nutritional role thanks to their antioxidants and micronutrients. Scientific studies have also shown that the combination of hazelnut and cocoa acts in a synergic and protective way on the cardiovascular system⁶. Moreover, we promote physical activities and an active lifestyle, especially in children, supported through scientific research and the Joy of Moving program. The results are published in several international journals and disseminated through the school system, sport federations and institutions, as described in this chapter.

Another topic of interest for Ferrero is the value of play and its role in enhancing development in young children. Scientific studies have shown the importance of play in promoting social-emotional, cognitive, and language skills in children (Bazzini et al. 2018). Ferrero promotes this research area by studying children's fine motor skills and visual spatial abilities in collaboration with top national and international universities (e.g. CNR – Istituto di Neuroscienze, Parma), with the goal to internationalize and spread the findings in the USA and Brazil.

We believe that the whole diet, rather than any single food, determines health, and that well-being desire is more and more the driver for consumers' food choices. We have fused the concept of sustainability with these notions of a healthy diet and desire for well-being, concluding that a belief in and affirmation of "sustainable nutrition" is the only possible evolution of nutrition.

- 4 E.g. pluri-annual jointed project MIUR – CONI – Kinder + Sport – Ferrero S.p.A. with the aim of "sviluppo di buone pratiche per l'educazione ai corretti stili di vita nella scuola" (i.e. "development of good practices for education on the correct lifestyles at school").
- 5 Elena Fattore, Cristina Bosetti, Furio Brighenti, Carlo Agostoni, Giovanni Fattore, Palm oil and blood lipid-related markers of cardiovascular disease: a systematic review and meta-analysis of dietary intervention trials, *The American Journal of Clinical Nutrition*, Volume 99, Issue 6, June 2014, Pages 1331–1350, www://doi.org/10.3945/ajcn.113.081190
- 6 Approved health claim for the European union related to cocoa flavanols and maintenance of normal endothelium-dependent vasodilation pursuant to Article 13(5) of Regulation (EC) No 1924/2006 following a request in accordance with Article 19 of Regulation (EC) No 1924/2006; Adamo, Michela, et al. "Effects of hazelnuts and cocoa on vascular reactivity in healthy subjects: a randomized study." *International Journal of Food Sciences and Nutrition* (2018): 1–12. Loffredo, Lorenzo, et al. "Hazelnut and cocoa spread improves flow-mediated dilatation in smokers." *Internal and emergency medicine* 13.8 (2018): 1211–1217.

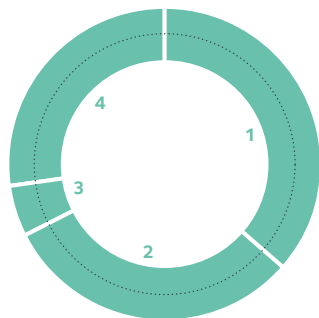


NUTRITION

CONTINUED

Great Brands in small servings

Analysis of the nutritional impact of our products has been deepened and refined. 102 SKUs (Stock Keeping Units) covering 95% of our marketed volumes were considered. The exclusion criteria concern mixes seasonal and stable products of which marketed values do not refer to specific product, mini versions (when they do not report a codified portion), and some seasonal products (marketed for specific occasions, for sharing and festive moments). The role of Ferrero products in consumers' habits is absolutely in line with our overall positioning for the confectionery food sector. In particular, breakfast and BMEE (Between Meals Eating Episodes) are the most represented and equally repartitioned consumption occasions for our products, according to marketed volumes. Together, in fact, they cover more than 2/3 of marketed volumes.

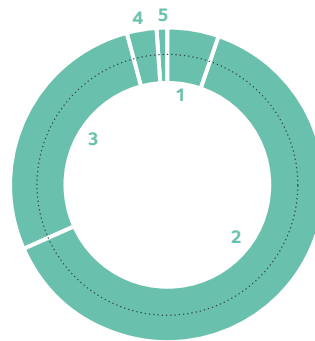


Repartition of the products according to the target eating occasions, on marketed volumes*

1. Breakfast	36.4%
2. BMEE	31.2%
3. Dessert	5.2%
4. Occasional	27.2%

* % volume of products marketed worldwide, in the fiscal period 2017/2018. Ferrero internal source.

Across all specific food episodes, taking into account the marketed volumes in fiscal year 2017/2018, 68.3% are marketed in a serving size of 100 kcal or less. Only 3.9% of the marketed volumes provide more than 150 kcal/serving.



Repartition of the products according to energy delivered by serving, on marketed volumes*

1. ≤10 kcal	5.3%
2. >10 – ≤100 kcal	63.1%
3. >100 – ≤150 kcal	27.7%
4. >150 – ≤200 kcal	2.9%
5. >200 kcal	1.0%

* % volume of products marketed worldwide, in the fiscal period 2017/2018. Ferrero internal source.

In accordance with our nutritional principles and the system proposed in recent years, 92% of our marketed volume has a serving size with a calorie load of ≤130 kcal, confirming our commitment to promote products that can be combined in individual structured eating episodes with flexibility.

Scientific work on the definition of the metabolic impact of our products has continued and the available data now accounts for 54 of the products on the market, namely more than 87% of our marketed volumes. We have Glycemic Index (=GI) data for our entire product range and we routinely determine the glycemic index of all new products when they are launched on the market. Due to their composition and structure, the vast majority of our products have a low or medium Glycemic Index: 88% is rated as low GI, 8% as medium GI and only 4% as high GI.



Marketed volumes in serving size of 100 kcal or less

68.4%

Only 3.9% provide more than 150 kcal



Our marketed volumes considered for nutritional impact

95.1%

102 SKUs

In light of this value and our nutritional approach, in moderate serving sizes, caloric value, and consumption frequency, it is evident that the consumption of our products is of little relevance in the context of global calorie intake, although a high palatable satisfaction.

Compared to last year, the percentage of our marketed volumes of products with a caloric content of less than 130 kcal/serving is stable at 92%.

This thought confirms three important elements:

- the respect for the Pledges we have signed;
- the importance of clear and transparent labeling in providing correct consumption indications;
- the role of single-wrapped serving size as an implicit and strong indication of use.

These elements clearly confirm our real and concrete support to the promotion of a healthy lifestyle and a conscious consumption of confectionery foods. In light of these data and of our responsible approach to the marketing of our taste masterpieces, the defense of recipes that they are not particularly suitable for reformulations, but they are able to satisfy their consumers with Great Brands in small servings, gains in relevance.

RESULTS OF OUR SCIENTIFIC ACTIVITY

We contribute to promoting good eating habits through a strong commitment to scientific research. In addition, we continue to promote breakfast, especially among young people, and a moderate food consumption among all age groups.

In 2017/2018, on the basis of corporate values, we also carried out and supported scientific research activities in nutrition in various internationally recognized scientific institutes. Various university research groups have been involved, with unrestricted grants, maintaining the principle of impartiality, independence of the Institute and the intellectual freedom of researchers towards Ferrero, to obtain solid results from a scientific point of view. The results of these scientific researches have been disseminated in various conferences, congresses and workshops, and published in scientific journals with an excellent impact factor, as can be read below.

The collaborating research activities are yearly re-evaluated according to their level of scientific production and confirmed as pertinent just in case of constancy or improvement of their impact rate.

For Company Policy, however, some of the results obtained from the scientific activities could have economic impact and thus their publications cannot be made due to copyright restriction; however, other results obtained from our scientific activity have a community interest and thus have been published independently by scientific authors.



Marketed volumes in serving size of 130 kcal/portion or less

92%





NUTRITION

CONTINUED

The official list of research results presented below, in this edition of the Social Responsibility Report, is only a part of the scientific work undertaken in last three years by the Group and provides for scientific articles:

- Codella, R. et al. "Effect of Sugar versus Mixed Breakfast on Metabolic and Neurofunctional Responses in Healthy Individuals". *Journal of Diabetes Research* (2017).
- Rosi, Alice, et al. "Food perception at lunchtime does not depend on the nutritional and perceived characteristics of breakfast." *International journal of food sciences and nutrition* (2017): 1-12.
- Fattore et al. Effects of free sugars on blood pressure and lipids: a systematic review and meta-analysis of nutritional isoenergetic intervention trials. *Am J Clin Nutr* 2017; 105: 42-56.
- Magagna, F. et al. "Black tea volatiles fingerprinting by two-dimensional comprehensive gas chromatography – mass spectrometry combined with high concentration capacity sample preparation techniques: toward a fully automated sensomic assessment". *Food chemistry* 225 (2017): 276-287.
- Brouwer, F. et al. "Portion Control Opportunities in Children's Diets". *Food Technology* Vol. 71, No.11 November 2017.
- Mena, Pedro, et al. "The Pocket-4-Life project, bioavailability and beneficial properties of the bioactive compounds of espresso coffee and cocoa-based confectionery containing coffee: study protocol for a randomized cross-over trial." *Trials* 18.1 (2017): 527.
- Rosi, Alice, et al. "Nature and Cognitive Perception of 4 Different Breakfast Meals Influence Satiety-Related Sensations and Postprandial Metabolic Responses but Have Little Effect on Food Choices and Intake Later in the Day in a Randomized Crossover Trial in Healthy Men." *The Journal of Nutrition* 148.10 (2018): 1536-1546.
- Cossu, Marta, et al. "A nutritional evaluation of various typical Italian breakfast products: a comparison of macronutrient composition and glycaemic index values." *International journal of food sciences and nutrition* 69.6 (2018): 676-681.
- Fattore E., Massa E. "Dietary fats and cardiovascular health: a summary of the scientific evidence and current debate." *International Journal of Food Science and Nutrition* (2018) 4: 1-12.
- Zhang, Cai-Xia, et al. "Effects of chocolate-based products intake on blood glucose, insulin and ghrelin levels and on satiety in young people: a cross-over experimental study." *International journal of food sciences and nutrition* (2018): 1-10.
- Fanali et al. "Effect of solvent on the extraction of phenolic compounds and antioxidant capacity of hazelnut kernel." *Electrophoresis special issue "Foodomics and Food Analysis 2018"*.
- Adamo, Michela, et al. "Effects of hazelnuts and cocoa on vascular reactivity in healthy subjects: a randomized study." *International Journal of Food Sciences and Nutrition* (2018): 1-12.
- Loffredo, Lorenzo, et al. "Hazelnut and cocoa spread improves flow-mediated dilatation in smokers." *Internal and emergency medicine* 13.8 (2018): 1211-1217.
- Rosso, M. C. et al. "Evolution of potent odorants within the volatile metabolome of high-quality hazelnuts (*Corylus avellana* L.): evaluation by comprehensive two-dimensional gas chromatography coupled with mass spectrometry." *Analytical and Bioanalytical Chemistry* (2018): 1-16.





- Terruzzi, Ileana, et al. "Effect of Hazelnut Oil on Muscle Cell Signaling and Differentiation." *Journal of oleo science* (2018): ess18086.
- Damen, Femke WM, et al. "What influences mothers' snack choices for their children aged 2-7?" *Food Quality and Preference* (2018).
- Damen, Femke WM, et al. "Values and value conflicts in snack providing of Dutch, Polish, Indonesian and Italian mothers." *Food Research International* (2018).
- Bazzini et al. Narr-Azione, quando la narrazione incontra l'azione: Studio in una popolazione di bambini in età prescolare. *Psicologia dell'Educazione* n. 3/2018.

The scientific research results were disseminated in several conferences:

- "XXV National congress of SIGENP (Società Italiana di Gastroenterologia Epatologia e Nutrizione Pediatrica) – October 4th-6th, 2018, Salerno, Italy";
- XXXIX National Congress Società Italiana di Nutrizione Umana – SINU, November 19th-21th, 2018, Naples, Italy;
- 5th International Conference on Nutrition and Growth – 1st-3rd March, 2018, Paris, France.

"NUTRITIONAL PASSPORT" OF FERRERO PRODUCTS

A document related to each product that summarizes its nutritional characteristics and its consumption occasion (breakfast, BMEE, dessert, or occasional) is shared among the various working groups in Ferrero that are involved in nutrition issues.

The document also offers an assessment of the metabolic response to the consumption of the Ferrero product examined and, for some of them, further scientific researches and clinical studies that have implications for its nutritional characteristics.

Currently the "Nutritional passports" involve approx. 82% of the marketed volumes in 2017/2018; in this year we started the revision of the oldest documents to keep them up-to-date with the most recent scientific projects run internally.



Internal "Nutritional passports" cover nutritional topics for

82%

of market volumes in 2017/2018



BMEE (Between Meals Eating Episodes) are the most represented and equally repartitioned consumption occasions for our products



INNOVATION

Our approach to innovation combines two complementary and mutually reinforcing models.

The “Product to Science” model starts from an idea of an original product, which sets the stage for looking for the science that can enable this innovation. The “Science to Product” model, on the other hand, is fed by an on-going exploration of new ideas and innovations from the world of science and technology, which in turn inspires our new ideas and product concepts.

PRODUCT TO SCIENCE

Innovation is one of the main drivers of our success: over the last 50 years we have created innovative products that have become, over time, true icons of the chocolate confectionery sector.

Studies aimed at innovation are carried out by a dedicated research and technology company within the Ferrero Group: this company allocates resources and expertise to the search for new products that can respond to consumer needs – even those that are not yet discernible by consumers.



Through the work of researchers engaged in both technical studies and identifying modern nutritional needs and food trends, we use new ingredients and innovative production technologies to create unique products, which excel in terms of taste and quality as well as respecting our philosophy and value system.

The lead-up to the market launch of a new product is a long and rigorous process: the phases of analysis, research and product testing precede product launches in pre-selected “test” markets, where consumers’ appreciation of the new product is closely monitored. Only when the product successfully passes the numerous phases of testing does it undergo industrial production. Behind every new product, which may seem quite simple in the eyes of consumers, there is a unique, state-of-the-art patented technology, which clearly demonstrates the great passion and competence we invest in continual innovation.



Innovation is one of the main drivers of our success for over

50 years

creating true iconic products



SCIENCE TO PRODUCT

Ferrero Open Innovation (OI) Science embodies the “Science to Product” model: it explores, identifies, evaluates and selects external breakthrough innovation in science and technology that can deliver substantial impact for our innovation.

OI Science focuses on agriculture-related science and technologies, innovation that could improve and optimize the metabolic response to our products and deliver optimization of their nutritional value, significant improvements in product protection and packaging, and biotechnology.

The potential impact on the sustainability of our products and their related supply chain represents a key driver for exploration and a very important selection criterion for the innovation opportunities being pursued. For example, OI Science has been very active in the research of new sustainable materials for packaging, in new breakthrough technologies that enable us to understand the full traceability of the origin and the quality of raw materials, and sustainable agricultural biome optimization.



FERRERO INNOVATION CENTERS

In 2018 we created the “Science Hubs and R&D team” with the goal to explore innovations, through “antennas” in key geographies where most relevant innovation development occurs through universities, start-ups and front-end suppliers.

The Singapore center was designed to strengthen our global position as a leader in innovation, and hosts several strategic innovation functions in the areas of health and nutrition, new raw materials, research and product development, and consumer needs.



In New York, the center opened on the new Cornell Tech campus – The Bridge. It will be a catalyst to create the ecosystem necessary for the acceleration and application of new technologies for our innovation efforts. It is also perfectly situated to constantly monitor the most bleeding-edge inventions and partnerships in the most innovative clusters such as Boston, New York and Silicon Valley. Europe’s innovation excellence continues to give great impetus to creating the food of the future.

Left:
Mr. Giovanni Ferrero at
the Singapore Innovation
Center opening

Right:
Innovation center
at Cornell University's
technology campus
in New York



In 2018 we created the “Science Hubs and R&D team” with the goal to explore innovations, through “antennas” in key geographies



QUALITY

Our Quality System guarantees a global presence through our Central Quality Department and a number of Local Quality Departments located in our various commercial and industrial subsidiaries.

The Group Quality Department supervises the entire value chain – from raw materials to market. It works in close contact with Local Quality Departments to define quality objectives and periodically monitor performances through a complex system of indicators and auditing procedures. Quality results are published periodically in dedicated reports, which are shared with all relevant departments and Corporate Management. In order to get closer to the needs of consumers and thus increase the local quality monitoring, a project of global reorganization of central and local Quality Departments is underway. In FY 2018/2019, the new model will be defined and approved by the High Management, while its implementation will start from FY 2019/2020 according to a roll-out plan.

OUR QUALITY POLICY

As stated in our Quality Policy, our main goal is to reach the highest level of perceived quality by consumers.

To achieve this objective, our business model is built to ensure:

- organoleptic excellence at the time of consumption in all global markets;
- maximum product freshness throughout the entire supply chain;
- attractive product and packaging design, which is in full compliance with leading environmental standards to avoid unnecessary product and packaging waste.

For example, throughout the summer season, in certain geographic areas where high temperatures may affect the organoleptic characteristics of our products before they reach the consumer, we suspend the supply of highly sensitive products, such as FERRERO ROCHER and MON CHERI pralines, and in some cases, even remove them from the market.



Finished products tested for freshness

+1 million

during 2017/2018



As stated in our Quality Policy, our main goal is to reach the highest level of perceived quality by consumers





QUALITY AND FRESHNESS

To measure perceived quality at point-of-sale, we have identified a “general list of flaws”, based on perceived quality controls, on which all of our finished products on the market are checked. During FY 2017/2018, almost a million quality controls were carried out at selected points-of-sale worldwide, to test finished products for freshness levels. During the checks, temperature data was collected and in almost 400,000 of them, specific quality and consumer tests were carried out to verify the exact conditions to which products on the shelves were exposed.

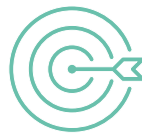
In order to ensure that products comply with our high taste standards, in addition to the usual laboratory tests, a sensory evaluation is also carried out. This “taste test” judges all organoleptic aspects of a product as well as its aesthetic appearance and presentation.

Tasting and sensory evaluation activities include:

- raw material taste tests, during the delivery phase;
- taste tests of semi-finished and finished products from the production line, during the production phase;
- management taste tests, carried out by managers of production units;
- QDA (Quantitative Descriptive Analysis) tests, carried out at the centralized product Observatory by a panel of selected tasters.

In FY 2017/2018, around 17,600 taste tests were carried out globally on FERRERO ROCHER during the production phase and at the centralized product observatory.

During this year the global taste project first rolled out in FY 2016/2017 has reached a wide geographic coverage and it now involves 1,983 tasters all around the world, who are selected and trained according to the Ferrero Group Tasting Procedure. This project is aimed at maintaining trained panels with continuous taste tests and at increasing the perimeter of coverage and the number of tasters.



Number of specific
quality and consumer
product tests

400,000

to verify exact conditions
they were exposed to on
the shelves



We manage final consumer feedback ourselves. For this reason, our Consumer Complaints Method function was created in March 2017 as part of the Ferrero Group Quality Department. We have defined and developed a Group system for quality complaints management and implemented a continuous monitoring of the process execution that allows us to fully support the improvement of product quality by resolving the cause of complaints through systematic and consistent analysis of all consumer feedback. Since 2015 we have had our own central database, in which all consumer feedback is collected in a standard and structured way. This database, called GCC (Consumer Contact Management), allowed us to centrally monitor the consumer complaints trend referring to 98.6% of sales volumes, with the remaining 1.4% related to markets in developing countries and at the moment not covered by a Consumer Contact Center.

To support continuous improvement, we launched a project in 2017, “Ferrero CARE”, which is a new CRM (Customer Relationship Management) tool aimed at driving and improving our complaints handling process. By the end of FY 2018/2019 “Ferrero CARE” will be released and rolled out in all markets/plants, replacing the old GCC tool. This will be an important step to reach our goal: to implement a Complaint Management Quality System based on a uniform set of definitions, procedures and operating methods applicable to all our affiliates by 2020.



QUALITY

CONTINUED

THE ADVANCED STANDARDS OF OUR PLANTS

In our production plants and in main sub-contractors, a dedicated integrated global “SAP” system is used to guarantee an integrated software system, through which all data on Quality Control processes is shared, integrated and managed centrally.

Focusing on processes within our Quality model, the system is fully implemented in all plants, including at the Yaoundé plant (Cameroon) where the IPC Fenice (management of process controlling) was implemented in March 2018.

We have a highly rigorous quality system in place, guaranteeing product excellence in all of our global production sites. We also complete integrated and systematic inspections, which are carried out by the Group Quality Auditor Team along the entire logistics chain. These inspections are carried out at all of our plants, warehouses and contractor premises to verify the correct application of our stringent standards on product and food safety and of our Quality Management System.



Taste tests carried out globally on FERRERO ROCHER

17,600

during production phase



Tasters from around the globe

1,983

Ferrero Quality Policy Manifesto

The quality of production processes carried out by our contractors is also guaranteed by our integrated monitoring system, referred to as “continuous monitoring”, which we launched in FY 2015/2016.

This process involves systematic inspections and audits carried out by local managers at various levels, in addition to inspections and auditing activities already carried out by our central Quality Management Department. The “continuous monitoring” system is due for completion in FY 2018/2019, and will be supervised by the central Quality department. This system includes the definition of rules and operating methods as well as providing any necessary training for the local staff.

To ensure the effectiveness of the whole Ferrero Quality System, all of our production sites have been subjected to international recognized Quality Certification by an accredited third-party certification body. The international standard for Quality Management System certification that we use is ISO 9001 standard. In 2017, we succeeded in including all the production sites in ISO 9001:2015 certification, three years ahead of our 2020 target.

Our Food Safety Management System has been certified according to FSSC 22000 standard across all our production plants. In addition, other certified management standards are required locally, for example market demands like IFS or governmental policy requirements.

As part of a continuous process of adaptation, we promptly activate the certification procedure according to the two international standards, referenced above, for each new production plant. This includes our most recent acquisition, Alfreton plant in UK (ex-Thorntons), where an integration project is on-going, with the specific target to reach both ISO 9001 and FSSC 22000 certifications. The plant is already certified against BRC Global Standard and other local certifications, which guarantee, together with the internal inspections performed by the Group Quality Production Auditors, its full compliance with the higher standards of food safety and quality management that we require.



RESULT OF EXTERNAL AUDITS

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

Within the framework of ISO 9001 certification, the third-party certification body sampled seven plants last year. Their surveillance audits were carried out at the following production sites: Sant'Angelo (Italy), Lithgow (Australia), Hangzhou (China), Arlon (Belgium), Brantford (Canada), Stadtallendorf (Germany), Yaoundé (Cameroon) and the company headquarters in Luxembourg. Overall, the external audit results are 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 in FY 2017/2018 to verify the standard compliance. The overall outcome was positive, without any critical "non-conformity" issues found.

IFS – International Food Standard

Audits were carried out in FY 2017/2018 to verify compliance with the IFS standard at production sites in Alba, Arlon, Belsk, Cork and Stadtallendorf. The audits resulted in a high level of compliance, called "Higher Level," with an average score of over 98%.

TRACEABILITY AND SAFETY OF RAW MATERIALS

We have always paid careful attention to the selection of raw materials and ingredients.

In fact, it is the quality and freshness of the raw materials and ingredients we select that determine the particular organoleptic characteristics of our products. For this very important reason, we have developed innovative internal procedures to ensure freshness and quality, for example our so-called "known bag" – effectively all the procedures carried out by our specialized food technicians, such as organoleptic controls and analysis, supplier inspections and food safety practices to guarantee the raw materials' traceability.

All of our global suppliers are selected and evaluated using a clearly defined set of criteria, through an electronic platform that connects them with our expert food technologists.



The Ferrero Commercial Code of Conduct also requires on-going and continuous inspections to be carried out directly at suppliers' production sites, during which we implement specific control on the systems and procedures adopted by our suppliers to ensure the security and quality of the supplies.

All plants use a specific internal Group protocol, which is in line with modern standards of risk analysis, to define the type and frequency of the chemical-physical, microbiological and organoleptic controls that must be performed on samples from incoming supplies.

In FY 2017/2018, across 20 of our production plants, we carried out:

- around 690,000 controls on raw materials, which include chemical, chemical-physical and microbiological analysis, in addition to the controls on semi-finished and finished products; and
- over 1,150,000 controls on primary and secondary packaging, including organoleptic tests and defect detection tests.

To further consolidate the concept of a "Professional Quality family", we hold an annual Quality Convention, which is attended by all colleagues involved in the Production Quality, Commercial Quality and Group Quality Management units. The main objective of the event is to strengthen the concept of "Group Quality" through three days of sharing ideas, problems and best practices. More than 100 of our colleagues working throughout the world attended this convention last year.



Number of controls on raw materials

690,000

across 20 production plants



Number of controls on both primary and secondary packaging

1.15m

including organoleptic tests and defect detection tests



RESPONSIBLE COMMUNICATION

For any business, being socially responsible means voluntarily adopting practices and behaviors that go beyond legal requirements.

For us, this means adopting a series of self-regulation schemes, in particular those relating to nutrition labeling and advertising, as well as participating in programs that promote physical exercise and good eating habits. We think that these steps will tangibly improve the social context in which we operate.

We support the notion that responsible commercial communications can assist consumers in making appropriate choices about food and beverage products, and in understanding the role that nutrition, diet and physical activity can play in achieving a healthy and active lifestyle. By conveying commercial communications that are consistent with the principles of good nutrition, balanced diet, physical activity and personal choice, our industry can play an important role.

As a global player in our industry, we consistently apply the "Framework for responsible food and beverage communication" adopted by the ICC (International Chamber of Commerce) as well as the regional and national self-regulatory codes developed locally on that basis. We recognize the need for proper enforcement mechanisms to sanction or amend advertisements that do not meet these self-regulatory requirements. We deeply believe that an effective self-regulation of commercial communications provides a valuable framework to best serve the consumer's interest in receiving truthful and accurate communications.

We support the notion that responsible commercial communications can assist consumers in making appropriate choices about food and beverage products, and in understanding the role that nutrition, diet and physical activity can play in achieving a healthy and active lifestyle.

This is why we are an active player in the self-regulatory process at a national and international level. In particular, we are a member of:

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

At European level, together with other companies, we participate in a number of self-regulatory initiatives, including:

- the EU Pledge on responsible advertising to children;
- the Supply Chain Initiative to promote fair practices along the food supply chain.

Additionally, as of 2006, in the framework of the European Platform for diet, physical activity and health, chaired by the European Commission, we made a series of commitments on healthy lifestyles. These particularly concern: product formulation and portion sizes; responsible advertising and the promotion of physical activity (through our Kinder + Sport program and by supporting national EPODE-based programs in selected countries).



International Food & Beverage Alliance (IFBA)
www.ifballiance.org
World Federation of Advertisers (WFA)
www.wfanet.org/en
EU Pledge: www.eu-pledge.eu
Promotion of fair practices along the food supply chain: www.supplychaininitiative.eu





MONITORING THE COMMITMENTS ON RESPONSIBLE ADVERTISING

In order to reinforce the credibility of our commitments, every year our performance in this area is subject to certified monitoring carried out by external third-party organizations.

AT A GLOBAL LEVEL

At a global level, we apply the "IFBA Global Policy on Advertising and Marketing Communications to Children". In accordance with this policy, we do not advertise our food products through 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, to audiences primarily composed of children under the age of 12. Beyond the placement of advertising, we also consider the content of our communication, making sure that it is not designed to appeal primarily to children under 12.

During 2018, we worked hard towards establishing new or reinforced local advertising pledges in key markets, in particular Argentina and Saudi Arabia. Local pledges of this kind aim to implement the general IFBA Policy by also involving local companies.



Further details on Ferrero Responsible Marketing can be found on:
www.ferrero.com/social-responsibility/ferrero-advertising-and-marketing-principles/responsible-advertising-marketing



RESPONSIBLE COMMUNICATION

CONTINUED

AT A EUROPEAN LEVEL

In Europe, we take part in the EU Pledge initiative, which fosters a responsible approach to food product advertising to children under the age of 12 on TV and print media, as well as on the internet. This commitment is subject to an annual monitoring exercise carried out by two independent third-party organizations:

- Accenture Media Management⁷ – In 2018, Accenture monitored television advertising broadcast in: France, Germany, Hungary, Italy, Greece, Portugal and Spain.
- The European Advertising Standards Alliance (EASA) – In 2018, EASA monitored the brand websites, social media profiles and mobile applications of EU Pledge signatories through the evaluations carried out by the national advertising self-regulatory organizations in: Belgium, Bulgaria, France, Germany, Greece, Italy, Spain and Sweden.

For the year 2018, the overall compliance rate for television advertising by signatories to the EU Pledge was 99.1%, while our individual compliance rates were higher than the common average: France – 99.8%, Germany – 99.8%, Hungary – 98.6%, Italy – 99.4%, Greece – 100%, Portugal – 99.6% and Spain – 99.4%.

In relation to online advertising, in 2018 a total of 258 items were reviewed: 145 company-owned websites and 113 social media profiles. The overall compliance rate for company-owned websites was 99% and for social media profiles was 97%.

In Europe, we foster a responsible approach to food products advertising to children under the age of 12 years.



Further details on Ferrero Responsible Marketing can be found on: www.ferrero.com/social-responsibility/ferrero-advertising-and-marketing-principles/responsible-advertising-marketing



Overall TV advertising compliance rate

99.1%

by signatories to the EU Pledge



Overall website compliance rate

99%

by signatories to the EU Pledge



Overall social media profiles compliance rate

97%

by signatories to the EU Pledge

Out of the 145 company-owned websites monitored by EASA, we owned 14. All of them contained product promotion, but none of them were found to be non-compliant with the EU Pledge. Out of the 113 social media profiles reviewed, the 10 we owned were also found to be compliant with the EU Pledge.

As every year, we conducted intense coordination activity with the various teams involved in the topic of responsible marketing and advertising – marketing/legal/media planning/business units – in order to continue to ensure the highest possible level of compliance. In addition, we continued to develop internal guidance and training tailored to the specific needs of the different markets and regions.

EU PLATFORM FOR DIET, PHYSICAL ACTIVITY AND HEALTH

Through our involvement in the EU Platform for Diet, Physical Activity and Health, we continue to present an annual monitoring report covering our commitments made on: product formulation and portion sizes, promotion of physical activity and responsible marketing communication. The European Commission assesses these monitoring reports every year.

On the basis of the monitoring reports of the Platform members, each year the European Commission issues a general report summarizing the activities of the Platform, providing an analysis of the commitments and putting forward conclusions and recommendations for the future.

⁷ The data presented in the Accenture Media Management report refers to the first quarter of 2018.





THE LABELS SPEAK FOR THEMSELVES

In compliance with the current legislation applicable in different countries, we provide consumers with accurate and transparent nutrition information on the back of packs.

Regulation (EU) No. 1169/2011 on the provision of food information to consumers came into force on December 13th, 2014, setting new requirements for food product labels. In line with the requirements of this regulation, we provide nutrition information on the front of pack of products in the KINDER® and NUTELLA® ranges and our Ferrero snacks, on a voluntary basis, respecting the labeling recommendations of FoodDrinkEurope (the European Federation of food and drink industries).

In the European Union, this commitment to voluntarily display information on the front of pack covers 100% of our eligible products (KINDER® and NUTELLA® ranges and Ferrero snacks). This percentage does not cover small packs or seasonal products, as the recommendation explicitly exempts such categories. The logo on the front of pack, when repeating information already present on the back of pack, provides voluntary nutritional information in line with EU regulation 1169/2011.

In addition to the requirements of the laws of each country, we provide additional nutrition information on the front of pack, to help consumers get a clearer understanding of labels.

Per 25 g:



Per 100 g:
2343 kJ/560 kcal

Image 1:



Image 2:



More specifically this information includes: the energy value and the amount of nutrients provided per 100 g of the product and per portion, in kilocalories and kiloJoules; and the indication of what the amount per portion represents as a percentage of an average person's daily dietary needs (8,400 kJ/2,000 kcal). In order to ensure consistency across our Group, we offer voluntary nutritional information on the front of packs outside of Europe as well.

At a global level, we are committed to the full implementation of the "IFBA Principles for a Global Approach to Fact-based Nutrition Information" on eligible products that was finalized by January 2017, with the exception of countries where applicable local regulation does not allow it.

Two examples of how the IFBA commitment on displaying calorie content on front of pack is put into practice are illustrated above, depending on different countries' requirements. In countries where a recognized "reference intake" does not exist (or where use of RI is not permitted), only the calorie content for 100 g and/or per portion is displayed (Image 1). In other countries, where this is possible, both values are displayed, in absolute terms and as a percentage of the applicable reference intake (Image 2).





RESPONSIBLE COMMUNICATION

CONTINUED

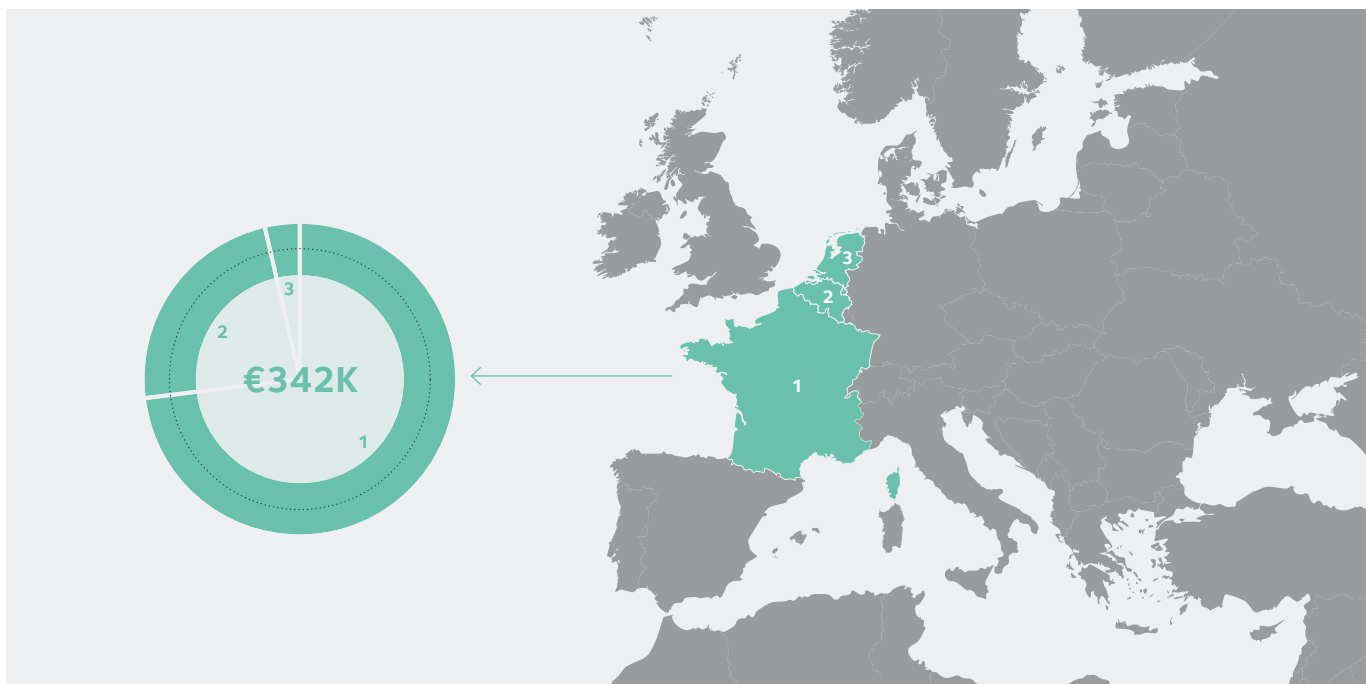
EPODE PROGRAM

The European Commission has formally recognized the importance of socially valuable public-private partnerships and identified EPODE as a best practice model to be replicated in other EU countries, as it joins multiple stakeholders, such as local authorities, health professionals, teachers, private partners and the local communities, in an integrated approach to help prevent childhood obesity at community level. We have been a partner of the EPODE (Ensemble Prévenons l'Obésité Des Enfants) program and of the EEN (European Epode Network) since 2007.

In 2018, we continued to participate in national EPODE projects in the following European countries:

- France: "Vivons en forme" (VIF) Program. In 2018, 251 municipalities were involved in the program, reaching 186,576 children and 559,728 families. During the same year, VIF held 476 trainings, reaching about 4,184 persons.
- Belgium: 'VIASANO' Program. In 2018, the Viasano team coordinated its regular activities (healthy breakfasts, culinary and pedagogic workshops, etc.), developed new projects and organized 89 meetings with various stakeholders including a series of strategic and exchange meetings with Jogg & Viasano Flanders.
- The Netherlands: programs "JOGG" and "Familieloop" (Family Run). The total number of participants in the 2018 edition of "Familieloop" was 3,496 runners. Participating families followed an eight-week training program led by a professional trainer.

CONTRIBUTION IN	PROGRAM	CITIES	YEAR	EUROS
1. France	Vivons en Forme www.vivons-en-forme.org	251 towns	2018	250,000
2. Belgium	VIASANO www.viasano.be	19 towns	2018	80,000
3. The Netherlands	JOGG www.jongerenopgezondgewicht.nl	Ferrero is only involved in Breda	2018	12,000







KINDER SURPRISE COMPANY

THE STORY OF OUR SURPRISES

For over 50 years, Ferrero's KINDER® products have contributed to the **happy growth of children of all ages**, generating moments of intense emotion every day.

Throughout this time the way we create our surprises has evolved, all while retaining our commitment to create safe and innovative products and to improve their quality over time.

The Kinder Surprise Company (KSC) is a division of the Ferrero Group and it is dedicated to all Kinder eggs and seasonals. In KSC we also create the small KINDER® Surprise toys, with features and playability developed and optimized specifically for the miniature scale of the KINDER® world.

KIDS AND THE VALUE OF PLAY

Children are our central reference point. They are curious, creative and have great imagination. They love to experiment, discover and be surprised. They are fast learners and always look for new stimuli.

Both kids and parents search for moments of socializing and sharing through the joy of playing together.

This fundamental need explains the challenge we face: to continuously provide new surprises and games that enable them to interact and create an emotional bond between them.

Kids are our future, and that is why we strongly believe that **happy children today will make better adults tomorrow**.

Play is an essential part of children's lives and it is also one of their rights!





In line with this vision, the objective of our KINDER® products is to create the most wonderful playing experience, in a surprisingly small format that generates great emotions.

Children's right to play is specifically recognized by article 31 of the United Nations Convention on Children's Rights. (Resolution 44/25 of 20 November 1989).

ARTICLE. 31 OF THE UNITED NATIONS CONVENTION ON THE RIGHTS OF THE CHILD

RESOLUTION 44/25 OF 20 NOVEMBER 1989

1. States Parties recognize the right of the child to rest and leisure, to engage in play and recreational activities appropriate to the age of the child and to participate freely in cultural life and the arts.
2. States Parties shall respect and promote the right of the child to participate fully in cultural and artistic life and shall encourage the provision of appropriate and equal opportunities for cultural, artistic, recreational and leisure activity.

The Play moment develops important skills such as intellectual, creative and problem-solving abilities, imagination, peer connections and dexterity while having fun and learning. This requires absolute care and attention throughout the entire supply chain, from the very first design to the final product.

For all these reasons, all of our Surprises must embed several key pillars:

- **Curiosity:** discovering the product and trying to guess what is inside creates emotions that stimulate the child's imagination every time, the so-called "AHA" effect.
- **Playability:** assembling the Surprise stimulates imagination, logical reasoning and dexterity. The toy engages children immediately, offering them the opportunity to play with it in several different ways.
- **Interaction with peers and parents:** the nature of the play experience offered encourages the child to socialize and creates happy moments of sharing.



Our KINDER® products have contributed to the happy growth of children of all ages for over

40 years



The Play moment develops important skills such as intellectual, creative and problem-solving abilities, imagination, peer connections and dexterity while having fun and learning



KINDER SURPRISE COMPANY

CONTINUED

THE PRINCIPLES THAT GUIDE THE CREATIVE DEVELOPMENT

Each Surprise is created and studied with the utmost care by a dedicated team, involving psychologists specialized in childhood cognitive, emotional, relational and motor development. This team works in line with four principles:

1. Improving the child's ability
2. Variety
3. A 360° experience
4. Universality

1. IMPROVING THE CHILD'S ABILITY

KINDER® Surprise toys are designed to encourage the development of specific attitudes in children. More specifically:

Cognitive development

The process of assembling the toys stimulates logical thinking and putting actions into a sequence, develops both problem-solving skills and curiosity

Emotional development

The satisfaction achieved by reaching a goal (assembling a toy) and by interacting with small toys designed to appeal to children and stimulate creativity

Relational development

The interaction with friends and family, encouraged by the Surprise, helps children socialize and live joyful experiences with others

Dexterity

Assembling the toy requires good hand-eye coordination, stimulating both imagination and logic-manual skills

2. VARIETY

Every year, our team of experts develops new ways of playing, aimed at stimulating holistic growth in children.

Over the years, our Marketing and Innovation Departments have identified different reference areas for Surprise toys. This reference helps to define the assortment of Surprise toys, in order to provide a precise variety of Surprises across the assortment.

This system is in connection with all the playability areas previously mentioned.

3. A 360° EXPERIENCE

KINDER® Surprise toys provide a true 360° play experience, encompassing fun, educational value and the option of playing on a digital platform.

The dialogue with consumers has always been important and, for this reason, has become more structured. We involve them before, during and after the moment of purchase.

The leaflet shown below, which always accompanies the toy, is an example that illustrates different play activities and provides story ideas to enrich and exploit children's play.

By scanning the QR code on the leaflet, which is created for each Surprise, kids can access exciting storytelling, connect and share play possibilities by extending the physical experience into the digital space in the Magic Kinder app. Ultimately, the app allows further possibilities of connecting and creating bonding moments.

4. UNIVERSALITY

Surprises are designed to delight children around the world, regardless of culture, gender or age. The greatest satisfaction comes from creating small Surprise toys that express universal values and entertain globally.

Despite the great differences between countries around the world, all children share common features: they love being surprised and this reinforces how much the Surprise can activate a positive feeling of wonder – highlighting its uniqueness compared to other similar products on the market.



CHALLENGE

A world of races and speed:
let the games begin!

NATURE

Discovering the world
of nature and animals,
while learning to be
environmentally conscious.



ART & CRAFT

Self and creativity expression
in original and ever-changing
ways; small tools to help discover
the artist in every child.

FASHION

Fashion and beauty
oriented toys: a magical,
soft and colorful
world where imagination
can run wild.



GAMES

Fun in movement: the most
active and fun toys for
exploring and playing,
at home or outdoors, alone
or with friends.



KINDER SURPRISE COMPANY

CONTINUED

PHASES OF THE SURPRISES' DEVELOPMENT

1. Marketing strategy
2. Creative phase: first ideas and analysis
3. Design prototypes and pre-evaluations
4. Research on mums and kids
5. Certifications and voluntary tests
6. Production and quality checks
7. Responsible marketing

1. MARKETING STRATEGY

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

Each Surprise toy develops from specific analysis based on different aspects of children's everyday lives:

- children's and parents' needs;
- trends in the world of toys;
- co-creative research with children;
- technology and innovation influences.

Building on these results, the Internal Marketing and Innovation Departments start to define a group of features that the Surprises will need to have, in order to develop a strategy and provide a relevant assortment.

During this phase it is important to also consider all the different needs connected with different geographical areas (such as cultural and religious aspects), so that the assortment truly reflects international trends, while still respecting local traditions.





2. CREATIVE PHASE: FIRST IDEAS AND ANALYSIS

During this phase, ideas are transformed into designs, with each toy having its own playability attributes. These designs form the basis of 3D prototypes, which bring toys to life by using various Computer Assisted Design (CAD) programs.

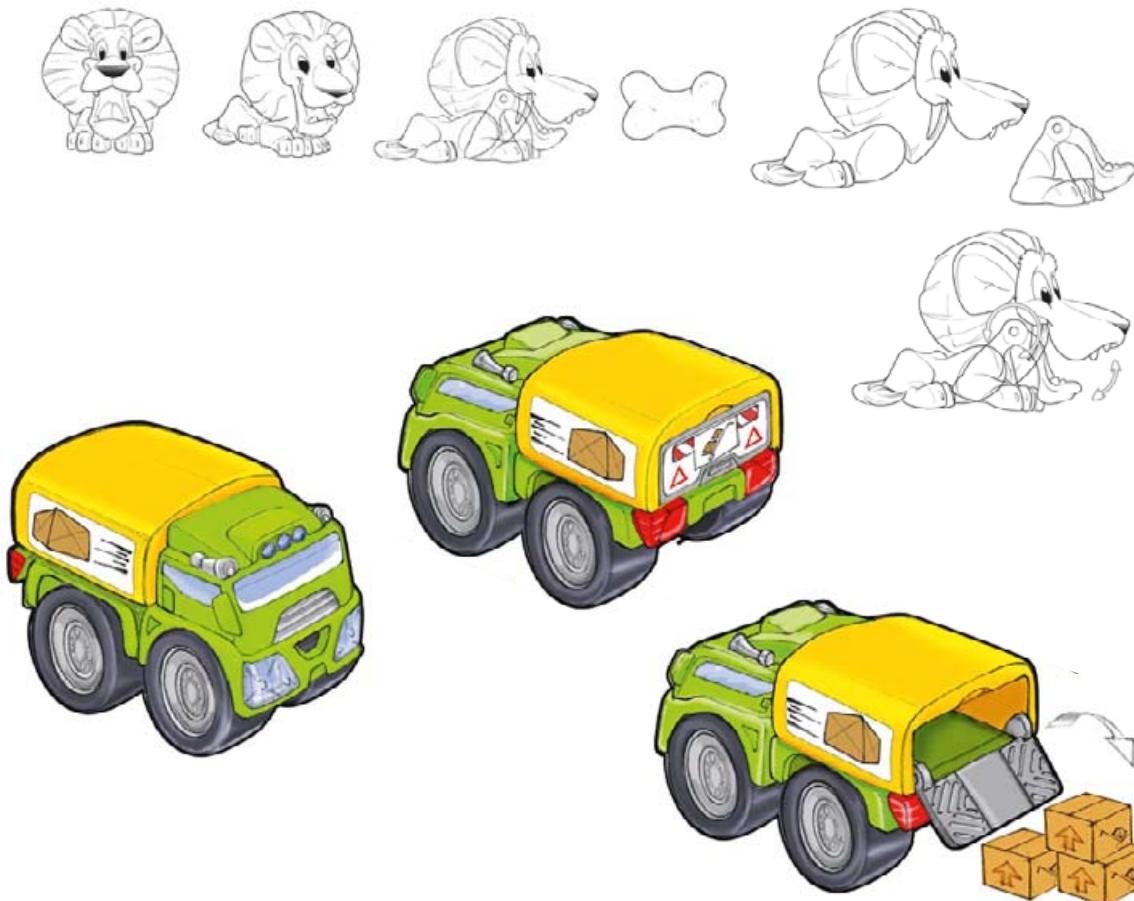
During this process the Design Team also takes into account:

- safety and quality;
- feasibility;
- costs;
- the fit inside the capsule/valve.

Safety-oriented design is one of the pillars of Surprise toy development, so each Surprise has to comply with guidelines that are specific precautions related to the dimension, shape and morphology of the toys.

These precautions are:

- do not use button cell batteries and magnets;
- avoid spherical and ovoid parts;
- allow only parts bigger than a specific size;
- assure pre-assembly of the smallest parts to reduce the number of pieces and create larger parts;
- avoid colors that could be confused with chocolate;
- use of specific high-quality materials to avoid breakage and at the same time guarantee high design standards.





KINDER SURPRISE COMPANY

CONTINUED

3. DESIGN PROTOTYPES AND PRE-EVALUATIONS

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



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



Safety assessment:

During the design phase, we carry out an extended preventative safety assessment for each prototype. Each one must pass a number of pre-evaluation tests in order to continue on the path towards industrialization. This assessment is performed with the assistance of experts (many of them from accredited external laboratories) together with the Project Manager, the Quality Team and the Legal Team. It involves assessing all of the safety risks related to toys, not only whether the toy complies with international regulations and the Ferrero Toys Testing Protocol, while also considering any other risks. Risks are addressed properly in order to comply with the general safety requirement laid down by international regulations on toy safety.

Medical check:

A dedicated working group analyzes and evaluates whether or not all aspects of the prototype comply with various additional requirements based on medical criteria. This team is always composed of the Project Manager, the Quality Team, the Design Team, the Legal Team and an otorhinolaryngologist (ENT). Over the years, this way of working has produced a reliable list of features that are considered guidelines for the analysis. If design changes are required on the grounds of safety, this team also verifies that these will not spoil the Surprise aesthetically or negate its playability. If changes can not be made they have the authority to abandon a specific toy concept.



A dedicated working group analyzes and evaluates whether or not all aspects of the prototype comply with various additional requirements based on medical criteria



Age grading evaluation:

Age grading helps us to assess the appropriate age range for which each Surprise toy is intended based on psychological studies on learning development and current Legal References*.

To perform age determinations, the specific characteristics and play functions of a toy are matched with children's abilities in a particular age group.

The evaluation process is aimed to state the starting age at which the child is able to use the toy in its intended function in a gratifying way **(by determining the age at which the child has the cognitive and dexterity skills to fully interact with that toy)**.

The full compliance of KINDER® Surprise toys with these guidelines is intended to make sure that they match the age limit (3 years old) in our warning.

A specific warning in compliance with the toy safety directive 2009/48/CE informs parents in a clear and legible form that KINDER® Surprise toys are not suitable for use by children under the age of 3, and that adult supervision during play involving our toys is recommended.



Interviews around
Europe, Asia Pacific
and Latin America

9,000

in order to select the most promising Surprise prototypes from 800 proposed every year

4. RESEARCH ON MUMS AND KIDS

Every year we carry out a large-scale strategic panel of tests of each prototype, generally about two years before the Surprises tested are launched. The studies take place in different countries and the interviews always involve both kids and their mothers.

Usually, two different approaches are used:

Quantitative approach, to evaluate:

- overall appreciation and main KPIs of each single Surprise;
- evidence of kids' behaviors (playing, mixing) and reaction;
- ranking of the most appreciated Surprises.

Mothers and kids are exposed to the following stimuli in the indicated order:

- a video, showing the opening of the products and the finding of the Surprise;
- the leaflet for each Surprise (front and back);
- a 20–30 second reel showing each Surprise and the related playability.

Qualitative approach, to evaluate:

- the overall appreciation of the Surprise range and of each Surprise;
- insights into possible optimization and further development. We usually rely on a focus group methodology.

From about 9,000 interviews around Europe, Asia Pacific and Latin America, we collect all the opinions regarding a specific group of new subjects in order to select the most promising Surprise prototypes from the 800 proposed every year.

* European guidelines:
CEN Report CR 14379:
Classification of Toys
– ISO/TR 8124-8:
Age Determination
Guidelines – CPSC Age
Determination Guidelines:
Relating Children's Age to
Toy Characteristics and
Play Behaviour: 2002.



KINDER SURPRISE COMPANY

CONTINUED

5. CERTIFICATIONS AND VOLUNTARY TESTS

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

To ensure this, toy certification tests are performed by two different accredited laboratories, both of which are world leaders in Safety Research and Certification: the independent and accredited Certification Bodies UL (with its specialized network of Toy Safety Institutes and Laboratories in different countries) and LGA laboratories.

These requirements are:

a) International standards and regulations:

- The latest 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, which regulates the mechanical test methodology and the evaluation of its results.
- MERCOSUR standards on internationally produced toys.
- National standards and legislations of all the countries where Surprise toys are commercialized (e.g. "Reach" regulation and ASTM standard for the USA).



Tests regarding safety and quality of toys

65

compared to the 38 tests required by international regulations

b) Voluntary tests:

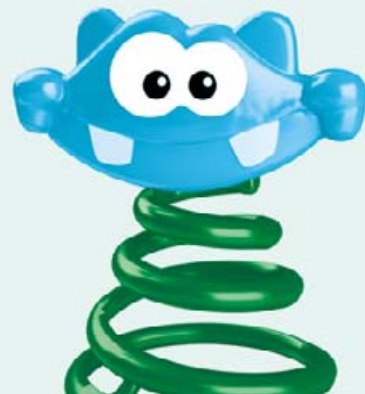
We also carry out additional voluntary tests, which are part of the Ferrero Toys Testing Protocol and more restrictive than those provided by international regulations:

- In relation to mechanical requirements: we apply even more rigorous tests to our toys compared to the international standard on toy safety, ISO 8124. Each Surprise must undergo "abuse tests" (drop test, torque test, tension test and compression test) which simulate the behavior of children at play in the worst conditions including the abuse of the toy. The toy can only be admitted for manufacture if it (or any of its parts) does not break during the tests; whereas the international standard allows the toy to break, provided that the broken parts are not sharp.
- In relation to chemical composition, with particular reference to the migration of heavy metals, we impose requirements on our toys that are stricter than the ones laid down by the EN 71-3 safety standard (the limit set by the internal requirements is lower than that deemed acceptable by the EN 71-3 standard).

Compared with the number of tests required by international Regulation regarding safety and quality, the amount required by the Ferrero Toys Testing Protocol is almost double: **65 tests vs. 38**.

The application of all of these rules guarantees that our toys and all their parts are safe and robust.

Example of a Surprise toy designed using highly durable material as pp and abs would not pass the mechanical test.





65 TESTS REGARDING SAFETY AND QUALITY OF TOYS COMPARED TO THE 38 TESTS REQUIRED BY INTERNATIONAL REGULATIONS

Mechanical, physical and flameproof tests

EN 71-1: Mechanical and physical tests: check for sharp points and sharp edges.

EN 71-2: Flammability tests.

ISO 8124-1: Mechanical and physical tests: check for sharp points and sharp edges caused by breakage during mechanical tests.

ISO 8124-2: Flammability tests.

Additional tests

We apply much stricter voluntary tests to guarantee our toys' safety. We do not tolerate any kind of breakage even if partial.

- Twist tests in both rotational directions (0.45 Nm or 180° for soft parts clockwise for 10" and anti-clockwise for 10"), both for single or preassembled parts (e.g. wheels).
- Tests on resistance to axial traction and perpendicular traction (70 N, for 10"), both for single or preassembled parts (e.g. wheels).
- Drop tests (10 times from height of 138 cm).
- Check for sharp points or sharp edges after drop tests.
- Airflow test is performed on all Surprise parts, both partially and fully assembled. A special tool is used to measure the passage of a fixed amount of fluid and the change of pressure under specific conditions. The limit values are based on medical indication.

Also, when applicable:

- Cords: dimension check.
- Resistance tests under compression of 136 N: no breakage or deformation tolerated.
- Check on all holes: conformity with specific standard dimensions.
- Dimension check (minimum 2 mm radius) on all toys which can fly in the air and/or stored energy projectiles.

Only if all these tests are passed will the toy be judged as conforming and therefore approved for manufacture.



KINDER SURPRISE COMPANY

CONTINUED

Chemical tests

EN 71-3: Migration tests of various elements (19 elements).

ISO 8124-3: Migration tests of various elements (8 elements).

Additional test

In addition to all the tests listed above, we also voluntarily strengthen both limits and thresholds in comparison with the standards (e.g. migration limits, etc.) and carry out extra chemical tests on all toys in line with additional requirements or limits applicable in certain countries, or not mentioned in EN 71 and ISO 8124, for example heavy metals and VOC (Volatile Organic Compounds).

c) Local certifications

Every single Surprise is certified by several certification bodies across Europe (the so-called “notified bodies” that are under the toy safety Directive 2009/48/CE):



Additionally, agencies and laboratories outside the EU issue further toy certifications to meet local requirements for toy commercialization in countries such as South Korea, China, Thailand, Indonesia, Vietnam, India, Brazil, Argentina, Russia and Gulf area. This country list is always updated with the constant study on local requirements.

The KINDER® Surprise capsule

The design of our current single-piece capsule, which contains the Surprise toy, is safer than the previous capsule (made of two pieces). We introduced the current capsule in 2007.

The two parts of the single-piece capsule are connected by a strong and durable plastic hinge, which permits a pre-defined way of breaking in specific conditions.

To ensure the capsule’s strength and durability, during production it is subjected to specific destructive tests on a daily basis.

An entire batch of products from every production run is tested within each stage and the results are automatically transferred by Robocap (an automated testing machine designed to standardize the capsule verification). If the tested capsules fail one of the tests, the production from the relevant run will be isolated. The Quality Department will then perform additional analysis and decide if the goods can be accepted or need to be rejected and destroyed.

In line with EN 71-1 and ISO 8124-1, our one-piece capsule undergoes the following tests:

- **Tension tests:** ensure that the plastic tongue that holds the two parts together does not break when subjected to a traction of 150 N (about 15 kg).
- **Rotation tests:** the capsule is subjected to a certain number of clockwise and anticlockwise rotations and it is considered to have passed only if there is no separation of the bottom from the top.

The safety of the single-piece capsule design and construction has been certified by a qualified team of internationally renowned doctors. It has also been recognized as a worldwide reference model for safety in its product category.

The material used to make the capsule is specifically formulated and manufactured in only one plant in the world; it complies with international food contact regulations in every country where the KINDER® Surprise is sold.

Directive 2009/48/EC on toy safety, which came into force on July 20th, 2011 in all European Union member states, dictates that a “single-piece” capsule is the only type of capsule permitted in Europe for chocolate eggs containing Surprise toys.



Corporate experience, building relationships based on knowledge, exchange and growth

40 years



6. PRODUCTION AND QUALITY CHECKS

In addition to the stable growth of our European production centers, we have invested in geographical decentralization, which has enabled production centers in some emerging areas to come into operation.



Besides checking our toys, we also carry out periodic ethical and safety audits on our suppliers' businesses, which are mainly located in Europe, the Far East and India.

Our relationships with emerging countries are inspired by the principle: "train and build", which means transferring 40 years of corporate experience and building a relationship based on knowledge, exchange and growth. In addition, constantly striving for technological advances in production processes contributes to the growth of industrial expertise wherever we operate.

EXAMPLE OF AN INNOVATIVE PRODUCTION PROCESS

BEFORE

To make Surprise toys with special features or combine individual parts that are not available in standard sizes, manual pre-assembly of these parts was once required. The parts of the toy were designed in such a way that they could no longer be separated after assembly.



AFTER

The continued push toward quality improvement and our commitment to implement more stringent safety and security standards has led to a technical solution for the production of pre-assembled parts during the molding phase. This solution guarantees freedom of movement to the wheels, without any risk of detachment. An application to patent this technical solution has been filed to ensure it will become the exclusive property of the Ferrero Group.

For Surprises that still require pre-assembly, automated assembly and quality control systems are being developed for the first time, to guarantee the perfect assembly of parts. In addition, we still apply all existing post-production quality and safety tests to all our toys.





KINDER SURPRISE COMPANY

CONTINUED

Our Quality Department carries out on-going quality controls during the entire toy manufacture process, using extremely precise guidelines, inspired by the most progressive industry practices:

- Mechanical testing during molding with predetermined frequency.
- Checking and mechanical testing during final inspections.
- Incoming quality inspections at final product plants.

The production of each Surprise only continues if periodic checks show that all safety and quality requirements are being met.

We have devised and implemented a **Code of Conduct for suppliers around the world**, covering the ethical and environmental aspects of manufacturing Surprise toys. This makes it possible to both **maintain our desired high qualitative standards** and continuously share knowledge and skills with our suppliers.

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.

Summary of the ethical, social and environmental requirements for suppliers of KINDER® Surprise toys

Manufacturers of Surprise toys undergo a strict audit aimed at verifying that they respect the fundamental rights set out in the Code of Conduct.

- Child labor is not permitted.
- Production plants, the work environment and services (canteen, sleeping facilities and lavatories) must comply with all the local regulations on hygiene in the workplace and accident prevention.
- Employees have the right to form a trade union or to join an existing one and to freely elect their representatives.
- No employee can be discriminated against on the grounds of race, nationality, religion, disability, gender, age, sexual orientation, trade union membership or political affiliations. The disciplinary actions must comply with local regulations.

- All employees must be guaranteed a salary of at least the minimum wage (local or national), both for normal hours work and for overtime. Overtime must be regulated in line with local regulations and practices.
- Manufacturers of Surprise toys must respect national and local environmental legislation on preventing pollution and managing chemical substances and waste.

We have developed a program to assess the level of implementation of the Code of Conduct, appointing two third-party bodies (SGS and UL) to inspect KINDER® Surprise toy manufacturers. They are audited on a yearly basis, at least twice (announced and unannounced) to ensure that our ethical requirements are applied and complied with, in support of our core values.

Inspections carried out by SGS and UL confirm that Surprise manufacturers are aligned with the essential spirit and principles of our Code of Conduct and that no “non-compliance” issues have occurred regarding human rights and other fundamental content of our Code. In addition, child labor is never permitted in any circumstances or for any reason.

The Code and its rigorous implementation provide strong reassurance that KINDER® Surprise toy suppliers are operating in compliance with our requirements regarding working conditions. In turn, this allows us to honor specific commitments made to our licensors that are particularly sensitive to ethical issues.





7. RESPONSIBLE MARKETING

Advertising and marketing communications concerning our food products with Surprises are directed primarily to the adults who make the household purchasing decisions and to young people 12 years and older, in line with the “Ferrero Advertising and Marketing Principles” and as further detailed in chapter “Responsible Communication” of this Report.

OUR PARTNERSHIP WITH THE UNIVERSITY OF OXFORD

We want to provide high-quality experiences for the whole family and this is why we have approached educational bodies to further enhance the content inside the application.

We have funded the University of Oxford for a three-year project to examine the educational potential of the app and to carry out research on children’s learning through digital technology. The research program will explore vocabulary development, numeracy, and parental engagement that will help us to think about the best ways to support family interaction and collaborative learning on children’s educational, digital technology.

A final report will be ready by December 2020.

THE KINDER MAGIC APP

With our app Magic Kinder the fun continues in new and exciting ways. Magic Kinder is a world that brings families together through immersive and entertaining experiences.

Our app’s main objective is to support families in participating in activities to play and learn together through engaging content – games, videos, interactive experiences and much more. All aspects of the app are EU Pledge compliant and, therefore, contain no products, ads, nor marketing messages.

This year, Magic Kinder received a certification for the third year running from the independent auditor KidSAFE (www.kidsafeseal.com), which confirms the application is COPPA+ compliant. To achieve this certification, Magic Kinder adheres to various rules set out by the American Federal Trade Commission regarding children’s data management and storage.

Our Magic Kinder app is globally available (with the exception of only six countries), translated in 17 languages, and offers five different formats (the Surprise toys collection, play & learn, watch videos, draw & paint and discover the planet). Its content is always designed with the aim to have educational potential and to be consumed together as a family.

The app can be downloaded for tablet and smartphone from the App Store and Google Play, and is also available on Apple and Android TV.

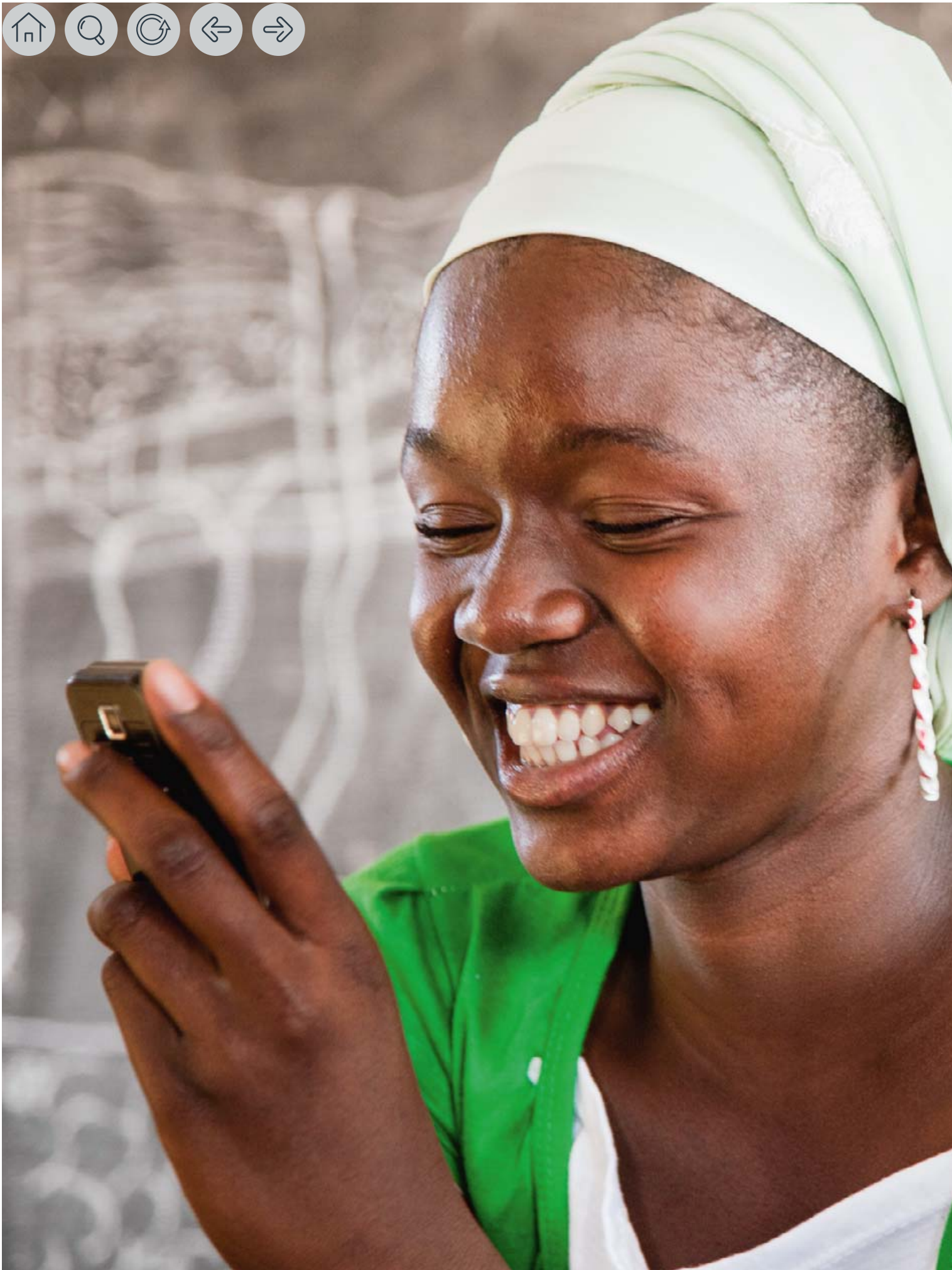


Languages of which
our Magic Kinder app
is globally available

17



Learn more at
www.kinder.com





OUR PEOPLE & OUR COMMUNITIES

Our values and legacy demonstrate how much we care about our people.

We invest in every aspect of their personal and professional development from the day they join us right through to retirement and beyond.

Ferrero People	60
The Ferrero Foundation	76
Michele Ferrero Entrepreneurial Project	84
Kinder + Sport	92



For more information visit:
www.ferrerocsr.com

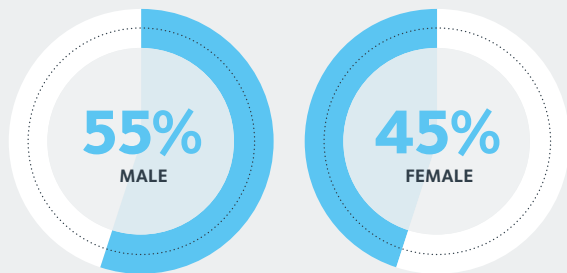


FERRERO PEOPLE

As of August 31st, 2018 the Ferrero Group was comprised of **35,146** employees from more than **120** nationalities. In addition, there are **11** employees from Piera, Pietro and Giovanni Foundation, and **6,168** external people* working with companies of the Group. This brings our total number of people to **41,325**.



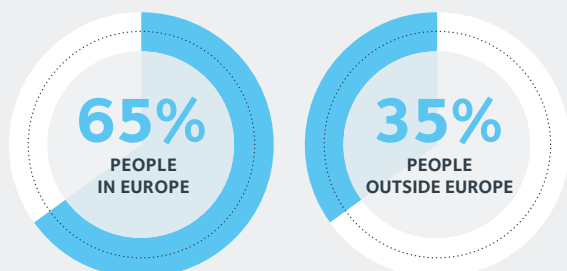
MEN AND WOMEN*



AGE GROUPS*



EUROPE – OUTSIDE EUROPE*



NATIONALITIES*

120+

* External people are mainly temporary workers, sales representatives, merchandisers and trainees.



HOURS OF TRAINING

Total

730,000+

Per person

23

FERRERO PEOPLE AROUND THE WORLD

1. Italy	18.9%
2. Germany	13.3%
3. Poland	7.5%
4. India	7.3%
5. United Kingdom	6.1%
6. Turkey	4.5%
7. United States of America	4.2%
8. France	3.8%
9. Canada	3.4%
10. China	3.2%
11. Russia	3.2%
12. Belgium	3.1%
13. Luxembourg	3.0%
14. Mexico	2.6%
15. Brazil	2.2%
16. Chile	2.2%
17. Georgia	1.9%
18. Ecuador	1.1%
19. Argentina	1.1%
20. Australia	1.0%
21. Bulgaria	0.8%
22. South Africa	0.7%
23. Ireland	0.6%
24. Cameroon	0.5%
25. Others	3.8%

* Figures include employees who are employed directly by Ferrero as of August 31st, including the employees of the Piera, Pietro and Giovanni Ferrero Foundation, but excluding those of Fannie May and Stelliferi.



FERRERO PEOPLE

CONTINUED

INTRODUCTION

The implementation of the new governance in September 2017 marked the beginning of a new chapter in our story. In order to position ourselves to successfully tackle the changing and challenging competitive arena and accelerate our growth momentum, a new organizational structure was designed to enhance the “best of Ferrero”: our distinctive entrepreneurship, our managerial excellence and the quality of our people. A people-centric strategy is being deployed to empower employees who will support our future growth.

The strategy of People Centricity has brought the on-going evolution of our managerial capabilities to the forefront and we are engaging our managers on this journey through a program called Ferrero Line Manager Excellence. A fundamental element of the program is the Line Managers Excellence Manifesto. The manifesto was developed and refined by our own people as the portrait of qualities needed by Ferrero Line Managers in order to succeed today and in the future. Its purpose is to set clear expectations by articulating behaviors along six dimensions:

Strategic Alignment, Business Orientation, Nurturing Talent, Disciplined Organizations, 360 Perspective, Ethical Entrepreneurship.

Among the behaviors, five priority areas have been identified which have become the object of specific work streams:

- Open, Clear Communication & Cascading
- People & Career Development
- Integrated vs Silo View
- Accountability & Proactive Mindset
- Process Simplification

For each work stream, initiatives have been identified to support the expected change in behavior including communication, training, process review and role modeling. A total of 25 initiatives are planned for the period 2018-2020 to engage and equip Line Managers for success.



Initiatives planned for the period 2018-2020 to engage and equip Line Managers for success

25

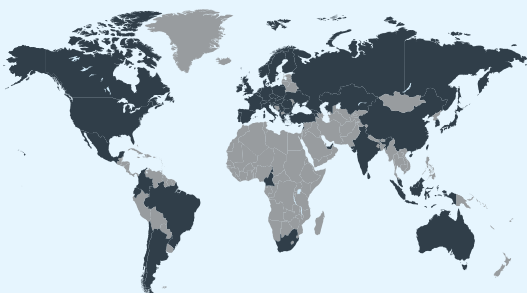
People Centricity for Line Managers Global

Goal

Familiarize participants with the Ferrero Line Managers Excellence Manifesto and the Core Competencies Model and lead participants through the complete Employee Lifecycle, exploring processes and tools and the key role of Line Managers in People & Career Development.

Target

Approximately 3,000 Ferrero Line Managers



People Centricity for Line Managers is a key initiative in the Line Managers Excellence Program. It comprises two days of classroom training developed by Ferrero University and will be deployed in Ferrero locations around the world by internal trainers. Designed as an interactive and participative training session, it gives Line Managers the opportunity to deepen their understanding of the role they play in their own development and that of their team members. Modules focus on each stage of the Employee Lifecycle from Attraction to Separation and moving through Recruitment, Onboarding, Performance and Development & Retention highlight tools, processes and the role of the Line Manager.

ENGAGEMENT

Paving the way for the next employees’ engagement survey, we continued to focus on the effective implementation of the action plans in the “YOUr Life in Ferrero” program. Following the YOU survey 2015 and the SimplYOU! survey 2017, hundreds of initiatives have been deployed at both Group and local level to create a better work environment through actions that foster credibility, fairness, respect, pride and team spirit within our company.

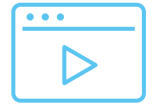
Among the Group initiatives aimed to improve credibility and communication, the launch of “Forward” – the new digital platform – represents a great example. Available in 10 different languages, the platform is the key entry point for company news, tools and applications. Forward introduces a new way of working, enabling employees to access corporate content from their computers, their smartphones and other devices, anytime and anywhere. The roll-out of the digital platform first addressed employees with a corporate email address in our 55 locations, then access for employees working in the plants will follow in the next months, and will be supported by specific digital tools aimed to assist employees in their journey towards a more digital environment.

Together with Forward, the corporate social network “Yammer” was launched and is now available to all employees. This tool allows employees to create public and private communities, publish content, exchange information and stay connected with colleagues around the world. Dozens of Yammer groups were spontaneously created in the first days after the launch and the activity is continually increasing.

The launch of the Total Rewards in Germany is the starting point of a roll-out that will bring this tool to all Ferrero employees. As part of the initiative to foster fairness and equity within the Group, the project aims to inform employees about our holistic reward offering. The platform, which can be accessed through Forward, provides employees with information about Group, local and individual rewards.

We are firmly committed to facilitate open and consistent communication across our company, ensuring corporate information is properly shared with all employees, and promoting diversity of gender, generations, nationalities and working culture.

This year we started working on defining the framework that will set the future diversity commitment for the Company. By building on our strengths and addressing areas for improvement, we can create a better workplace for all our employees, faster.



The launch of “Forward” – the new digital platform – represents a great example among the Group initiatives aimed to improve credibility and communication

Total Reward Germany

Goal
Establish a way to offer a comprehensive and transparent view on all monetary and non-monetary benefits that Ferrero Group and Ferrero Germany provides for all employees. The benefits are displayed in a digital and print version clustered by Group, local and individual benefits for each employee.

Target
All employees



Total Reward provides every employee, from those working at the production line to our Board members, a comprehensive overview on the monetary and non-monetary benefits he or she receives from Ferrero.

As part of the results from our worldwide employee survey, more transparency on the different benefit schemes and programs was required. This is a decisive step to meet our employees’ needs. It gives every employee the opportunity to actively take advantage of the full range of benefits, which cover cultural benefits as well as health program initiatives, pension scheme, development programs etc.



FERRERO PEOPLE

CONTINUED

Forward TV Italy

Goal

Inform and engage all employees through a catching, innovative way of communication.

Target

All employees (approx. 7,500)



Forward TV is the digital signage broadcast in all Italian Ferrero sites.

Over 40 screens are located over all plants and office common areas, reaching all employees.

The editorial contents are built according to a customized approach, considering the target's interests and involvement.

We plan to boost this tool in the coming years, increasing the number of touchpoints and the variety of content, in order to engage more and more Ferrerians.



Young graduates participated in the Ferrero Global Graduate Program

196

during the fiscal year 2017/2018

GROWTH & DEVELOPMENT

WELCOME

Continuous learning at Ferrero

Learning is part of our DNA. As a growing, developing and changing company, we support the growth and development of our people. At a global and local level our employees have access to online and live learning experiences. From the time employees join us through to retirement, there are many options for them to grow and develop in a bespoke way through Ferrero University. This has evolved to comprise three pillars:

- Welcome to Ferrero: Starting the learning journey
- Ferrero Know-How Academies: Building technical skills
- Ferrero Leaders: Becoming a leader

Starting the learning journey

This pillar focuses on supporting our employees in their pre-boarding and onboarding efforts at a global and local level. The Ferrero Global Graduate and Ferrerità programs support university graduates and experienced hires in learning the Ferrero way. The goal is to provide an interactive experience using a blended learning approach.

Ferrero Global Graduate Program

• The Ferrero Global Graduate Program (FGGP) is targeted at all new graduates joining our company. Participants not only get the opportunity to follow a four-week work placement in sales and production, but also participate in a soft skills training week and Ferrerità. This unique experience is offered to newly hired graduates at the start of their professional life at Ferrero and allows them to integrate smoothly into the Company by:

- Learning about the corporate culture and values
- Gaining specific soft skills that they can use in their daily work
- Building a strong and diverse network across countries

During the commercial year 2017/2018 we launched five editions of the FGGP. As it is a global program, we had participation from Canada, India, Turkey and Australia. Overall 196 young graduates participated in this 10-month journey, where they not only tested their soft skills, but also discovered more about Ferrero through their placements.

For our young graduates, the most important aspect of the FGGP is the networking, as they get to meet and work with people from all over the globe.



Ferrerità

During the commercial year 2017/18 we have launched nine editions of the Ferrerità program in the following countries: Australia, Canada, China, India, Luxembourg, UK and USA (three editions in HQ).

More than 680 employees participated in 3,5 day event, exploring the Ferrero value chain, trying to understand our company uniqueness and searching for the answer to the main question: "What does Ferrerità mean to them?"

Almost all participants highlighted the plant visit as their best memory – "the heart of our product", our strong passion to quality, our care about people and consumers, and the chance to build the strong networking among colleagues and Managers of the Company.



COMPANY KNOW-HOW

Building technical skills

The Know-How Academies pillar is designed to safeguard and disseminate our distinctive expertise. Training programs aim to transfer and maximize knowledge of the Ferrero way of doing business.

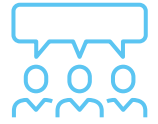
An Academy Board governs each Academy and is responsible for the professional training programs that their Academy designs and delivers. Within every Academy there are "Subject Matter Experts" – leaders and experts who design the content of the training programs. The programs are delivered by internally accredited trainers and/or external facilitators. In the fiscal year 2017/2018, 76 trainers were accredited worldwide.

Our aim is to create a continuous learning experience before, during and after training, while also helping colleagues to transfer learnings into their daily working model by integrating the tools provided during the training.

The Academies

- Ferrero Finance Academy
- Ferrero Human Resources Academy
- Ferrero Industrial Academy
- Ferrero Information Technology Academy
- Ferrero Legal Academy
- Ferrero Marketing Academy
- Ferrero Packaging Academy
- Ferrero Procurement Academy
- Ferrero Raw Materials Academy
- Ferrero Sales Academy
- Ferrero Supply Chain Academy

In 2019, the Quality Academy will be launched.



Employees
participated in the
Ferrerità program

680+



Within every Academy
there are "Subject
Matter Experts" –
leaders and experts
who design the
content of the
training programs



FERRERO PEOPLE

CONTINUED

LEADERSHIP

Becoming a leader

The cores of this pillar are the design and delivery of training programs that are oriented towards supporting employees in management positions to develop their leadership role in the organization.

Becoming a leader in our company means primarily understanding the Company vision and values, being fully prepared on the strategic plan, and feeling part of a successful story of the past and future.

Ferrero LEAD

All the newly appointed senior managers from around the world have the opportunity to attend Ferrero LEAD – a five-day program designed to work in parallel on three streams of work:

Business: gives senior managers the opportunity to share and discuss the current and future business and organizational challenges with executive managers.

Leadership behaviors: provides senior managers with a deeper understanding of our expectations around the leadership position they hold in the organization, leveraging on the Ferrero core competencies model.

People management in action: reflects on the role they hold in the organization with reference to people development and growth in the organization.

After the pilot session in July 2017, we doubled the editions delivered this year to cover all the newly appointed senior managers within one year of their position change. This program supports their entry into their new position and challenges linked to this change, with the great benefit of living and sharing this experience with a community of peers all over the world.

Masters in International Management

The second edition of the Masters jointly designed with a prestigious international business school, SDA Bocconi, has been launched and 34 new talented employees have been involved in an intense and exciting 18-month learning journey consisting of three classroom and six distance learning modules.

YOURLEARNING@FERREROUNIVERSITY PLATFORM

Ferrero University's 24/7 online learning platform, YourLearning@FerreroUniversity, provides employees with a single point of access to content from Harvard and getAbstract, as well as a further 30,000 digital learning assets. It facilitates continuous learning and empowers learners to research a topic, acquire knowledge in a certain area or learn more about a targeted process or skill, at any time, anywhere and on any device.



Overall training hours

730,622

2017: 526,288.29



Training participations

66,251

2017: 57,255



Total number of participants

22,557

2017: 19,383

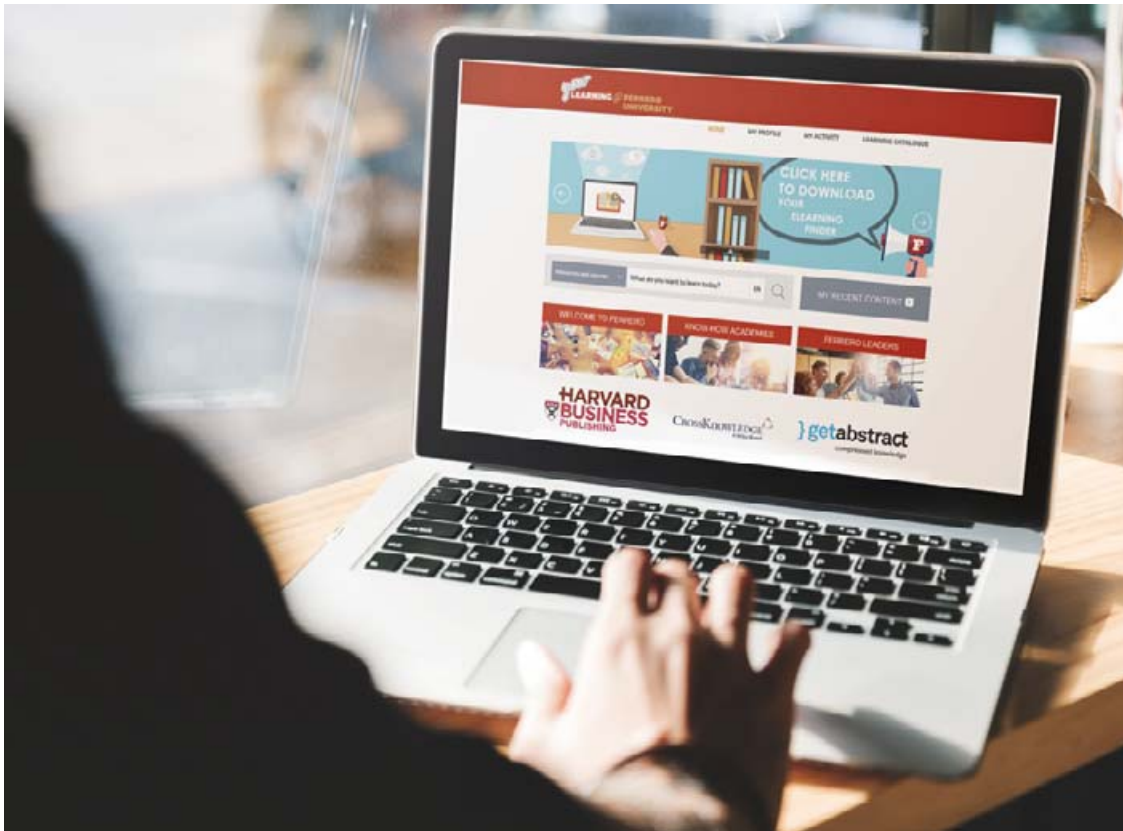


Hours of training hours per capita*

23

2017: 17.4

* Hours per capita were calculated as the following: Total training hours/Average number of FTE for FY 2017/2018.



The YourLearning
@FerreroUniversity
platform

THE COUNTRIES WITH THE HIGHEST NUMBER OF TRAINING HOURS DELIVERED ARE:

COUNTRIES	DELIVERED HOURS
United Kingdom	134,331
Italy	98,133
Germany	93,467
China	54,266
Russian Fed.	44,667

% OF TRAINING HOURS COMPLETED, BY GENDER

GENDER	%
Female	45%
Male	55%

% OF TOTAL TRAINING HOURS DELIVERED TO BLUE COLLARS

CATEGORY	DELIVERED HOURS	%
Blue Collar	350,553	48% (16/17: 41%)

COURSE WITH THE HIGHEST NUMBER OF TRAINING HOURS DELIVERED

COURSE	DELIVERED HOURS
ART OF LEARNING (UK)	37,024

COURSE WITH THE HIGHEST NUMBER OF ATTENDEES

COURSE	ATTENDEES
English basic course (Germany)	1,478



FERRERO PEOPLE

CONTINUED

PERFORMANCE MANAGEMENT

We use a performance management approach focused on setting objectives, assessing progress and providing feedback to ensure that employees are meeting their short- and long-term career objectives.

In 2017/2018, 11,005 employees from 55 locations were involved in the performance evaluation process.

GENDER	%
Female	41%
Male	59%

EMPLOYEE CATEGORY	%
White Collar	72%
Middle Manager	20%
Senior Manager & above	8%

We are continuing to improve the quality of our feedback conversations, in order to enhance performance and development, and promote expected behaviors to strengthen organizational integration.



INDUSTRIAL RELATIONS

Industrial relations

In accordance with our tradition of positive and constructive industrial relations, we finalized the renewal of Union agreements in 10 countries, across the Ferrero worldwide presence, in 2018, to the satisfaction of all stakeholders, employees, trade unions and confederations involved.

Besides a wage increase, the negotiations concentrated on regulating work organization and company welfare with the aim of increasing employee well-being and work-life balance.

The only strike initiative in 2017/2018 occurred in Argentina, where a serious crisis struck the country and called for a review of the Union agreements signed at national and company level. During the autumn, the negotiations were reopened and a new agreement was found, to the satisfaction of all workers.



Employees from 55 locations involved in the performance evaluation process

11,005

during 2017/2018



Activities of the European Works Council

The annual European Works Council (EWC) seminar took place in Nice, France on May 7th, 8th and 9th, 2018. Ferrero EWC workers' representatives and the Company HR Business Partners from the various European plants took part.

The three-day training, which focused on Environmental Sustainability, is conceived as a first chapter of the broader concept of "sustainability" that will be implemented in future seminars, with the inclusion of "social and economic sustainability".

The topic was treated with the use of subject matter experts and through teamwork activities done by participants.

The first subject matter expert was Michel Capron, Professor at the University of Paris-Est Créteil, who presented about "the culture of sustainability in the business development strategies". Specific discussion topics included environmental and social responsibility, use of resources and energy efficiency, and European and international regulations. The second subject matter expert, Engineer Marco Marchetti, Manager of the Group Industrial Sustainability, Energy and Environment Department, introduced our approach to environmental sustainability: "Sharing values to create value". The projects presented aim to help to offer future generations a sustainable world.

Participants were then divided into teams to develop the following themes:

- I. Reduction of CO₂ emissions
- II. Water is not an infinite good
- III. We contribute to energy efficiency

The objective of the teamwork was to encourage reflection of how everyday activities directly relate to the subject in question (Water – CO₂ Emissions – Energy Efficiency). After the discussion, some improvement actions were proposed in order to identify and quantify which of them could be implemented in an industrial context, to encourage proactive and responsible behavior in the workplace.

At the end of the seminar, each participant shared their opinions, and these have been summarized as follows:

- Substantial satisfaction with the choice of topics, which were considered central values to our culture
- A sincere satisfaction regarding the methodological training proposal that alternated conversations with experts and group discussions among people with different nationalities and roles
- The importance of taking advantage of what emerged during the discussion to define an action plan for the next steps of the EWC activities was much appreciated

The institutional meeting of the EWC Ferrero took place on October 9th, 10th and 11th, 2018, in Belsk, Poland.

As established by the EWC constitution agreement, the preparatory meeting for the delegates took place on October 9th. During the afternoon meeting, the workers' representatives deepened the contents of the Health & Safety projects to be implemented in the production plants (e.g. FOR project: the participants shared updates on the implementation of activities at plant level).

During the meeting the main Group internal communication projects were presented and the participants highlighted the need for specific tools that will help them to reach the greatest number of employees.

The meeting continued with the presentation of the overall Ferrero Group performance and the analysis of the issues envisaged by the EU directive: the socio-economic context in which each company operates; the market shares held by us and our main competitors in each product segment; the main investments in advertising and production; new products; training initiatives for plant staff and sales network. The meeting ended with a visit to the Belsk plant.

Currently, EWC's (European Works Council) operating agreement involves about 20,000 workers (corresponding to approximately 59% of all Ferrero Group employees), including factory workers, employees in the commercial and sales network and in 10 production facilities located in Italy, Germany, Belgium, France, Poland, United Kingdom and Ireland.



The annual EWC seminar had a three-day training focused on Environmental Sustainability



FERRERO PEOPLE

CONTINUED

OCCUPATIONAL HEALTH AND SAFETY

Health and safety at work is a central value in our system. To ensure its success, the contribution and active participation of all those who work for and with the Company are essential factors. Consequently, the Company is committed to protecting the health and safety of its workers, contractors, visitors and all other parties that may come under our influence.

We recognize the importance of promoting and sustaining a solid, effective safety culture within our communities, based on the belief that all accidents are preventable. By providing adequate training initiatives, promoting involvement, and raising awareness, each of the interested parties must feel an active part of the initiatives designed to improve the health and safety conditions of their organization. Moreover, we also encourage safe, healthy behavior at home and during free time.

Issues related to health and safety are integrated into each decision-making process within the Company. We also require each of our employees, workers and partners to participate proactively in complying with our safety principles, procedures and standards.

Our production activities must meet applicable legislation in the countries in which we operate, as well as any stricter regulations we define or undersign. Hazard identification, risk assessment and risk control are elements that must be considered from the designing stages of machineries, processes and the working environment, and must be updated continuously. We encourage an open, proactive safety culture, implemented through the systematic identification and analysis of the root causes of accidents and near misses. Near misses are defined as unplanned events that did not result in injury, illness or damage, but had the potential to do so. Near misses are not counted as accidents, as they do not result in damages.

During the financial year 2017/2018 we increased our commitment to reduce accidents, strengthening the health and safety global and local structures with the aim to consolidate the activities in manufacturing and widen our efforts beyond operations, to involve the Agri business. We have continued our partnership with a qualified global consultant with the aim of evaluating, managing and developing Ferrero Safety Culture.

During the financial year 2017/2018, we launched “Ferrero Operational Requirements H&S” (FOR), a standardization program on health and safety. The goal of the program is to define how to drive the H&S improvement in a systematic way, defining leading and lagging KPIs, targets and reporting systems, and reach our Zero Accidents goal.

The FOR H&S Program is an organic, flexible and progressive program that defines our way of safety, combined with progressive consolidation of preventive actions, to create a unique Ferrero Safety Culture.

The methodology is based on the gradual and progressive implementation of different requirements in eight steps. This implementation is supported by specific operational tools.

Trends in workplace injuries and accidents

From September 2018, with the aim of aligning with the benchmark in the FMCG sector, the Company decided to use the LDIR (Number of accidents per million worked hours more than 1 day of absence from work) as our frequency index, therefore the data of previous years have been recalculated taking into consideration the new frequency index. From FY 2017/2018, the frequency index was calculated including temporary workers, excluding commuting accidents temporary workers. Statistical data on the occurrence of workplace injuries and accidents in the area considered⁸ is positive. The Lost Day Incidents Rate – LDIR⁹ – of our production plant employees fell from 10.14 injuries per million hours worked to 7.77 (-23%). The injury severity index, which measures the days of work missed every 1,000 hours worked, fell from 0.186 to 0.151 (-19%). The trend in the last six years is quite consistent: the frequency index significantly decreased (-64%), while the corresponding severity index reduced less (-45%). Data and trends by geographical area can be found in Appendix, on page 206.

To sustain and improve this positive trend, we developed initiatives to improve Health & Safety performances: the main driver was the “Ferrero Operational Requirements H&S” program that works on pre-conditions that generate injuries, on preventive actions rather than just final performance (from laggard indicators to key indicators).



The Lost Day Incidents Rate – LDIR – of our production plant employees fell by

23%



⁸ The following data is related to workplace accidents in production plants and the Industrial Supply Chain.

⁹ 2 Number of accidents per million worked hours more than 1 day of absence from work, including temporary workers, excluding commuting accidents.



SAN JOSÉ ITURBIDE PLANT
MEXICO



Different initiatives have been organized in order to increase the awareness on health and safety topics in occupational activities.



The injury severity index fell by **19%**

INITIATIVE	DESCRIPTION	WORKERS INVOLVED	PERIODICITY	NOTES
Health information campaign	Infographics	716+ in plant companies	Monthly	Men's health, stress, visual health, breast cancer, sleep health, healthy habits, nutrition and hydration, gastrointestinal and respiratory diseases, drugs, teeth care
Vaccination	Seasonal influenza	750	Yearly	Free vaccines received from the Mexican Social Security Institute/228% more comparing with CY 2016/2017
Ferrero Moms	Complete medical monitoring for pregnant women and proper lactation room	23	Monthly	Medical tracking and lactation room to properly keep the milk until workers end their shift
Inclusion program	Work opportunity for vulnerable groups (handicapped, native cultures)	8	Permanent	Vs only 2 handicapped workers in FY 2016/2017. Equal to 1% of the average HC
Breast cancer prevention	Mobile mastography unit	50	Biannual	Free mastographies to women over 50 years (Ferrero and interim)



FERRERO PEOPLE

CONTINUED

STADTALLENDORF PLANT GERMANY



A health and safety communication campaign was launched last year in Stadallendorf with the objective to:

- Address safety for all employees
- Make employees aware that unsafe behavior will affect their private life, too
- Drive change towards “each accident can be avoided”

The campaign started by showing teasers through boards placed outside plant Stadallendorf.

Other key visuals were presented on various platforms (starting in the outside areas and then inside the buildings).

Promote 10 Ferrero safety principles focusing on main accident causes, as shown below.



OCCUPATIONAL HEALTH AND SAFETY

Related to occupational health and safety, we launched different initiatives to create a healthier and safety working environment. Some examples of these initiatives are as followed (see dedicated box):

- San Josè plant in Mexico launched a sensitization and health and safety prevention program with different initiatives (Health information campaign, Vaccination campaign, Ferrero Moms, Inclusion program, Breast cancer prevention); see box “San Josè Iturbide Plant”
- Stadallendorf plant in Germany launched a communication campaign on safety awareness with the goal to improve the safety culture; see box “Stadallendorf Plant”

Training

Starting from FY 2014/2015, we launched a systematic data collection process concerning health and safety training. During the last commercial year industrial plants estimate that over 16,800 employees participated in H&S training sessions amounting 130,875 hours of training. Regarding the number of staff working at the production plants involved in this report, the average number of hours of training offered is approximately 7.75 per capita per year (which is up 34 % over the previous year). The main topics are training according to position (e.g. worker, supervisor, manager), and specific risks (e.g. electrical risk, confined spaces, work at heights, fork lift driver risk), with a focus on machinery risks and emergency preparedness (first aiders, firefighters). Specific training has been designed for the standardized “Ferrero Operational Requirements H&S” Program.

Every year some plants organize a Safety Week with specific initiatives on different safety topics (see dedicated Baramati, Manisa and Sant’Angelo dei Lombardi boxes).



Industrial plants employees' participation estimate in health and safety training sessions

16,800

during the last commercial year



BARAMATI PLANT INDIA



The Baramati plant in India committed towards the excellence in health and safety matters related to people, processes and assets. We are focused on providing health and safety training, driving a continual culture of improvement by creating awareness among all employees, and by setting measurable targets by means of suitable indicators.

The Baramati plant celebrated a safety week in March 2018. The activities that were performed during the safety week in FY 2017/2018 follow:

- Increased Safety Awareness through displaying of banners in plant premises and ensuring a department-wide safety oath was taken.
- Contractor safety awareness training was conducted and topics like Work Permit System, Use of PPEs, and Near Miss reporting system were covered.



- Drawing competition on Health and Safety was organized for employees' children, with 120 children participating.
- Quiz competition on Health and Safety was conducted, with a total of seven teams and 42 employees. We also conducted Safety elocution completion.
- First aid training was organized for two days by an external agency.
- A blood donation camp was organized for all employees and 184 units of blood were collected.
- An eye check-up camp was held, with 180 employees benefiting.
- The Chalta-Bolta Safety Quiz Competition was conducted, with more than 210 safety questions asked of employees, and 70 gifts distributed as employee engagement.
- Firefighting training was conducted among 61 employees.
- A PPEs (Personal Protective Equipment) Exhibition was organized for employees. All types of PPEs were displayed to all employees.



**The Baramati plant
celebrated a safety
week in March 2018**

FERRERO PEOPLE

CONTINUED

MANISA PLANT TURKEY



Different initiatives were organized during the safety day, in order to enhance the occupational safety culture by continuous awareness and consciousness development, to create shop floor risk awareness by proactively explaining past cases. We also explained in detail the FOR H&S approach by Bradley Curve, the FOR H&S schedule and KPI perspective of H&S, all to reinforce health and safety as a core value.

The activities during the safety day were:

- **Health and Safety Fair Competition** (Memory game played with matching health and safety signs, H&S quiz competition, and a H&S puzzle to be completed by the participants)
- **Earthquake Awareness Simulator** (“Earthquake Simulator” for participants to experience correct behavior patterns before, during and after an earthquake)

- **Driving Safety Awareness Activities** (Seat belt simulator, Seat headrest simulation, Reflex measurement simulation, Alcohol Eyeglasses application, Virtual Reality application, mini-seminar throughout the event)
- **Hand by Hand Commemorative Board** (A canvas stretched panel using water-based paints in different colors)
- **Online H&S Applications** (A measurement evaluation and training method that is extremely fun, practical, fast-paced, and does not occupy employees’ business hours)
- **H&S Training** (Identification of possible dangerous work at the workplace, consideration of potential employee failures associated with these works, emphasizing conditions and duties that often lead to mistakes, use of control methods). After theoretical training, a safety quiz contest has been established in which members can join via their mobile phones or from kiosks. The top 3 members were awarded in each session.





SANT'ANGELO DEI LOMBARDI PLANT ITALY

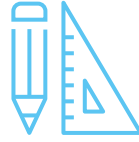


The Sant'Angelo dei Lombardi plant promoted the Health and Safety week "10 Sicuramente". The objective of this week was raising awareness of the Ferrero 10 Golden Rules.

To do this, the site used different methods:

- Golden rules panels on the employees' pedestrian paths
- Ferrero TV
- Photo shoot for Plant employees, who became actors of the Golden Rules
- Bingo with prizes and a questionnaire related to the Golden Rules.

Employees posed first-hand as actors to make the panels and video clips to promote the 10 Golden Rules inside the plant.



The Sant'Angelo dei Lombardi plant raised awareness of the Ferrero 10 Golden Rules

FUTURE OBJECTIVES

In line with our people-centric strategy, we will maintain our commitment to:

- Attract, retain and motivate our talented employees around the globe, consistently and holistically.
- Provide fair and competitive, well-balanced tangible and intangible rewards, in all markets, considering local or regulatory needs and requirements and opportunities.
- Ensure an inspiring and inclusive work environment, in which highly committed employees contribute to sustainable business growth and results.
- Improve and expand our Know-How Academies in order to strengthen and develop the professionalism of employees who protect and manage corporate knowledge and business assets.
- Further develop job placement projects that are already in place to attract young workers.
- Reinforce a culture of health and safety and increase employee participation in initiatives.
- Enhance our integrity and ethics strategy through learning programs and increased visibility of the Code of Ethics.
- Continue our journey of digital transformation to improve communication, business processes and ways of working.



THE FERRERO FOUNDATION*

“Working, Creating, Donating” are the guiding values of the Piera, Pietro and Giovanni Ferrero Foundation, chaired by Mrs Maria Franca Ferrero.

It was established as a Social Initiative in 1983 by Michele Ferrero, holder of the Italian Order of Merit for Labour, naming it after his parents and uncle, who founded the confectionery company. In 1991 it became a Foundation, the role of which was highlighted in 2005 through the Gold Medal for education, culture, science and art awarded to Mrs Maria Franca Ferrero by the Italian President.



Year when the then-President of the Italian Republic awarded Mrs Ferrero with the Gold Medal for her work in support of education, culture and the arts

2005



My and my family’s determination has pushed us to establish a Foundation that honors the work contribution, the spirit of self-denial, the sense of responsibility and the precious loyalty of many collaborators.”

Michele Ferrero
1983



The Ferrero Foundation in Alba

* Information reported in this chapter is related to the 2018 calendar year.



In compliance with the ethical principles of the Ferrero family, the Foundation offers itself as a model and point of reference for all the Group's companies and collaborates with the Social Initiative of Stadtallendorf, in Germany, with the initiatives of Ferrero France and with the Entrepreneurial Projects dedicated to Michele Ferrero in Africa and Asia.

"My and my family's determination has pushed us to establish a foundation that honors the contribution of work, the spirit of self denial, the sense of responsibility and the invaluable loyalty of many employees."

With these words, spoken in 1983, Michele Ferrero expressed his desire to create and offer a Foundation providing initiatives for employees of the Group with 25 years of work experience: Ferrero Seniors.

All activities of the Ferrero Foundation are planned to run over the calendar year.

ACTIVE AGEING AND SOCIAL PROJECTS

According to the World Health Organization (WHO), health is "a state of complete physical, mental and social well-being and not merely the absence of illness or infirmity". This definition underlines the extent to which biological, emotional and intellectual balance is intertwined with being "well".

It was also the WHO that, in 2002, adopted the expression "active ageing" to indicate ageing that optimizes possibilities of health, participation and safety to improve the quality of life. This is what the Ferrero Foundation has been trying to do for over 30 years, aware that ageing well consists of a body of activities, attitudes, ways of living and relationships. Promoting health and preventing illness through medical examination and physical activity is certainly one of its first objectives. But physical performance is just one aspect of general well-being. The mental abilities, exercised both through recreational-creative activities and through social relationships, are elements that establish well-being and contribute to ageing well. And the Foundation promotes a positive notion of older age: a period of wealth of which full advantage should be taken, in health, to express the social capital of each individual, the heritage of values and wisdom that distinguishes and characterizes the senior world.

The Ferrero Foundation offers Seniors and their spouses a program of creative, recreational and social activities as well as social and healthcare assistance in the areas of Internal Medicine, Gastroenterology,

Neurology and Neuropsychiatry, Diabetology, prevention of maculopathies, Osteopathy and Podology. There is an active network of collaboration with specialist medical centers including the Foundation for the Macula of Genoa, the Institute for Research and Cure of Cancer in Candiolo, the European Institute of Oncology in Milan and the San Raffaele University Scientific Institute of Milan. The Foundation also provides legal advice and involves Seniors in its cultural events, including conferences, exhibitions and conferences.

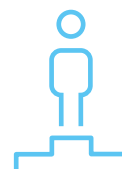
Within groups that participate in shared activities, new things are learned, old friendships are consolidated and new ones began. There is learning and sharing. A social support network is created and nurtured. The body of activities undertaken provides opportunities for meeting others and maintaining identity and a network of relationships, as well as an important cognitive stimulus.

There's the possibility of taking part in creative activities in different areas such as ceramics, photography, drawing, cutting and sewing, embroidery and cooking. Activities such as dancing, theater, singing, reading and travel are also offered.

Social responsibility actively inspires the activity of different groups. This is expressed through the organization of shows and visits to retirement homes, the welcoming of partially self-sufficient persons to the Foundation with the offer of occupational therapy, the group of volunteer drivers available to accompany Seniors in need and the civil protection group. To ensure that volunteering is guided by specific knowledge, dedicated training courses have been set up to make volunteers aware of issues of practical assistance and psychological support in instances of illness, need and loneliness.

Even Seniors of our branches in the rest of Italy who, as Michele Ferrero said, "have contributed with commitment and responsibility to the development of the Company" feel the benefits of this philosophy. They organize regular friendly meetings, cultivate personal relationships and share interests, passions and curiosity.

The philosophy and structure of the Foundation have been described extensively in the previous CSR Reports of the Ferrero Group (available at the www.ferrerocrs.com web address).



Michele Ferrero expressed his desire to create and offer a Foundation providing initiatives for employees of the Group with

25 years

of work experience: Ferrero Seniors



THE FERRERO FOUNDATION

CONTINUED

SOCIAL ASSISTANCE AND HEALTHCARE

In 2018, healthcare services were provided to 1,254 Ferrero Seniors and their spouses in Alba and the surrounding area. This number also includes specialist neurological, diabetic, podological and osteopathic services.

The infirmary group ensured the taking of blood samples, blood pressure measurements, intramuscular and subcutaneous injection treatments, electrocardiograms, blood glucose readings and medications, carrying out 3,581 procedures. The home-based social assistance and healthcare service for Ferrero Seniors who receive a pension, and their spouses, does not replace the existing ADI (Integrated Domestic Support) service provided by the public healthcare system. The medical service, the Foundation's social assistance and nursing service, the treating physician and the patient's caregivers will all cooperate. The main services we provide are:

- multi-dimensional assessment and creation of a specific medical record
- blood sampling
- subcutaneous and intramuscular treatments
- measurement of vital signs and blood sugar
- bed sore or surgical wound medication
- electrocardiogram
- home delivery of medicines
- accompaniment to medical examinations
- picking up of test results
- preparation for operations, i.e. preparation of the clinical documentation and reminders about the treatment to be received in the days before the operation

The Foundation provides legal advice and involves older people in its cultural events, including conferences, exhibitions and conferences.



Nordic walking activity

In 2018 the home-based social assistance and healthcare service made 467 home visits and took 203 blood samples in the home.

The general and targeted motor activities – Nordic walking, Pilates and functional training courses – are well-established and open to Ferrero Seniors who are still in service. The year 2018 also saw the successful running of two Tai Chi courses for Seniors receiving a pension and their spouses.

The screening program for the prevention and early diagnosis of age-related macular degeneration, organized in collaboration with the Macula Foundation of Genoa, continues to bear great fruit in terms of safeguarding and protecting health. The screening started in 2005, with 1,789 Ferrero Seniors participating to date.

Ageing in health: evidence from the active ageing and assistance program at the Ferrero Foundation in Alba to prevent vascular and degenerative pathology in old age is continuing successfully, in collaboration with the Catholic University of the Sacred Heart of Milan and the Policlinico Gemelli of Rome with the ASL CN2 Alba-Bra. This project is a prospective observational study that aims to determine whether people who use supplementary medical services have greater health benefits compared to the general population.



Screening program for the age-related macular degeneration involved more than

1,700

Ferrero Seniors



Ferrero Group CSR Reports available at: www.ferreroocr.com



THE FERRERO NURSERY

The Ferrero nursery has been running since 2009, can look after 80 children aged between three months and three years old and offers particularly advantageous rates for employees. 5–10% of places are reserved for children in Alba, as indicated by the Municipality.

Over the years it has been running, the Ferrero nursery has established itself as a location that serves children, a space for meeting, information and exchange for parents, educators and care and support workers, and for creative action.

Regarding different educational activities, there are laboratories of light, painting, materials for manipulation activities and music. In keeping with the seasons, the outside space allows children to benefit from experiences with nature.

The Foundation's Seniors act as "grandparents", participating in various activities with children and parents: they offer their time, experience and affection, play a key role in reading stories and nursery rhymes, preparing small dishes and ornaments, and looking after the garden. The nursery also has an internal kitchen that uses fresh seasonal products.

The Foundation's medical service provides advice at the Ferrero nursery for minor traumas or minor illnesses that do not require a visit to a hospital emergency department. Monthly meetings are organized with the director and training sessions are held regularly for the professional educators and staff of the nursery.



The Ferrero nursery can look after 80 children between three months and three years old

As in previous years, the Ferrero Foundation in Alba has continued its fruitful collaboration with the University of Turin to offer the second-level Master's degree course in Science and Technology of Human Nutrition.



Retired employees and children at the nursery



THE FERRERO FOUNDATION

CONTINUED

THE PIERA, PIETRO AND GIOVANNI FERRERO FOUNDATION NURSERY SCHOOL

Following the success of the nursery, September 2018 saw the inauguration of the Piera, Pietro and Giovanni Ferrero Nursery School, which – in addition to confirming the Ferrero family’s attention and commitment towards its employees – promotes a high-quality educational style characterized by care, focus on the person and striving for well-being.

The nursery and school together make up a 0–6 teaching project that encourages the holistic development of the child, bringing together tangible experience, progressive discovery and different forms of acting, thinking and interrelating. The private nursery school welcomed 28 children, divided into two sections, in 2018. In the next three years, the number of sections will increase to four, with 21 children each, making a total of 84, all from the company nursery.

A Scientific Committee will guarantee the high educational standard of the Nursery School. It has identified the Educational Principles guiding the teaching and will monitor progress in the school in the coming years. Chaired by professor Marcel Rufo, among the world’s most authoritative specialists in childhood and adolescence, the Committee is made up of pedagogists and university lecturers Quinto Battista Borghi, Marco Dallari and Francesca Pinto.

At the level of teaching, the Nursery School offers intergenerational encounters with the Seniors of the Ferrero Foundation, education for peace, the use of new technologies, narration and dramatization, creative workshops, music education and introduction to foreign languages and dialects. It uses the natural environment as a space to experience, and a fundamental resource for constructing awareness of, self and the world. The outside space is thus imagined as a classroom and workshop, which extends seamlessly from the interior.

CULTURAL PROJECTS

The From Nothingness to Dreams: Dada and Surrealism from the Collection of the Museum Boijmans Van Beuningen exhibition was inaugurated in October 2018, bringing 115,521 visitors to Alba. Iconic artworks were on display to illustrate the connection between art and ideology in the transition from the nihilistic poetics of Dadaism to the proactive poetics of Surrealism.

Curated by professor Marco Vallora, the exhibition’s nine sections offered a succession of highly prestigious works, presented in a dialogue alternating between harmony and contrast and following a thematic progression.

This deeply meditated exhibition was different from the previous ones, because it also included books, poems and magazines, all connected to the two movements, alongside canvases and sculptures that are innovative and often ground-breaking, highly evocative, and highly historically relevant.

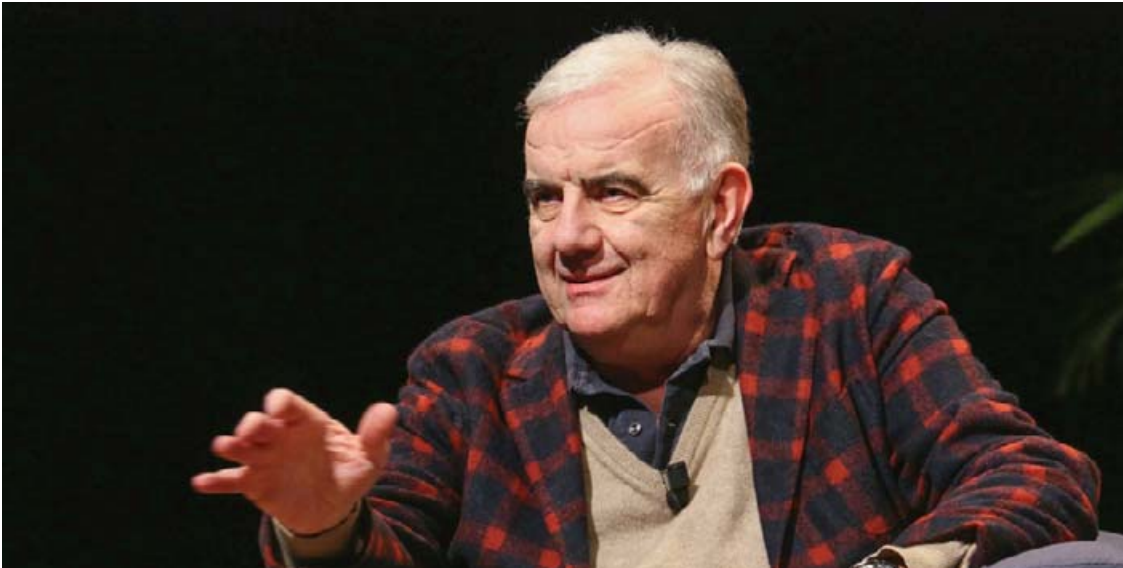
The exhibition was linked to significant cultural events. In particular, there was the conversation-concert held in the historic Marianna Torta Morolin hall of the “Giorgio Busca” Social Theatre in Alba between Antonio Ballista, pianist, harpsichordist and conductor, and Marco Vallora, the exhibition’s curator.



The From Nothingness to Dreams: Dada and Surrealism from the Collection of the Museum Boijmans Van Beuningen exhibition was inaugurated in October 2018



The From Nothingness to Dreams Exhibition



Gene Gnocchi
during the conference
“Making smiles:
how humor works”



From left to right:
Bruno Bozzetto,
Paolo Maldotti

There was also the discussion between Natalia Aspesi, Francesco Vezzoli and Marco Vallora that took place on January 16th entitled “The curious business of Schiaparelli & Dalí: painting, fashion and eccentricity”. This event brought together a fashion historian and writer for Italy’s *la Repubblica* newspaper with a highly cultured and brilliant contemporary painter who loves to play with historic artists of antiquity or the avant-garde, to speak of a chaotic and thrilling critical phase in surrealist Paris.

On January 23rd there was an evening entitled “Eye for Eye: the avant-garde and scientific revolution in the early 20th century”, which saw an exchange between Valerio Magrelli, Giovanni Amelino-Camelia and Marco Vallora at the Ferrero Foundation. This conversation between a physical physicist and Einstein scholar, a poet and expert in French literature and the curator of the exhibition, illustrated a historical period that saw the alternation of two movements with different natures, intentions, origins, aims and inheritances, provoking reactions in the world of literature, cinema, theater and science.

Finally, on February 23rd during the event entitled “If Surrealism goes to the Museum...” Marco Vallora met Bernard Blistène, director of the Musée National d’Art moderne in the Centre National d’Art et de Culture Georges Pompidou of Paris since 2013 and Magritte scholar.

Each year, the Foundation also grants national and international study scholarships to the sons and daughters of our employees and Seniors, and supports scientific research and research doctorates.

During the year, the Piera, Pietro and Giovanni Ferrero Foundation also organized its usual Cycle of Conferences, hosting:

- Gene Gnocchi (March 23rd, 2018) Making smiles: how humor works
- Paolo Maldotti (April 20th, 2018) Creating spaces: architecture and industry
- Bruno Bozzetto (May 25th, 2018) Making cartoons: fun, educational cinema



On January 23rd there was an evening entitled “Eye for Eye: the avant-garde and scientific revolution in the early 20th century”



THE FERRERO FOUNDATION

CONTINUED

Four medical conferences were also on offer in 2018:

Marco Calgaro, Director of S.O.C. – General Surgery – San Lazzaro Hospital in Alba (22.03.2018) “New developments and prospects in minimally invasive surgery: laparoscopy and robotics”

Alessandro Giamberti, Head of Congenital Heart Disease from Birth to Adulthood O.U., IRCCS Policlinico San Donato Hospital – San Donato Milanese (MI) (31.05.2018) “Charitable cardiac surgery: experiences of a cardiac surgeon travelling the world”

Giancarlo Viglione, Head of the Vascular Surgery Unit at the Città di Bra Clinic (18.10.2018) “Atherosclerosis and global cardiovascular risk”

Alberto Angeli, Professor Emeritus of Internal Medicine, University of Turin and Annalisa Anolli, Italian, Latin and Greek teacher at the Govone Classical High School in Alba (22.11.2018) “Hippocrates and the art of medicine”

In terms of musical offerings, collaboration with the Music Union of Turin, a non-profit association founded in 1946, and the Italy & USA Alba Music Festival, also continued. The direction of this festival is entrusted to musicians Giuseppe Nova, Jeffrey Silberschlag and Larry E. Vote.

The company magazine *Filodiretto* was also published four times this year and sent to over 20,000 people around the world, including Group employees and Seniors. The magazine is translated into four languages (English, German, French and Spanish) and contains a report on the initiatives of the Ferrero Group, the individual companies and the Foundation.



People around the world who have received the four times published company magazine *Filodiretto*

20,000



Mrs Maria Franca Ferrero with the nursery and kindergarten educators



Museum Boijmans Van Beuningen

At the heart of Rotterdam for no fewer than 170 years, the Museum Boijmans Van Beuningen has always been distinguished by its eclectic character. It is named after two important collectors, Frans Boijmans and Daniël George van Beuningen, who helped to enhance the collection with many masterpieces.

Bosch, Rembrandt, Van Gogh, Dalí and Dutch design: visiting the Museum Boijmans Van Beuningen means journeying into art history. Whether from the Netherlands or abroad, the works offer a comprehensive overview of art from the Early Medieval Period to the present day. Masterpieces by Monet, Mondrian, Magritte and many others offer a cross-section of the development of Impressionism and Modernism. The museum boasts one of the vastest collections of Surrealist art in the world and a superb collection of British and American Pop Art, which includes works by David Hockney, Andy Warhol and Claes Oldenburg. The museum also houses a section dedicated to decorative arts and design: from medieval ceramics to Renaissance glassware, from Gerrit Rietveld's furniture to contemporary Dutch design.

The museum is currently expanding its display area by building a high-profile depot: 2021 will see the inauguration of the new home for the museum's collection – currently comprising 151,000 works – which will stand alongside the main museum. The depot has been designed by Dutch architectural firm MVRDV and will be the first in the world to be entirely open to the public. We are particularly proud of this.

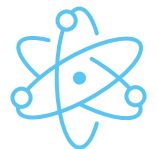
Museum Boijmans Van Beuningen – Surrealism in the Netherlands

The Museum Boijmans Van Beuningen can boast a vast collection of Surrealist art, with the first paintings – *Au seuil de la liberté* (On the Threshold of Liberty) by Magritte and *Le couple* by Max Ernst – bought in 1966. While the other Dutch museums concentrated on the cold Modernism of Northern Europe, the Museum Boijmans Van Beuningen turned its attention to developments taking place in the cities of the south, like Brussels, Paris and Madrid.



The museum organized exhibitions of works by Man Ray and René Magritte and the first European retrospective dedicated to Salvador Dalí was held in Rotterdam in 1970.

The Surrealist collection now includes more than 125 paintings and sculptures and a collection of rare books and publications, and it attracts art lovers the world over. Many of the iconic works in this collection were originally owned by British collector Edward James, who was the patron of Dalí and Magritte for several years. He can be found in the celebrated painting *Not to be Reproduced*, which will be on show as part of the exhibition.



The fourth edition of the international scientific conference dedicated to ageing will be held in November 2019

FUTURE OBJECTIVES

The fourth edition of the international scientific conference dedicated to ageing will be held in November 2019. Entitled *Successful Ageing 2019: Body and Mind Connection*, it will be organized in collaboration with the Academy of Medicine in Turin and the Catholic University of the Sacred Heart in Milan.

This edition will be accompanied by a satellite symposium, open to all healthcare professions but to nursing in particular, organized in collaboration with the Translational Medicine Department of the University of Eastern Piedmont. The event will be dedicated to the subject of *Successful Ageing*, addressed by specialists and technical experts with close links to care for chronic illnesses.



MICHELE FERRERO ENTREPRENEURIAL PROJECT

The same entrepreneurial and philanthropic spirit that has characterized Ferrero since its founding was the main source of inspiration behind the Ferrero Social Enterprises, which were conceived and established over 13 years ago in Cameroon, and later in South Africa and India.

Subsequently, in 2015, the Ferrero Social Enterprises were renamed the “Michele Ferrero Entrepreneurial Project”, in memory of Michele Ferrero, holder of the Order of Merit for Labour of the Italian Republic who strongly advocated and supported the Ferrero Social Enterprises project at every stage of their development.



Great souls are like clouds: they gather water to then disperse it.”

Kalidasa, (कालिदास) IV-V century A.D.

MICHELE FERRERO
ENTREPRENEURIAL PROJECT



Cavaliere del Lavoro
Michele Ferrero
(April 26th, 1925 –
February 14th, 2015)



From left to right:
South Africa
(Walkerville/
Midvaal Gauteng),
Cameroon (Yaoundé),
India (Baramati/Pune,
Maharashtra)



The Michele Ferrero Entrepreneurial Project includes fully fledged commercial enterprises. Their goal is to earn profits. Nonetheless, their action, nurtured by a “social spirit”, also aims to create jobs in less advantaged areas of emerging countries. Furthermore, it supports the implementation of humanitarian projects and initiatives aimed at safeguarding the health, education and social development of local children and young adults, regardless of whether such enterprises succeed in making a profit or not. These initiatives are being carried out under the motto: “United Kinder of the World”.

The Michele Ferrero Entrepreneurial Project started in Cameroon (Yaoundé) in 2005, in South Africa in 2006 (Walkerville/Midvaal, Gauteng) and in India (Baramati/Pune, Maharashtra) in 2007.

THE MISSION

Job creation

The Michele Ferrero Entrepreneurial Project, targeting the communities where it operates, aims to not only provide its collaborators with an income that enables them to make a living for themselves and their families, but also to share a strong sense of dignity with working men and women, offering them the possibility to control their own destiny; ensure professional training and skills acquisition; and foster a modern industrial workplace culture.

The opening of production plants provides business opportunities for many companies in the area.

In addition, locally sourced raw materials are selected, when possible, for the production of Ferrero products, resulting in the creation of additional jobs along the entire supply chain to support economic development and prosperity in the wider local community.

Implementation of social and humanitarian projects and initiatives

To achieve this goal, a “Local Social Fund” is set up. Financing of such Fund is calculated not as a percentage of profit, but based on the value of the annual production volumes of each plant. Each year, such sums are then transferred to a dedicated local bank account and used on a three-year basis.

Social projects and initiatives, benefiting and involving the local communities where the Ferrero plants operate, are identified together with the institutional authorities of the host countries and the involvement also of the Ferrero Foundation.

To date, the social and humanitarian initiatives of the Michele Ferrero Entrepreneurial Project have focused on offering various forms of educational and healthcare assistance to children. These activities include: construction of nurseries and primary health care facilities; renovation of public primary schools; construction of schoolrooms for children of refugee families; support to childcare facilities dedicated to homeless children; funding of seminars for young people, aimed to raise awareness on the prevention of infectious diseases.



Local social funds are used to carry out specific social projects every

3 years





MICHELE FERRERO ENTREPRENEURIAL PROJECT

CONTINUED

MICHELE FERRERO ENTREPRENEURIAL PROJECT WORKFORCE

As of August 31st, 2018, businesses participating in the Michele Ferrero Entrepreneurial Project have collaborated with 2,357 people, equaling approximately 5.7% of the total workforce of the Ferrero Group.

There were 211 people working in the production plant in Cameroon; 1,954 in India; and 192 in South Africa. The production plant in India is ranked fourth in terms of labor force absorption capacity, out of the 25 production plants of the entire Ferrero Group.

SOUTH AFRICA

Public launching of the Primary Health Care Centre (PHCC)

In our previous Ferrero CSR Report we documented the finalization of the construction of a PHCC at the premises of Ferrero South Africa's plant at Walkerville, in the Gauteng province.

On March 6th, 2018, a well-attended public opening ceremony was organized at Walkerville to launch the new social initiative of the Michele Ferrero Entrepreneurial Project in South Africa.

The PHCC was built with a twofold objective.

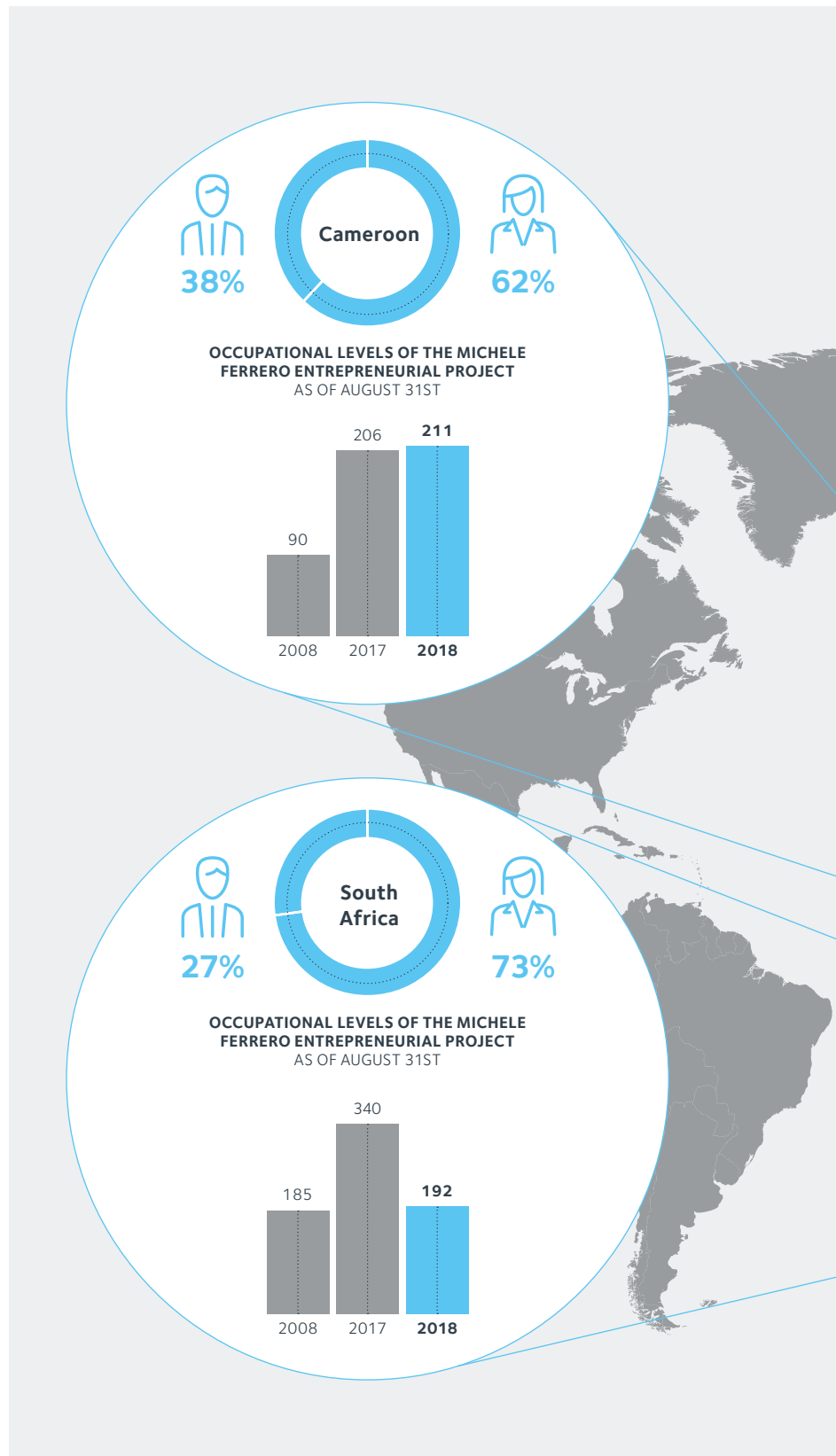
The first is to strengthen and better the mandatory occupational health care services previously provided to our workers only by a nurse, for a few hours a week, at a small infirmary within our plant.

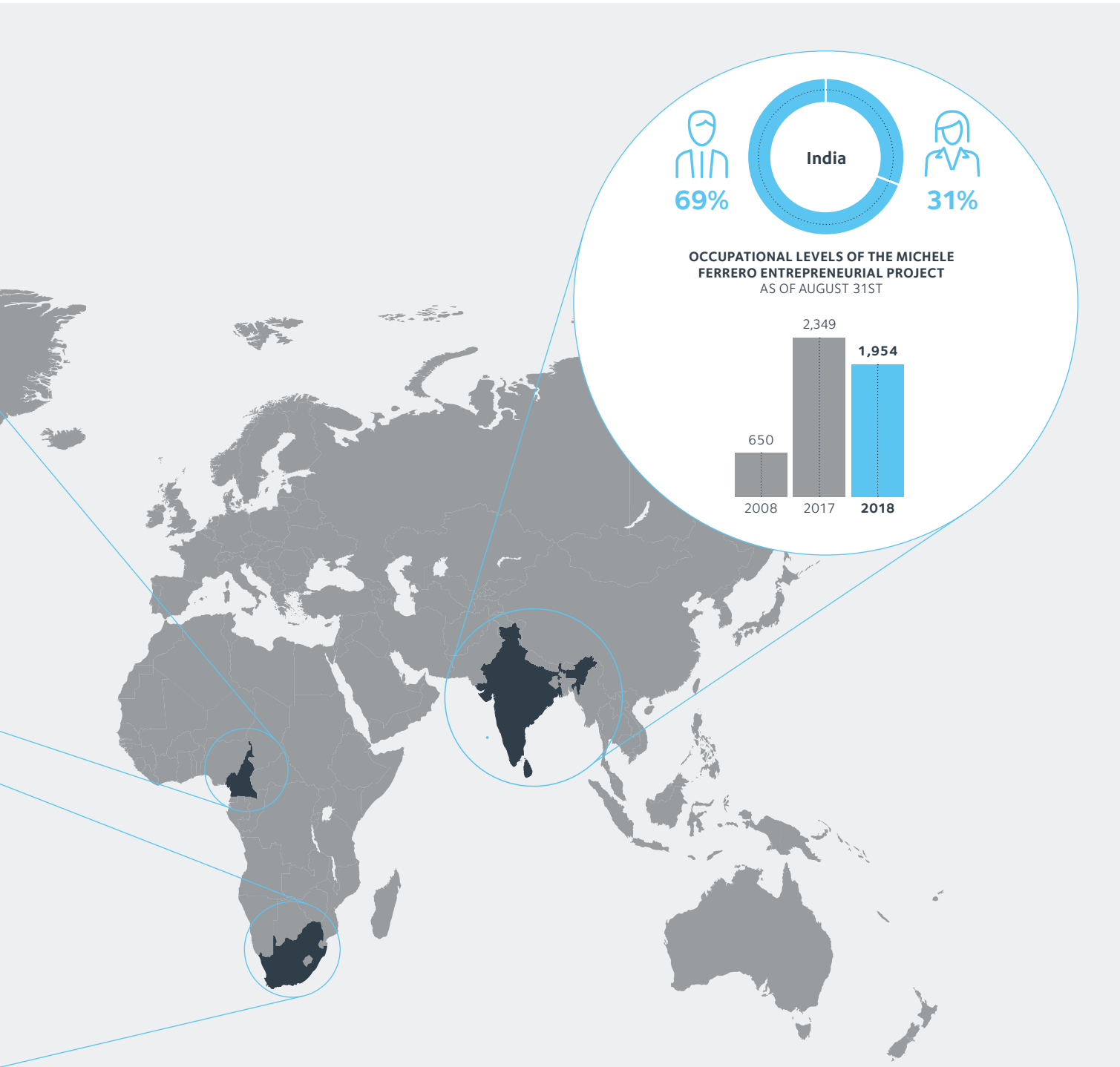
The second, and more relevant objective, is to also dispense primary health care services for the first time, not only to our workers, but to their children and family members. This way, the scope of this project extends beyond the perimeter of our plant and seeks to benefit, more broadly, the local community at large.

As a result, the PHCC will be manned by a full-time nurse, available five days a week, as well as by a doctor, on-site twice a week, who will also be available, on call, 24 hours a day.



For a more detailed description of the initiatives and projects carried out over the last few years, please consult the previous CSR Reports, which are available at www.ferrerocscr.com, and via the website of the Michele Ferrero Entrepreneurial Project at www.mfentrepreneurialproject.com





- The breakdown by gender is related only to Ferrero employees (workers employed in the Plants of the Legal Entities where projects are in place excluding BU employees).
- The data related to the occupational level is related to employees and external workers (only temporary workers).



MICHELE FERRERO ENTREPRENEURIAL PROJECT

CONTINUED

The Primary Health Care Centre will save our workers from spending long hours commuting to public medical facilities and requesting to be off work. It will also contribute to relieve the pressure on often overcrowded and under-funded local public health facilities.

As supporters of the United Nations Global Compact, the world's largest corporate sustainability initiative, the Ferrero Group counts sustainability among the most important pillars in our business. This is also reflected in the way the PHCC was built, by re-utilizing housing modules previously designed for the Ferrero exhibition stands at the 2015 World Expo in Milan, Italy.

Such modules were re-adapted in Italy by a specialized company. New fixtures were created to ensure greater brightness to the interiors; the use of a particularly innovative paint considerably increased the thermal insulation of the roofs; finally, the facility was also provided with lavatories, accessible by patients with special needs, emergency exits and panic doors.

After being the subject of expert appraisals and technical certifications by third-parties – to guarantee their highest quality and full compliance with safety standards – the modules were then dismantled and transported to Walkerville, first by ship and then by land. They were finally re-assembled on-site, by local staff, under the direction of a team of Italian technicians.

Approximately 500 people took part in the inauguration ceremony of the Primary Health Care Centre on March 6th, 2018. The function was attended by all plant workers, staff and management of Ferrero South Africa, representatives of the Group's central units, local authorities, representatives of public health and district administrations, media companies, trade associations and partner companies.

The speakers also included the Ambassador of Italy in South Africa, Pietro Giovanni Donnici and the CEO of the Nelson Mandela Foundation, Sello Halang. The Soweto Choir – a popular singing formation in South Africa – also took part in the launching ceremony.

INDIA

Support to pre-school educational services in rural communities at Baramati (Maharashtra State)

In 2014, the Michele Ferrero Entrepreneurial Project in India launched its "Pietro Ferrero Kindergarden" at Baramati (Maharashtra). This modern educational facility, with a covered surface of about 1,000 square meters, hosts at present about 100 children aged below six years. Two-thirds of them are sons and daughters of female employees working at the Ferrero Baramati plant; the remaining third are children of disadvantaged families of surrounding rural villages, where most of our workers come from. To all of them Ferrero India provides, free of charge, safe transport to/from the Kindergarden, as well as a wide range of quality educational, nutritional and medical services.

Between 2019–2022, the Michele Ferrero Entrepreneurial Project in India plans to extend and strengthen its support to pre-school educational services in rural communities in the Baramati area, where the Ferrero plant operates, through the construction of eight new Anganwadi. The construction of the first three will start in 2019.

Anganwadi – which literally means "courtyard shelter" – is a sort of rural child care center that also provides nursery services and may be used by villagers as a community gathering facility, if needs be.

The Anganwadi were started by the Indian government in 1975 as part of an action program to combat child hunger and malnutrition.

In 2013, the Indian government approved the National Early Childhood Care and Educational Policy (ECCE) which aims at promoting psycho-social development of children and developing school readiness by making universal access to pre-school education available to all Indian children – including children living in rural areas aged below six years.





This policy is implemented by the Ministry of Women and Child Development (MWCD) through – among others – the Integrated Child Development Services (ICDS) program. This initiative includes delivery of an integrated package of services – such as supplementary nutrition, immunization, health check-up, pre-school education, referral services and nutrition & health education – through the Anganwadi network system.

The Indian government recognizes therefore the importance of Early Childhood Education (ECE) interventions that are proven to have long-term effects on future social adjustment and economic success that may even be passed on to subsequent generations.

However, the obstacles in successfully implementing such action programs are significant. According to a national census, for example, 1,330,000 Anganwadi were operating in India in 2013. These multi-purpose centers are sometimes housed in old and/or inappropriate facilities. Moreover, to be able to serve all country rural areas, the government estimates it will need to set up at least 1,600,000 Anganwadi.

The aim of the Michele Ferrero Entrepreneurial Project in India is to construct new Anganwadi in villages that lack an adequate number of Anganwadi, or where such facilities are housed in unsuitable buildings that do not meet minimum hygiene and safety requirements. Furthermore, most of the villages where the new Anganwadi will be built will be villages where our workers live.

The project also intends to develop architectural Anganwadi models which, in the future, might serve as “upgraded prototypes”, by local public authorities, for the realization of similar facilities, at low cost, through the use of easily replicable construction techniques and locally available materials.

Once built, the new facilities will be donated to the local government district authorities, which will be responsible for their use and maintenance.



MICHELE FERRERO ENTREPRENEURIAL PROJECT

CONTINUED

SOUTH AFRICA

Building a School Sport Center at Laerskool De Deur (Gauteng), accessible also to other nearby peri-urban primary schools

South African schools – especially in peri-urban/ rural communities – have long faced major infrastructure problems.

There are still 8,702 schools with pit toilets—nearly half have installed new toilets but have yet to decommission the old, dangerous ones.

On August 14th, 2018, South African President Cyril Ramaphosa announced the Sanitation Appropriate for Education Initiative (SAFE) to address pressing sanitation issues, such as dilapidated pit toilets in schools across the country. Despite such promising initiatives, the challenge to overcome the still huge school infrastructural needs remains daunting: about 70% of schools do not have a library; about 80% do not have a laboratory, and many do not even have sport facilities.

In 2013, the Ministry of Education in South Africa launched the “94+ school projects for Madiba”. Its aim was to provide infrastructural assistance to at least 94 South African schools, in occasion of Nelson Mandela’s 94th birthday, through a joint effort with local private companies.

The Michele Ferrero Entrepreneurial Project in South Africa answered such call by fully renovating the premises, including the sport facilities, of the Japie Greyling Primary School, a rather extensive educational complex not far from our plant at Walkerville (Daleside, Midvaal) in the Gauteng province. This challenging infrastructural project was successfully completed in record time. Also, as a result, it was chosen to launch a week of festivities organized by the Minister of Basic Education, that year, for Mandela’s birthday.

In 2018, the Ministry sought further infrastructural assistance support for the South African school system, in occasion of the 100th anniversary of the birth of Nelson Mandela.



The Michele Ferrero Entrepreneurial Project in South Africa again decided to renew its support to the Ministry, by committing to renovate and strengthen, in 2019, the sport facilities of the Laerskool De Deur primary school



The Michele Ferrero Entrepreneurial Project in South Africa again decided to renew its support to the Ministry, by committing to renovate and strengthen, in 2019, the sport facilities of the Laerskool De Deur primary school. This decision was made based on the outcomes of a baseline survey, on the priority infrastructural needs of 16 primary schools in the Walkerville area, that was undertaken jointly by the Michele Ferrero Entrepreneurial Project in South Africa and representatives of the Ministry.

Among its findings, the survey highlighted the absence of sport facilities in many inspected schools.

Laerskool De Deur primary school is about 12 km from the Ferrero plant. It is located in a peri-urban area and hosts about 1,200 pupils. Almost half of them benefit from the National School Nutrition Program that provides one nutritious meal to all learners in poorer primary and secondary schools. The program also teaches learners and parents how to lead a healthy lifestyle. This is particularly important in a country where, according to recent surveys, only about 50% of children get enough physical activity and where obesity levels of children and adolescents have reached levels similar to those seen in American children.

Laerskool De Deur primary school is equipped with some basic sport facilities and wide open spaces (green fields and a big paved courtyard). The Michele Ferrero Entrepreneurial Project in South Africa will upgrade its sport facilities by setting up a proper sports center that will also be made accessible to pupils of other schools in the area who, at present, do not have use of any sports facility at all. The new sports center will comprise of a football field equipped with a modern irrigation system; bleachers covered with canopies and a changing room with showers and toilets for the pupils.



CAMEROON

Contributing to continue extending access to quality education by upgrading pre-school and primary school facilities

According to recent sector studies, in the last few years, Cameroon made good progress with respect to increasing access to, and completion of, primary education. However, enrollment and completion rates are still below what is needed to attain universal primary education and pre-school coverage is low, with significant variation in quality.

Poor quality of basic education and inadequate sector financing are some of the reasons cited for this situation. In addition to it, the recent influx of refugees (about 250,000 from the Central African Republic (CAR) and 90,000 from Nigeria), and the presence of approximately 240,000 internally displaced people, including school-age children, in the East and northern regions of the country, has exacerbated existing inequalities with regard to access to education.

Such inequalities become particularly visible when looking at physical infrastructure needs of schools in different parts of the country. Adequate classroom space, decent, hygienic facilities, laboratories and equipment are in fact crucial elements of learning environments. There is strong evidence that quality infrastructure facilitates better instruction, improves pupils' outcomes, and reduces dropout rates, among other benefits.

Keeping this in mind, the Michele Ferrero Entrepreneurial Project in Cameroon has focused its social and humanitarian initiatives on supporting the efforts of local government's educational authorities to upgrade pre-school and primary school facilities.

In 2014, a new school block at the Cité Verte nursery school at Yaoundé was built and the entire premises of the school were renovated. In 2016 new classes for pupils were built at the Gado-Badzere refugee camp, on the border with CAR. The camp hosts thousands of people, most of whom took refuge in Cameroon to escape the war raging in CAR. Among them were over 2,000 children, half of whom could not attend compulsory schooling.

In the future, the Michele Ferrero Entrepreneurial Project in Cameroon plans to continue strengthening such action in the country by entirely renovating the "Camp sonel d'Essos" pre-school and primary school complex at Yaoundé. The scope of the project will be to provide a safer, hygienic and more adequate educational environment to the pupils and teachers of this school by also building a completely new school block.



In 2014, a new school block at the Cité Verte nursery school at Yaoundé was built and the entire premises of the school were renovated





KINDER + SPORT

Kinder + Sport Joy of Moving is our international Social Responsibility Project. Created to bring the joy of movement into the life of every child, the program promotes physical activity and an active lifestyle among children and their families in an easy, engaging and joyful way.

The initiative is inspired by the innovative and science-based educational method “Joy of Moving”; an approach founded on extensive academic research and field experimentation, specifically designed for children and based on games and playing.



KINDER + SPORT FULL YEAR RESULTS 2017/2018

34

Countries

127

Federations and associations

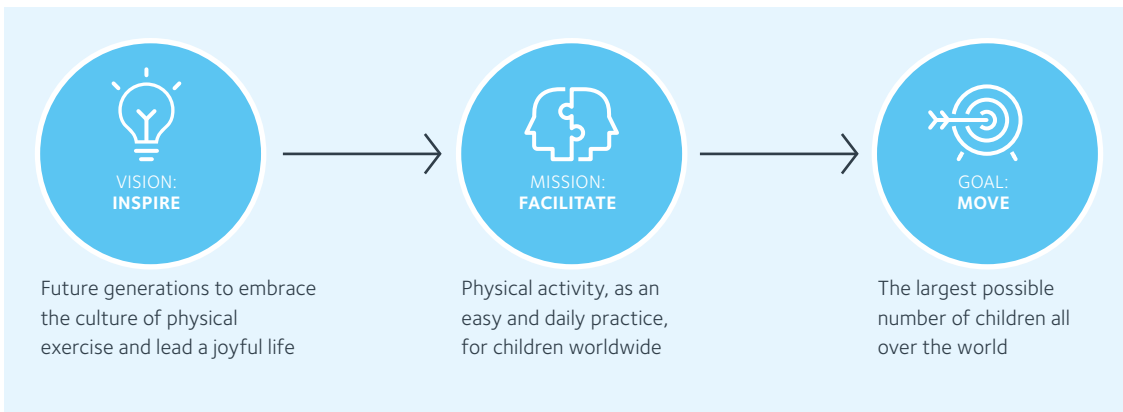
4.4m

Children moved

€11.2m

Total investment





Given that fun and movement have no boundaries, the “Joy of Moving” method introduces a new approach to physical activity, aimed to enhance and ensure the joyful side of fitness and exercise.

Since 2005, when it was first launched, Kinder + Sport Joy of Moving has inspired and positively affected millions of children worldwide; it has also been part of our Group’s Social Responsibility program since its launch in 2013. The project currently involves more than 4 million children, aged 4 to 14, from 34 different countries. For over 13 years, the project has become increasingly successful, attesting to the Company’s commitment towards the well-being of the younger generation. A passion for movement, play and friendship is at the heart of the program, which is now available across the globe in cooperation with accredited partners and experts: government institutions, four Olympic committees, 127 sport federations, associations such as the renowned ISF (International School Sport Federation), ministries and universities – all with the goal of promoting the joy of an active lifestyle for young people.

In light of its outstanding results, the Kinder + Sport Joy of Moving program will continue consolidating its activities, with the aim of increasing not only the time dedicated to physical activity by children and teenagers but also the quality of this time; all this will be implemented following a very clear Vision, Mission and Goal.

GLOBAL RESULTS 2017/2018

The latest global results for the Kinder + Sport Joy of Moving project confirm once again the growing success of the initiative: 34 active countries were involved, together with 127 local Federations. 4.4 million children took part in the program’s activities (physical education programs, sports events, student championships, multidisciplinary camps), thus helping to push forward the project’s ultimate goal: to promote a healthier and happier lifestyle through a joyful approach to movement and physical activity.

Thanks to an €11.2 million overall investment, several different activities and events were organized for the children and their families.

There were two especially important initiatives with the goal of implementing the Joy of Moving methodology globally, in order to reinforce the physical education offer through a science-based activity:

- In Brazil, 120 teachers in the Mias Gerais district were trained in the Joy of Moving method, making Brazil the second country, after Italy, to officially endorse and promote the methodology in school with the objective to expand in the following years.
- A new, important partnership was established with Costa Cruises to bring the Joy of Moving to all children on board the Costa ships, engaging boys and girls in a variety of games designed to encourage movement and creativity.

Thanks to these and many other activities, the Kinder + Sport Joy of Moving method delighted countless boys and girls while allowing them to develop their physical, emotional and creative skills.



The project’s ultimate goal is to promote a healthier and happier lifestyle through a joyful approach to movement and physical activity



Children, aged 4 to 14, involved in the Kinder + Sport Joy of Moving project

4.4 million



KINDER + SPORT

CONTINUED

STRENGTHENING OUR APPROACH TO SOCIAL RESPONSIBILITY

GUIDELINES FOR SOCIAL RESPONSIBILITY IN OUR EXPANDING PROGRAM

Aware that an active way of life is fundamental for the healthy development of children, Kinder + Sport Joy of Moving intends to strengthen its actions by expanding the process of responsibility started in the past years.

These are the five guidelines for responsibility that the program adopts in all its operating countries:

1. CLEAR RULES

Kinder + Sport Joy of Moving observes clear rules and shared procedures at all levels in order to guarantee consistent project implementation and responsibility. Tools such as the “Kinder + Sport Joy of Moving Decalogue” and the “Brand book”, with the addition of the “PR Manual”, define and regulate all aspects of the project to ensure transparency and continuity.

2. SOLID PARTNERSHIPS

The main activities carried out by Kinder + Sport Joy of Moving stem from the collaboration with national and international partners, reliable institutions with established expertise in the field of sports education. Special attention was dedicated to consolidating our partnership with the ISF, a true point of reference for school-level sports throughout the world. Globally, Kinder + Sport Joy of Moving collaborates with four Olympic committees and 127 international sports federations and associations.



The idea behind the Kinder + Sport program is to promote an active lifestyle, and not just a single sport. For us, it's important that all children, regardless of where they live or what their family's financial means are, get to discover with us the joy and fulfillment that being active can provide!”

Enrico Bottero
General Manager Ferrero Polska Commercial

3. EDUCATIONAL APPROACH

Kinder + Sport Joy of Moving has placed education at the forefront of its mission, in order to help children grow by developing their awareness of the most important values in sports and in life, such as honesty, friendship, integration and trust. It was during the Expo Milano 2015, together with our partners CONI and MIUR, that Kinder + Sport presented the innovative method known as Joy of Moving, a motor skills and physical education program for children that is centered around playing games. At the same time, the “Manifesto” was also introduced, promoting the principles of the Kinder + Sport Joy of Moving program. The “Manifesto” supports its global dissemination through a petition which to date has been signed by over 86,000 people, including leading institutional representatives and sports personalities.

4. “GLOCAL” DEVELOPMENT

Spreading the program in different countries according to their local customs and traditions goes hand in hand with an overall global approach that is consistent with the underlying objectives and founding principles of the program.

5. MEASURING PERFORMANCE

An articulated monitoring program is adopted globally for an effective and on-going evaluation of the many different results achieved by the project.

The Kinder + Sport Joy of Moving program also continues to encourage the responsible promotion of physical exercise within our company, influencing our corporate culture: it allows employees to actively change not only in their personal lives, but also by setting an example for their families and friends. The international nature of the Kinder + Sport Joy of Moving program has been expressed through special initiatives for employees in many countries such as France, the UK and Argentina.





Kinder + Sport Joy of Moving collaborates with four Olympic committees and

127

international sports federations and associations



People that signed a petition to support the "Manifesto" global dissemination to date

86,000

KINDER + SPORT

CONTINUED

THE 5 GUIDELINES FOR RESPONSIBILITY



1

CLEAR RULES

Kinder + Sport Joy of Moving follows strict guidelines and procedures that are globally recognized.

2

SOLID PARTNERSHIPS

Kinder + Sport Joy of Moving operates in collaboration with expert partners and authoritative testimonials.



3

EDUCATIONAL APPROACH

Kinder + Sport Joy of Moving helps children to absorb and embrace the essential values and ideals of sports and life in general.



4

GLOCAL DEVELOPMENT

Kinder + Sport Joy of Moving has a standard world format, but single initiatives are tailored to suit local customs.



5

MEASURING PERFORMANCE

Kinder + Sport Joy of Moving adopts a sophisticated global monitoring program to enable the constant evaluation of its results.





THE JOY OF MOVING APPROACH AND THE RIGHT TO PLAY

Children are our main reference point. They are curious, creative and have great imagination. They love to experiment, to discover and be surprised. They are quick to learn and always look for new incentives.

Kids are our future, which is why the Kinder + Sport Joy of Moving program strongly believes that a happy child today will be a better adult tomorrow. And that's why the approach underlying all of the project's activities is focused on fun. Playing develops intellectual, creative and problem-solving skills, imagination, the ability to relate to others, movement and coordination – especially manual dexterity – discovery and learning. And, above all, playing is an essential element of children's lives and it is one of their basic fundamental rights.



A better child today will be a better adult tomorrow. This is the ultimate purpose of Joy of Moving: to make the young generations aware of the importance of a more active lifestyle, in order to transform physical movement into a common, everyday practice.

This is the basis for a healthy life, as well as a great support in preventing non-transmittable diseases, and it can be achieved just by using simple methodologies, applicable without major efforts in terms of infrastructures, and based on non-competitive activities which are always supported by fun and the joy of playing and being together."

Alessandro Nervegna
General Manager Ferrero Brazil



The Joy of Moving program strongly believes that a happy child today will be a better adult tomorrow. And that's why the approach underlying all of the project's activities is focused on fun



Joy of Moving contributes to achieving both the WHO targets on NCD and the EU Platform's strategy on nutrition, overweight and obesity-related health issues

Children's right to play: the United Nations and the 2030 Agenda for Sustainable Development

Children's right to play is specifically recognized by article 31 of the United Nations Convention on Children's Rights (Resolution 44/25 of 20 November 1989).

- States Parties recognize the right of the child to rest and leisure, to engage in play and recreational activities appropriate to the age of the child and to participate freely in cultural life and the arts.
- States Parties shall respect and promote the right of the child to participate fully in cultural and artistic life and shall encourage the provision of appropriate and equal opportunities for cultural, artistic, recreational and leisure activity.

Kinder + Sport Joy of Moving promotes physical activity

In line with the WHO NCD Targets for 2025, in particular n.3 calling for "A 10% relative reduction in prevalence of insufficient physical activity" and n.7 calling to "Halt the rise in diabetes & obesity", we have been expanding and promoting the Kinder + Sport Joy of Moving project as a pillar of our Corporate Social Responsibility.

This commitment falls under one of the four key areas for action included in the "EU platform for action on diet, physical activity and health": the promotion of healthy lifestyles, responding to the Commission's 2007 "Strategy on nutrition, overweight and obesity-related health issues". By emphasizing a healthy diet and regular physical activity, Joy of Moving contributes to achieving both the WHO targets on Non-communicable diseases (NCD) and the EU Platform's strategy on nutrition, overweight and obesity-related health issues.



KINDER + SPORT

CONTINUED

OUR RULES

To ensure the universal value of the program, Kinder + Sport Joy of Moving has developed an approach based on binding rules.

RESPONSIBLE

Kinder + Sport Joy of Moving is a Social Responsibility project that respects children, their families and their communities.

GLOBAL

The program is proactive worldwide, in cooperation with local institutions as well as national and international sports federations.

CONSISTENT

It has the specific and consistent goal of encouraging the younger generations to embrace an active and healthy lifestyle.

EDUCATIONAL

It teaches children to socialize, integrate and trust themselves.

MULTIDISCIPLINARY

It is based on a variety of activities, popular sports and active games. It is never violent or aggressive, never gender exclusive, and always family friendly.

ON THE FIELD

The program runs in local communities with the aim of incorporating physical activity into the daily lives of families.

FULL VALUE

It instills the true values of sportsmanship, following the good examples set by positive role models and sporting champions.

NOT COMMERCIAL

It is absolutely non-commercial and not geared towards profit.

UNIQUE

It is globally recognized for its clear identity and unique approach to sports.

CLOSE TO THE PEOPLE

It is capable of involving and engaging a large number of people.

THE JOY OF MOVING METHOD

THE JOY OF MOVING: A PRACTICE FOR THE CITIZENS OF TOMORROW

Together with Rome's "Foro Italico" University, the MIUR (Italian Ministry of Education, Universities and Research) Piedmont Regional Office of Education and the Italian National Olympic Committee (CONI), Kinder + Sport Joy of Moving has developed an innovative educational model, based on games and movement and dedicated to the all-round growth of children. The Joy of Moving method is based on games created to promote the physical, cognitive and social development of our children, and to increase their life skills.

The Joy of Moving method was conceived by Caterina Pesce, associate professor in Sport Sciences under the department of Human and Sport's Movement of the University "Foro Italico" of Rome. It took three years of research and experimentation, starting in 2012 at the Village Lab with over 1,000 kindergarten and primary school children from Alba. Since then, through data validated by an International Scientific Committee, it has proven to be effective in the physical, cognitive, emotional and social development of children, converting scientific evidence into replicable good practices. The didactics manual drew on the experience of the Joy of Moving research, which was also introduced on an international scale during Expo Milano 2015.

The method

Joy of Moving is an innovative method that centers on the child and the variability of its practice. Its goal is the development of the body's movement and of the life abilities of citizens through children's innate joy of moving.

The four pillars on which the method is based are physical fitness, motor coordination, cognitive functions and creativity, and life skills. It's important to know that the program promotes a fun and non-competitive approach to physical activity, enabling kids, including those with disabilities, to participate in both cognitive and physical activities without any of the anxieties that some children experience during competitive sporting practice.



The Joy of Moving method has proven to be effective in the physical, cognitive, emotional and social development of children



The Joy of Moving method has been evaluated as an entirely new educational model in sports, different to all previous examples. Thanks to the model's comprehensive features and the authoritative international network of its Scientific Committee, it can be replicated in partnership with local Federations and Institutions, in schools and government programs across different countries.

The manual

The Joy of Moving teaching method created by Caterina Pesce from Rome's University Foro Italico, is described in detail in the manual "Joy of Moving. MoveMents & ImaginACtion. Playing with variability to promote motor, cognitive and citizen development" (published by Calzetti Mariucci in 2015 and curated by Caterina Pesce, Rosalba Marchetti, Anna Motta and Mario Bellucci). This didactic tool is therefore now available to institutional, sports and private players, in particular physical education teachers in kindergartens and primary schools; it is also available to be shared and applied at international level in collaboration with multiple private and institutional partners. The Joy of Moving manual, which can also be purchased online, includes first a theoretical section describing its philosophy, methodology and practical approach, followed by 80 different motor skill games divided into the four pillars of development: physical efficiency, motor coordination, cognitive development and life ability. Thanks to its success, it is now not only available in Italian, but also in English and German, as well as online at: www.joyofmovinghandbook.com

The method and the Italian institutions

To provide continuity and give further value to the educational format following the conclusion of the Universal Exhibition Expo Milano 2015, Ferrero Group, MIUR and CONI signed a joint Memorandum of Understanding to promote the development of good educational practices for a better lifestyle in schools (Rome, December 2015).

During the 2016/2017 school year, 1,000 primary schools that had visited Expo participated in the educational play project *Vivi la Joy of Moving* ("Experience the Joy of Moving"), in order to test its method and adaptability, feasibility and replicability within Italian public schools. The success of the Joy of Moving experience has led to a closer collaboration with the institutions. This is why the same players from the first 2015 regional agreement protocol met once again, at the end of 2017, to continue their collaboration through the signature of a new protocol that recognizes the Village of Alba as a "permanent testing and research-action laboratory focusing on shared interests, tied to the necessities of schools and their related sport organizations, with the purpose of turning scientific evidence into good and replicable educational practices, based on the uniqueness and innovative features of the Joy of Moving program".



KINDER + SPORT

CONTINUED

Joy of Moving training in Brazil and the UK

The Joy of Moving method is now internationally recognized: more and more, Kinder + Sport Joy of Moving trainers are spreading this innovative method globally, inspiring the desire for moving in the name of joy and fun. Two examples are the activities carried out in Brazil and the UK.

In Brazil, from October 2nd to 3rd 2018, the implementation of the Joy of Moving program began in Poços de Caldas. Four Italian specialists, members of the Kinder + Sport Joy of Moving team, together with several Brazilian university professors, trained 120 teachers from the city's public educational network.

The program also supplied teaching materials for the schools in Poços de Caldas, already translated into Portuguese; these included the explanatory guide, practical manuals with activity orientation, explanatory booklets for children and their families, forms that let children make their own fun assessments, and posters to be placed in the schools' classrooms, with blank spaces so that they can be completed creatively. Moreover, the program provides a link to the online e-learning platform, www.joyofmovingeducation.com, which is being adapted to Portuguese. Brazil is the first country after Italy to receive full training in the Joy of Moving method. The method will be applied, initially, in Poços de Caldas (MG), where our factory is located and where we launched the Kinder + Sport Joy of Moving program two years ago – but the big goal is to extend the project to other cities in Minas Gerais up to 2020. In the UK, the Kinder + Sport Joy of Moving team has been continuing to teach the Joy of Moving method within the Move and Learn project. At the end of October, the Joy of Moving specialists undertook theoretical and practical training sessions for a group of football instructors. The goal was to train them in the Joy of Moving method so that children can benefit from it when playing football.

VILLAGE LAB AS A RESEARCH CENTER AND INNOVATION LAB

Alba's Village Lab is a sports research center promoting innovation and education in the field of motor sciences. It is a 20,000 m² sports facility, including seven sports fields, which hosts a modern research center, rigorously and expertly organized by a Scientific Committee that establishes its targets.

Village Lab trains its instructors through one of the most advanced and sophisticated training programs of its kind ever, and represents a model of education in motor activities which is suitable for all, especially children and their families, attracting around 3,500 attendees on a weekly basis. This number includes children from Alba schools who attend the lessons of the ministerial program where the Joy of Moving method is applied in practice, as well as athletes from the local sports clubs, high school students, and a range of fitness and movement enthusiasts.

After its birth as a pilot project in Alba in 2012, Village Lab has now become a multifunctional, successful model with unique and sustainable features that make it replicable in different geographic areas and cultures.

In fact, the Kinder + Sport Joy of Moving model was also launched in order to export this educational approach worldwide: in 2015, the Village Lab team started exporting its method to France, India, Mexico, Brazil and the UK. In 2017, the Kinder + Sport Joy of Moving program reached Australia, a significant milestone. Thanks to the signing of a Memorandum of Understanding between Ferrero Australia and Deakin University in Melbourne, since 2018 a research program based on the Joy of Moving method has commenced in Australian primary schools; once the research is completed, the Joy of Moving program will be evaluated for its effectiveness in involving children in physical activity and improving their physical fitness, as well as for its potential to improve motor, social and cognitive functions.



Attendees attracted by Alba's Village Lab on a weekly basis

3,500



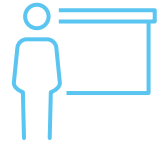


Village Lab Alba: promoting new research related to multi-sport training

The Kinder + Sport Joy of Moving method promotes the individual development of each child through multiple objectives (the so-called “whole-child” development). To verify and analyze the program’s long-term effectiveness, we have entrusted the Department of Sciences of the Human Movement and Sport at the University of Rome “Foro Italico” to carry out a research project, “Diversification in educational sports: intervention study on the effectiveness of multi-sport Physical Education”. The sample group for the research includes half of the five classes in Alba schools that are participating in the project – about 100 children in all.

These classes are now participating in the multi-sport Physical Education program after being among the first to test first-hand the Joy of Moving model; the other half of the sample group is made up of classes that have undergone a three-year period of traditional Physical Education.

In order to complete the crossover design, two subgroups of control classes were created; these did not carry out any multi-sport program, nor participated in any Physical Education project with the Joy of Moving method in the previous three years. In the 2016/2017 school year, data was collected from seven classes (four experimental and three control groups). In 2017/2018, the second year of data collection, analysis of four experimental and four control classes was completed. The results of the research were made available in December 2018.



Number of classes from where data were collected in the 2017/2018 school year

8



K+S Village in Alba



KINDER + SPORT

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Sundays at the Village

Now in its fourth year of activity, the Sundays at the Village are open-doors meetings dedicated to families; they have the opportunity to take part in games and sports, living new, memorable experiences together thanks to the many different activities organized during the meetings.

In the seven events of the season, the activities were carried out following a well-established schedule, enriched with some new features. As usual, in the early part of the afternoon children and parents could play together, participating in games and sports arranged by the Village team; this was followed by special activities, different for children and grown-ups. From tennis to badminton, from dance to rugby, from traditional ballgames to cycling, bocce, judo, football and karate, the young "Sunday athletes" could also try out unusual or less practiced sports, with the aim of stimulating their curiosity and bringing them closer to sports through play and fun. Adults, on the other hand, were able to "field test" several different fitness lessons in the Village's activity schedule – including Pilates, Latin fit dance, and cross training – and also engage with children in small skill challenges.

The initiative has been increasingly successful, attracting an ever-growing number of participants; because the Joy of Moving is multiplied when it is experienced by young and old together.



My children appreciate the Village + Sport activities, proving that the variety of elements provided by the method is highly compelling and effective. Furthermore, the trainers' kindness and dedication make children feel safe in a place other than home."

Paola Marchisio

Mother of Marta and Ernesto, engaged in the Village + Sport activities

Summer camp experience

For years, Kinder + Sport Joy of Moving has been enlivening the summer of many children in different countries. Indeed, the innovative Joy of Moving method inspires all the events at the Summer Camps, where children and young people are encouraged to develop their motor activities together with their cognitive and social skills.

In 2018, different camps were held in distant countries with a rich and varied calendar of games and events – yet the principles remained the same. Many activities were organized over the summer in Italy and Luxembourg: these included dedicated days and week-long summer camps, all in the name of movement and play and in the spirit of Joy of Moving. In Italy, over 600 children aged 9 to 12 took part in the five weeks of Day Camp, the tenth edition of Alba Village's summer event. For the second year, Luxembourg children also joined the Summer Camp, a program full of activities set in the beautiful surroundings of La Bresse, in the French Vosges, a town that has turned sports holidays into its vocation. From kayaking to archery and climbing, there are countless activities for attendees, especially those who enjoy the alpine environment. La Bresse is actually immersed in the Ballon des Vosges Regional Park, an area that encourages outdoor life and the alpine lifestyle. The program has many nature outings, including trips to mountain pastures and farms, where animals can be observed and the secrets of traditional activities learnt.

Joy kids moving

The class that Village Lab dedicates to 2-3 year-olds and their parents is a chance to play and move together, sharing experiences and emotions.

The initiative was created to stimulate children's motor, cognitive and interpersonal skills, through a program that combines games and movement according to the Kinder + Sport Joy of Moving model, adapted to the needs and way of learning and perceiving the world of younger children. By playing, imagining and moving together it is possible to activate and strengthen relationships with children, at the same time learning to recognize and manage emotions and acquiring useful expertise to apply this experience in everyday life, thus growing together.





Left:
Joy Kids Moving
at the Village

Right:
Kinder + Sport Joy
of Moving in USA



In Italy, over **600** children aged **9 to 12** took part in the five weeks of Day Camp, the tenth edition of Alba Village's summer event in Italy

600+



The Village instructors become CONI trainers

The Village Lab trainers, professionals who graduated in Sport Sciences and experts in the Joy of Moving method, are now also trainers of the Regional School of Sport, CONI's organism to support the world of sports in the professional update and training of technical, organizational and administrative employees. A long-standing partner of the Village in the research and experimentation connected with the Joy of Moving method, CONI asked the Village trainers to add a new element to their skills. In their new role as trainers, staff have already held a class for kindergarten and primary school teachers, and in the future will instruct more educators on the Joy of Moving method and other technical aspects in the practice of sports.

Joy of Moving lands in America

Kinder + Sport Joy of Moving was the subject of a presentation of CSR initiatives related to movement at the European Embassies Open Day in Washington.

In this prestigious American institutional context, the Kinder + Sport project and the Joy of Moving method contributed to enliven two quite different days, both stressing the importance of sports and the pleasure of practicing it. The first session was dedicated to the values of movement and an active lifestyle, in particular amongst children: Ferrero USA introduced its Corporate Social Responsibility initiatives and, in particular, the Joy of Moving method. A practical demonstration of the method's movement games occurred at the EU Open House Day, in which the Italian Embassy in Washington, together with the other 27 Embassies of the European Union Member States, opened its doors to the public, becoming a showcase for Italian culture, history and traditions.



KINDER + SPORT

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KINDER + SPORT JOY OF MOVING ON BOARD THE COSTA CRUISES FLEET

Kinder + Sport Joy of Moving and Costa Cruises began a new collaboration based on shared values to bring Joy of Moving and the right to play into the life of every child.

Kinder + Sport Joy of Moving and Costa Cruises have started a pilot project to promote the Joy of Moving method in a context of entertainment and happiness, focusing on children's right to play, in line with the principles of the UN Declaration of the Rights of the Child, and reinforcing the common objective of sustainable development.

After the conclusion of the pilot project, taking Joy of Moving on board the Costa Diadema for the first time, we aim to extend the project to most of Costa Cruises' fleet. It will be implemented inside the Squok Club, the on board space dedicated to children that every day offers an extraordinary variety of games to stimulate movement. The entertainers of the Squok Club have directly participated in a specific training program with specialized Kinder + Sport Joy of Moving trainers at the Village Lab in Alba, which led to a sharing of methodology expertise.



Ferrero and Costa are two companies highly involved in corporate social responsibility, promoting several projects and initiatives dedicated in particular to children. It is in this context that we have been able to verify a common approach, which not only focuses all educational activities on the child and their psychophysical well-being, but also aims at their overall growth through the activity which best represents and defines child development: playing."

Davide Tibaldi

Technical Coordinator of the Alba Village + Sport center



Kinder + Sport Joy of Moving and Costa Cruises have started a pilot project to promote the Joy of Moving method in a context of entertainment and happiness







KINDER + SPORT

CONTINUED

KINDER + SPORT JOY OF MOVING – PROGRAM FOR EMPLOYEES

KINDER + SPORT JOY OF MOVING DAYS

Since the first edition was organized in 2016 on our 70th anniversary, Kinder + Sport Joy of Moving Days have become an invaluable and irreplaceable event for our employees and their families. It is a highly anticipated occasion to meet and have fun outside of business, all in the spirit of an active and healthy way of living. The Kinder + Sport Joy of Moving Day is a unique opportunity to bring together colleagues and co-workers from different Business Units, and engage them in sports, games and other activities which are highly beneficial not only at an individual level, but also as team-building exercises.

Combining movement, fun and friendship has become a winning formula; its success not only helps in promoting the healthy lifestyle championed by the Joy of Moving method, it also has positive side-effects for our company, developing fruitful relations between the many Business Units involved. Which may be one of the reasons why so many countries are asking to replicate the event over the coming years.

LUXEMBOURG

Luxembourg celebrated the Kinder + Sport Joy of Moving Day on September 22nd. Over 1,000 employees and their families took part in this third edition of the initiative, engaging in a wide range of sports and activities throughout the entire day. It was also a chance to celebrate Kinder's 50th anniversary: several moments during the day offered a heartfelt and cheerful celebration of this historic milestone.

The Luxembourg employees were also involved in many other initiatives, all dedicated to the Joy of Moving. Colleagues and co-workers took part in recreational and sporting activities specifically organized for them, having fun and bonding with each other over a shared commitment to a healthy and active lifestyle.

On April 21st, over 350 of our employees, family and friends convened for an afternoon of sports and games at d'Coque, a sporting and cultural venue in Kirchberg. Dance, yoga, futsal, basketball, volleyball, ping pong and running were some of the activities organized by Ferrero Luxembourg.

Then on May 12th, employees from the Luxembourg, Italy and Arlon offices and their families took part for the second year in the ING night marathon, an annual event that this year attracted over 16,000 runners; the Ferrero Kinder + Sport Joy of Moving team included 70 runners who competed across the marathon, half marathon and team run. Perfect weather, beautiful locations, good food and sports were winning ingredients during the first Ferrero HQ Golf Discovery Day, which took place on September 1st. Over 100 aspiring golfers started the day with golf lessons provided by expert instructors; lunch was followed by a putting contest and more than 40 Ferrerians (and families) joined in, while a NUTELLA stand prepared crepes for everyone all day long. Finally, on November 10th, over 400 employees with their families and friends returned to the d'Coque sports center for a Kinder + Sport Joy of Moving event in the indoor arena. Here, different sports such as volleyball, basketball, badminton, running, or table tennis could be practiced, while children played and learnt in the Joy of Moving village.

CROATIA

On Thursday, September 13th, one of Croatia's most original and significant sports events took place in Zagreb: the B2B Run, a race where champions compete side to side with beginners. As the name suggests, the event is dedicated exclusively to the business community, involving workers from both the public and private sectors, divided into three categories: small, medium and large companies. Employees from different companies are grouped together in teams, thus helping to build a true team spirit. The aim of the initiative is to socialize through sport and create new relationships outside of the usual business environment. It also provides an exciting opportunity to enhance personal capabilities and have fun while enjoying the natural environment.

This year, 6,200 racers from 373 different companies took part in the 5 km race. It was a unique opportunity for Ferrero Croatia to take part in this event, which combines sports and fun in the same spirit as the Kinder + Sport Joy of Moving project. 17 racers from the Ferrero Croatia office took part in the actual race, while 10 more employees were in the cheering team. In all, 47% of our branch office was present at the race, as a testimony of our commitment to an event that embraces the same core values as the Kinder + Sport Joy of Moving initiative.

K+S Joy of Moving Day in Luxembourg



K+S Joy of Moving Day in Croatia







KINDER + SPORT

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K+S Joy of Moving
Day in Brazil



Participants who
enjoyed more than
30 different activities
in the world's biggest
Kinder + Sport Joy
of Moving Day held
in Brazil

30,000+

BRAZIL

On October 20th, the world's biggest Kinder + Sport Joy of Moving Day was held in Brazil. The event's most ambitious goal was the dissemination and internal promotion of our largest Social Responsibility program. It was the first time that we gathered employees from the São Paulo office and the Poços de Caldas factory to spend a day of great family fun together. With over eight hours of different activities for all ages, the Joy of Moving Day was highly successful.

The selected location for the event was the Fazenda Recanto Diegues, two hours away from São Paulo and Poços, an outstanding facility close to nature. The opening was attended by Olympic judo medallist Flavio Canto, one of the best and most respected Brazilian athletes.

Throughout the day, over 1,000 participants enjoyed more than 30 different activities such as human foosball, soap soccer, sack run, trampoline, bubble soccer, zumba, big volley, yoga, tree climbing and zipline. At the same time, attendees experienced first-hand many of the 80 different games that make up the Joy of Moving methodology.

Then it was time for competitions: several groups faced each other for half an hour, and the winners were awarded at the end of the event. At the closing ceremony, awards were also given to the two families with the most members attending, to the youngest child and to the best volunteers. But the highest point came at the end of the day, with an incredibly colorful closing party, allowing everyone to have fun and dance, experiencing the joy of being together.



The Kinder + Sport Day in Brazil was truly an incredible experience. For the very first time, the entire population, white and blue collar workers along with their families, joined for an entire day dedicated to movement, fun and the joy of being together."

Alessandro Nervegna
General Manager Ferrero Brazil



KINDER + SPORT

CONTINUED



Year when the ISF was founded

1972



The 35th edition of the Skiri Trophy XCountry has again brought to Val di Fiemme (Italy) an event that is more than just an international competition

A CONTINUING MOVEMENT PROGRAM IN THE WORLD

INTERNATIONAL ACTIVITIES

ISF: A COLLABORATION THAT MOVES THE WORLD

Aiming to promote an active lifestyle among the young generations, Kinder + Sport Joy of Moving operates through several partnerships established with different sports federations. One of its main partners is the ISF, founded in 1972 to encourage education through sport and thus create greater opportunities for growth and social interactions between teenagers.

Recognized by the International Olympic Committee (CIO), the ISF shares important values with our social responsibility program, such as mutual understanding, non-discrimination, social inclusion, gender equality, and a healthy lifestyle, which all help empower young people as citizens of the world.

Every year, ISF and Kinder + Sport Joy of Moving join to run a calendar of around 10 to 15 sports events in countries around the world. In 2018, these activities included educational games, basketball, football, volleyball, sambo, badminton, table tennis, cross-country, handball, athletics and winter games. The events were hosted in 11 different countries: Brazil, Czech Republic, France, Greece, India, Israel, Malta, Morocco, Qatar, Russia and Serbia.



With a shared commitment to the continued development of sport through education, the ISF and Kinder + Sport have consolidated a very successful partnership. Our calendar of events has greatly benefited from this collaboration, allowing us to organize increasingly large and professional events whilst expanding our reach as well as the total number of ISF events each year."

Laurent Petrynka
ISF president

INTERNATIONAL TROPHIES

KINDER + SPORT TENNIS TROPHY

Born in 2006 from an idea of tennis pro and Italian former champion Rita Grande in collaboration with Kinder + Sport Joy of Moving and local Tennis Federations, the Kinder + Sport Tennis Trophy is now in its second international edition, attracting a growing interest and bringing even more boys and girls closer to the culture of movement and the values of personal growth, sociability, integration and fairness.

What makes this competition really special and different from the others is that every match is played without umpires: the young athletes, aged 9 to 14, enjoy themselves and give their very best while being guided solely by a highly educational fair play code.

This year the tournament counted 2,100 participants from 11 countries: Austria, Bulgaria, Germany, Ireland, Israel, Italy, Luxembourg, Malta, Poland, Principality of Monaco and Hungary.

The final took place in October on the French Riviera, near the city of Biot, in the exclusive Mouratoglou Tennis Academy, where the children also had the opportunity to meet and get to know Patrick Mouratoglou, the internationally renowned French Greek tennis instructor and Serena Williams' coach since 2012.

SKIRI TROPHY XCOUNTRY

The 35th edition of the Skiri Trophy XCountry has again brought to Val di Fiemme (Italy) an event that is more than just an international competition. Indeed, it's an occasion to promote all Kinder + Sport Joy of Moving values: integration among participants, physical movement, learning and friendship, creating bonds that will last forever.

The Skiri Trophy, once known as Trofeo Topolino, was launched in 1983 by the Gruppo Sportivo di Fiemme as an event for young cross-country skiers. Four race categories were established, with classic cross-country rules: Baby (ages 8 to 9), Cuccioli (10 to 11), Ragazzi (12 to 13) and Allievi (over 13). The Trophy can be truly considered as an open junior world championship, and it is officially certified by the Italian Ski Federation. Every year the event attracts some of the greatest international names in cross-country skiing, making each edition a sporting feast of passion and solidarity.

Kinder + Sport
Tennis Trophy

Taking part in the Kinder + Sport Tennis Trophy has many advantages: first of all, as a promotional tournament, competitiveness is not extreme, making it much more fun. The competition is also proportionate according to one's level of skill, thus fostering one's self-esteem."

Rita Grande
Italian former tennis player

But this isn't only a cross-country championship: all young athletes can have fun in the Kinder + Sport Joy of Moving Village with a unique entertainment program, a beloved mascot and many activities directed by specialized trainers.

In 2018 the program was very rich: the first categories to race were the Baby and Cuccioli, followed by male and female skiers; then the Skiri Trophy Revival took place, a race that since 2008 has been bringing back the winners of past competitions, who are now adults.

This is a race with a strong and positive competitive spirit, where friendship, fun, integration and, of course, Joy of Moving are the keys to positive fun.

OPTIMIST MEETING OF RIVA DEL GARDA

This exclusive event for young sailors, reserved to the Optimist class and approved by the Italian Sailing Federation (FIV), has reached its 36th edition by celebrating the passion for nautical spirit and sharing the values of nature and sport.

Fraglia Vela Riva, the sailing club of Riva del Garda on the north shore of Lake Garda (Italy), has been organizing the event with the Associazione Italiana Classe Optimist; in 2012, it won the Guinness World Record for the largest sailing regatta of a single class with 1,055 participants; a figure that has actually since been exceeded.

In 2018, the event took place, as usual, during the Easter Week, attracting 1,400 sailors aged 9-15 from 33 countries, including Australia, Brazil, Canada, Denmark, Finland, Germany, Hungary, Italy, Norway, Poland, Russia, Sweden the United States and – for the first time – Japan and Mexico. Just as in 2017, the "Joy of Moving Trophy for FAIR-PLAY" was awarded this year in every category to young sailors who distinguished themselves with a fair and loyal gesture to one or more adversaries.



Participants attracted to the Kinder + Sport Tennis Trophy from 11 countries

2,100



KINDER + SPORT

CONTINUED

NATIONAL ACTIVITIES

KINDER + SPORT JOY OF MOVING IN BRAZIL

The implementation of the Joy of Moving method in Poços de Caldas, Brazil, was rolled-out by four Italian specialists, members of the Kinder + Sport Joy of Moving team, together with Brazilian University professors, who trained 137 teachers and assistants from the city's public educational network.

The program equipped the schools with all available teaching materials, translated into Portuguese, including an explanatory guide, practical manuals with activity orientation, explanatory booklets for children and their families, videos, and posters to be placed in the schools' classrooms, with blank spaces for kids to complete creatively. In addition, the program provides access to the online e-learning platform – www.joyofmovingeducation.com – which is being adapted into Portuguese. To date, over 9,000 children have already benefited from the Joy of Moving program.

Following Italy, Brazil is the first country to be fully trained in the Joy of Moving method, which will be initially assessed in Poços de Caldas (MG), where our factory is located and where we launched the Kinder + Sport Joy of Moving program two years ago.

Brazil is also the country where the world's biggest Kinder + Sport Joy of Moving Day was held: an event that has made history for our largest social responsibility program. Over 1,000 participants were able to enjoy more than 30 different and exciting sports activities and experience many of the 80 games included in the Joy of Moving program (please see the dedicated paragraph on page 107).



KINDER + SPORT JOY OF MOVING IN CROATIA, AND BOSNIA AND HERZEGOVINA

Youth Sports Games are the biggest amateur sports event in Europe. The competition aims to develop the fundamental values of tolerance, solidarity, friendship and fair play. In the last 22 years, the Games has gathered over 1,500,000 kids from primary and secondary schools across two countries – Croatia, Bosnia and Herzegovina – completely free of charge, to compete in 10 different sports. In 2018, the Games gathered over 61,400 young competitors in Croatia only.

Youth Sports Games are committed to build responsible individuals, who will constitute the foundation of society, through sport, education and strong media activities, while promoting a healthy lifestyle and positive social values among children and their parents. The organization strives to achieve this ambitious goal by connecting children and parents, businesses, local communities, the sports community and the media.

Kinder + Sport Joy of Moving and the Youth Sports Games started their journey together in 2010 by supporting the Street Basketball Tournament. The continuous support of Kinder + Sport Joy of Moving over the years enabled the basketball competition to grow into a series of well-organized tournaments. In fact, the format has earned the respect of the basketball community and become extremely popular with kids.

Kinder + Sport and the Youth Sports Game Street Basketball Tournament in Bosnia and Herzegovina



Children that have already benefited from the Joy of Moving program in Brazil

9,000+



This year, the Kinder + Sport basketball Cup was the highlight of the Youth Sports Games in Bosnia and Herzegovina: girls and boys competed in 34 towns around the country for a place at the finals in Sarajevo and Split. It was a unique opportunity to create unforgettable experiences and forge long-lasting friendships through sports, all while promoting solidarity, sustainability and an active lifestyle.

KINDER + SPORT JOY OF MOVING IN HONG KONG

The fifth Kinder + Sport Kidathon was held on January 13th at Hong Kong Tamar Park, welcoming 1,500 kids and parents with the aim of encouraging children to develop attitudes of persistence and perseverance through the enjoyment of physical sports. The event was attended by 1,500 kids and parents. Hong Kong athletes and celebrity parents also joined the run and inspired children to adopt an active lifestyle without the interference of electronic gadgets.

Ms. Stephanie Au, Hong Kong's Olympic swimmer, joined the day to share her tips on the #JoyOfMoving, and encouraged children to have fun in sports and outdoor activities. She said, "When participating in sports, you can have a lot of fun. At the same time, you can be exposed to good human qualities and sportsmanship".

This year's Kinder + Sport featured categories for kids aged 4-14, including: Kids' Fun Run, Kids' Relay and the main highlight, the Family Run. In addition to the race, the event included a variety of fun sporting game booths. The sporting game booths managed to attract many members of the public to come and have fun with their families. All registration fees were donated to our adopted charity, the "Sports for Youth Foundation". The donation this year totalled \$69,132 and will be spent on youth sporting development.



Kinder + Sport Kidathon
in Hong Kong



KINDER + SPORT

CONTINUED

KINDER + SPORT JOY OF MOVING IN TURKEY

Turkey's sports clubs are going through tough times. Among those most affected have been youth sports clubs. As expressed by Yesilgiresun Belediyespor basketball club President Kerim Aksu: "It isn't possible for the Anatolian clubs to survive given the current economic conditions. As a result, many clubs are withdrawing from the Turkish Basketball Super League, therefore cutting off Turkish youth from sports activities".

Ourselves and Kinder + Sport initiated a partnership with the Giresun Municipality, where the Yesilgiresun Belediyespor club is based, to address the growing challenges faced by Turkish youth sports leagues. The partnership included the hosting of a Yesilgiresun Belediyespor summer basketball youth camp running from July 26th to August 3rd, 2018. This is only one of countless cultural exchanges we have supported in Giresun, which, as well as being one of the centers of the Turkish hazelnut industry, is also a valued partner of ours due to its sister city status with Alba, Italy. The summer's basketball camp was our first sports-based engagement in Giresun.

As stated by Ferrero Turkey's Corporate Communications Director Yasemin Taskin, Alba and Giresun share many similarities and common interests that bring them closer while enabling them to learn from each other through the many "joint projects we are carrying out". The Kinder + Sport Joy of Moving involvement of Giresun's youth through basketball contributes to the future of Giresun and perfectly represents our "Produce, Create, Share" philosophy. The event's opening brought together the two partners, including Ms. Yasemin Taskin along with Deputy Mayor Murat Ersoy, visiting President Kerim Aksu, and Yavuz College Director Salih Yavus. Mayor Kerim Aksu thanked us for our on-going commitment – demonstrated by the camp but also by many other social, cultural, economic, and sports initiatives – underlining the importance of the sister city protocol.

The basketball camp lasted three weeks and was a great success, with over 100 participants between the ages of 8 and 12. It was supported by many extracurricular entertainment events and activities outside of the basketball court. At the camp, four coaches worked full-time with the youth-in-training. Ferrero Turkey's Corporate Communications Director Yasemin Taskin stated that "we strongly believe that there is so much that our two sister cities can learn from each other through projects like this, and we would like to continue our partnership in sports, arts, and culture."

KINDER + SPORT JOY OF MOVING IN POLAND

In Poland, year after year, more and more children and teenagers have been joining #TeamMoving by Kinder + Sport Joy of Moving. And even though each member of every unique team practices a different sport, they all share the same passion for an active and healthy lifestyle. At #TeamMoving we don't focus on contest and competition, but rather on the values of respect and fair play. There are actually no contestants at #TeamMoving, only friends who always support and cheer each other on.

As part of the Kinder + Sport Joy of Moving program, all children can develop their passion for sports while learning, among other things: team cooperation, put into practice during the all-Poland mini volleyball championship for the Kinder + Sport Cup, in collaboration with the Polish Volleyball Federation; responsibility, thanks to a nationwide cycle of Kinder + Sport Joy of Moving Optimist class sailing regattas organized with the Polish Sailing Association and the Polish Association of Optimist Class; regularity, by participating in swimming lessons conducted in nearly 50% of swimming pools throughout the country with the use of Kinder + Sport Joy of Moving sports equipment, or by learning the secrets of playing tennis with the assistance of professional coaches from the Polish Tennis Federation in as many as 61 tennis clubs in Poland; and finally, self-discipline, a basic requirement of cycling, as highlighted in the Kinder + Sport Joy of Moving Mini Tour de Pologne, Europe's largest children's bicycle parade, which takes place at the same time as the Tour de Pologne UCI World Tour cycling race.



Ferrero and Kinder + Sport initiated a partnership with the Giresun Municipality including the hosting of a Yesilgiresun Belediyespor summer basketball youth camp



The Kinder + Sport Joy of Moving Mini Tour de Pologne was Europe's largest children's bicycle parade



The Kinder + Sport Joy of Moving program enables the young Polish generation to see physical activity and sports as fun, so exercise becomes an integral part of everyday life, and children grow up to be active, healthy adults. It is therefore worth noting that Kinder + Sport Joy of Moving events are held all over Poland, and participation is completely free of charge for young participants. All Kinder + Sport Joy of Moving projects are under the honorary patronage of the Polish Ministry of Sport and Tourism.

KINDER + SPORT JOY OF MOVING IN ITALY

Kinder + Sport Joy of Moving in Italy confirms its commitment to promoting youth sports through its partnership with MIUR, CONI – involving 54 different sporting disciplines – and several Federations (volleyball, football, swimming, fencing, sailing, rowing, horse riding, tennis, badminton, table tennis).

Kinder + Sport Joy of Moving in Italy boasts impressive figures:

- it has supported physical activity for 1.4 million kids aged from 6 to 17, both in basic training and in competitive sports;
- it has taken part in 1,000 events organized by its partners all over the country, including competitions and promotional events;
- it has financially supported the production of 5,680 technical kits and over 200,000 sportswear kits.

Information on projects carried out in collaboration with our partners:

The Kinder + Sport Joy of Moving Italy sports promotion program is based on six school projects promoted and started by the Federations according to the MIUR protocols, and on the sports events that usually enliven the Federations' youth activities.

CONI (Italian National Olympic Committee)

The collaboration with the National Olympic Committee is at the heart of all local youth promotion activities supported by Kinder + Sport Joy of Moving. One of CONI's missions is to promote physical activity and direct young people towards sports through several local projects, notably the CONI centers and, in summer, the Educamps.

These activities involve thousands of sports clubs, providing educational and technical support to enhance normal extracurricular sports activities, and guiding children towards a multidisciplinary approach rather than specialization in a single discipline. The application of the Joy of Moving method, already introduced among the systems available for primary schools, is also part of this teaching and collaboration project.

The local projects are topped off by a great promotional event, the National Sports Day, where hundreds of thousands of families experiment and enjoy first-hand multiple sports experiences in over 100 Italian cities.

The Kinder + Sport Joy of Moving Trophy engages over 60,000 boys and girls aged from 11 to 13 all over Italy in 45 different sports disciplines; focusing on a multi-sports approach. This is a showcase and expression of youth sports promotion by the most prominent Italian sports institution.

FIT FIBA FITET "Class rackets"

Every year three sports – mini-tennis, badminton and table tennis – come together to promote sport in schools and for several years Kinder + Sport Joy of Moving has been supporting this important project, which is officially recognized by the Ministry of Education, Universities and Research. Every year this alliance involves over 600 primary school institutes, engaging over 150,000 children with the support of 1,000 teachers and technicians, and the distribution of more than 600 technical kits designed to bring kids closer to the three sports.

Every year, at the end of the program, a selection of schools and around 1,000 children meet again in Rome, on the occasion of the "Italian Open" tennis tournament held at the Foro Italico, to experience all social aspects of the initiative, which also involves disabled children.



Technical kit production that Kinder + Sport Joy of Moving in Italy has financially supported

2,800



KINDER + SPORT

CONTINUED



Bike training course at Kinder + Sport event in Germany

FIN (Federazione italiana nuoto/Italian Swimming Federation)

Swimming is one of the most important Federation partnerships, because of its unique qualities. Familiarity with water is one of the fundamental skills every human being should develop, even before attempting it as a structured sport. Kinder + Sport Joy of Moving has for years been closely involved with the basic activities promoted by FIN and the Federal Centers. After the fundamentals, the "Propaganda" sector aims at developing swimming skills in various disciplines with an approach more inspired by games and fun than competition. "Let's all get in the swimming pool" with Kinder + Sport Joy of Moving is the promotional program, involving over 100,000 boys and girls every year, where children come together at local and national level to take their "first strokes" in swimming, mini water polo, diving, synchronized swimming, salvage, with educational programs and child-friendly events designed for harmonious and joyful development.

Of course, Kinder + Sport Joy of Moving also supports sporting events where older children undertake a more competitive approach, such as the National Criteria championship, the regional and national trophies in various categories for junior swimmers under 14 and under 16.

These are only a few of the activities Kinder + Sport Joy of Moving is actively involved in. The many initiatives dedicated to football, sailing, fencing, rowing and horse riding as well as several youth winter events dedicated to alpine and cross-country skiing are also worthy of mention here.

KINDER + SPORT JOY OF MOVING IN FRANCE

Every year, Kinder + Sport Joy of Moving allows 670 French children, identified by the Secours Populaire Français or French Popular Relief (a non-profit organization dedicated to fighting poverty and discrimination), to enjoy a week-long vacation at Temple-sur-Lot (Lot-et-Garonne).

Supervised by a team of nearly 80 trainers and specialists, the young holidaymakers are provided on arrival with the sportswear and equipment to take part in the many activities offered on-site. Canoe-kayak, judo, mountain bike, sailing, rowing, swimming, basketball, badminton, paddling: these are just a few of the many sports that the children will have the opportunity of discovering in a 7-hectare sports complex with outstanding facilities.

Highlights include a weekly visit from a high-level sporting champion who is present for the whole day at the Kinder Village to share their passion for sport with the boys and girls and answer all their questions.



Boys and girls involved every year in Kinder + Sport Joy of Moving

100,000



And this year, as the French national team progressed through the FIFA World Cup, our young guests were eagerly supporting their favorite footballers until they were crowned champions of the world!

KINDER + SPORT JOY OF MOVING IN GERMANY

Ferrero Deutschland has extended its commitment for Kinder + Sport Joy of Moving by adding cycling to its recent successful initiatives. The “Kinder + Sport Joy of Moving mini tour” thus complements the two existing strategic pillars: the Deutsche Sportabzeichen tour (Sports Badge tour) in partnership with DOSB – the German Olympic Sports Confederation – and “Kinder + Sport Joy of Moving Basketball Academy”. The mini tour aims to make children and teenagers passionate about cycling and promote the Joy of Moving method.

During two renowned German bike events – the Eschborn-Frankfurt classic race and the Deutschland Tour – the “Kinder + Sport Joy of Moving mini tour” offered three exciting activities for children. The first was a bike training course, open to children during the entire day: here, they were able to test and improve their cycling skills. The second activity concerned the youngest cyclists: in a balance bike race, children between two and five years really felt just like adults on the last meters of the racing course. The third activity and special highlight of the tour was the final Bike Parade: six to 12-year-old children were able to ride their bikes over the last round on the original course and be cheered on, just like professional cyclists, by supporters surrounding the race track. Former racing cyclist Jens Voigt is a keen supporter of the “Kinder + Sport mini tour”, following all activities and providing the children with cycling tips for beginners and basic advice for safe cycling.

KINDER + SPORT JOY OF MOVING IN SPAIN

The Kinder + Sport Joy of Moving project was launched in Spain and Portugal in 2006 with the aim of promoting physical exercise and sports among children and teenagers as part of an educational process alongside healthy and balanced eating habits. Practicing sports plays an essential role in the growth of children, as it contributes to their cognitive, emotional and physical development while teaching them positive values.

In Spain, Kinder + Sport Joy of Moving is an official sponsor and supplier of the Real Federación Española de Voleibol (Royal Spanish Volleyball Federation), the Real Federación Española de Atletismo (Royal Spanish Athletics Federation) and the Fundación Ecomar (the non-profit organization chaired by former Spanish Olympic sailor Theresa Zabell, dedicated to educating children and teenagers practicing water sports to care about the environment). Furthermore, the Club Kinder + Sport initiative has been recently launched with the aim of reaching all those children and teenagers who are part of the Joy of Moving program within various sports federations, as well as their families and friends: the initiative strengthens the sense of belonging to the Kinder + Sport Joy of Moving global project and helps the young athletes’ parents with tickets to events organized by the Federations, discounts on sports kits at well-known sports shops, and outdoor family activities.

KINDER + SPORT JOY OF MOVING IN PORTUGAL

The Kinder + Sport Joy of Moving project promotes sports that are highly educational, provide opportunities for training and exercise, and can be implemented at school level, such as volleyball, athletics and sailing. The project supports many different initiatives launched by local Federations and Foundations to advance the value of teamwork for the younger generation. To this end, Kinder + Sport Joy of Moving has established partnership agreements with various sports federations and other organizations that encourage sport in schools through different programs during the course of the year.

This is why Kinder + Sport Joy of Moving is an official sponsor and supplier of the Federação Portuguesa de Voleibol (Portuguese Volleyball Federation), the Federação Portuguesa de B\u00e1squet (Portuguese Basketball Federation) and the Funda\u00e7\u00e3o Ecomar. Our collaboration with the Federa\u00e7\u00e3o Portuguesa de Voleibol has grown year after year as a result of its school programs, which are spreading all across Portugal; thanks to Kinder + Sport Joy of Moving, over 155,000 Portuguese children and teenagers have now been introduced to this popular sport.



Portuguese children and teenagers that have now been introduced to the popular sport of volleyball thanks to Kinder + Sport Joy of Moving

155,000



KINDER + SPORT

CONTINUED



Kinder + Sport Joy of Moving in UK

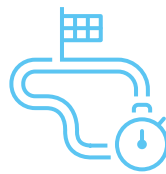
JOY OF MOVING FESTIVALS IN THE UK

In 2017/2018, nearly 70,000 children in the UK were able to exercise and work out through Kinder + Sport Joy of Moving initiatives.

First of all, Ferrero UK launched the Joy of Moving Festivals in partnership with the English Football League Trust (EFLT). Taking place in over 710 schools during the summer term, the fun-packed half and full day events encouraged 20,000 children of all ages and abilities to enjoy movement through physical activities inspired by the Joy of Moving method.

Kinder + Sport Joy of Moving's partners at the EFLT were invited to the Village Lab research center in Alba to learn about our unique methodology and its replicability. Kinder + Sport Joy of Moving also held a development day in the UK with over 30 clubs being trained by the Joy of Moving global experts Davide and Diego.

Finally, UK's hero project, Joy of Moving Move & Learn, now in its fifth year, has gained a large following. Thanks to the support of expert partners and local community club organizations, the six-week program has provided each child with nine hours of teaching on nutrition, hydration and the importance of physical activity, while also inspiring them to move and stay active through the Joy of Moving method.



Children in UK that were able to exercise and work out through Kinder + Sport Joy of Moving initiatives

70,000

in 2017/2018









OUR VALUE CHAIN

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

Create	122
Choose	126
Make	178
Store and Deliver	194
You	196



For more information visit:
www.ferrerocsr.com

1. CREATE

CREATING OUR PACKAGING



We are so proud of our precious product. So beautiful, so tasty, so delicate.



We must ensure that its soft heart and its crispy shell arrive fresh and intact to our consumers!



Fortunately, our designers know how to overcome this challenge.



The cardboard box protects the product from any damage that might happen during transport and storage.



It also allows our consumers to transport it comfortably home and to protect it until it's ready to be consumed.



The plastic sleeve preserves the freshness of the product ensuring that it reaches our consumers just as we created it.



It also allows our consumers to have the right portion for a balanced snack or for sharing.



BUT IS IT REALLY THAT SIMPLE?

SAFETY AND QUALITY FIRST

We believe our product and our consumer come first. That consumer safety and satisfaction are the most important things.

This is why our packaging complies with stringent hygiene and safety standards.

Packaging must protect our products from external agents!

Depending on the type of product, packaging is a barrier to smells, oxygen, humidity, light, preventing these agents from passing.

This type of control serves to guarantee the right shelf life of the product, ensuring that it reaches the consumer with the same precious organoleptic characteristics with which it was conceived, even in places with very different climatic conditions.

The packaging material must comply with the regulations of all the countries where our products are sold.

To solve this problem, typical of a global company, we have a policy to comply with the most stringent legislation. This approach is aimed at guaranteeing the same degree of attention to consumers everywhere (consumer safety). The regulations ensure that the material is safe for the consumer and that no type of chemical agent or processing residue will pass from the packaging to the product. This is why it is important for us to comply with the most stringent and updated legislation.

The packaging material must have specific mechanical characteristics

This allows packaging machinability in our production facilities. And it assures resistance to the mechanical stress and possible shocks it is subject to throughout the supply chain.

MEET CONSUMER EXPECTATIONS

We believe our products should offer a wonderful experience and that this experience starts with the packaging.

Have you ever seen a child open a KINDER® Surprise for the first time? We have, and the expression of wonder is what inspires us every time we design a new package.

Packaging must communicate

Packaging is our first means of communication with our consumers, it helps them choose the product, so it must be able to communicate its contents and always give clear and understandable/simple information.

Packaging must be easy to carry and to store at home

Our packaging is designed so that our consumers can easily transport them from the point of sale to their home, but also so they can consume our products comfortably at home, take them in their bag when they go out, share them with their friends, offer them to their guests (but also keep for second use), and to decorate the house and play.

Packaging must be easy to open and to close

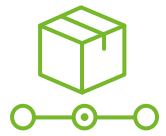
Our packaging is designed to last and protect the product until it is finished, therefore, depending on the quantity of the product contained, it must be more or less resistant and more or less reusable.

Packaging must correspond to the product contained

To make our consumers' experience enjoyable, the packaging must be coherent with the identity of the product.

Packaging must be amazing!

This is the part of our work that we prefer: giving our consumers an exciting, surprising or fun experience. Whether the consumer is an adult, a child, or an adult who is still a child, in every part of the world we want our packs to amaze a little more every time.



Our packaging material is tested on our automated production lines to ensure that it is optimized to run with minimum waste of product and packaging

HOW DO WE ASSURE THESE CHARACTERISTICS?

Our approach assures control of our entire packaging production chain. In fact our stringent checks are not carried out only on the supplier of the packaging material, but also on the upstream suppliers of raw materials.

We receive all compliance certifications from our suppliers and we follow up with internal and external lab analysis to ensure this is consistent and in line with our internal policies too.



1. CREATE

CONTINUED

RESPECT THE ENVIRONMENT

What is our commitment to packaging environmental sustainability?

We are working to make our packaging “reusable or recyclable or compostable” by 2025!

It is a challenging goal that we have set ourselves to pursue the constant improvement of our performance.

It starts with a careful analysis of our existing packaging, aimed at identifying packaging or components of the packaging that can be improved, replaced or modified, in compliance with our stringent requirements.

The work continues with a complex redesign, during which our designers must make sure that the new packaging and the new materials meet all selection criteria (safety, quality, compliance, aesthetics, brand equity) and are the preferred consumer choice when compared with the previous project.

And we'll do it our way!

Before we set out on any ambitious goal, we deeply assess and approach the challenge within our DNA: seriously and with the product at the center! It was a strong but exciting challenge we set ourselves. It was a process that involved different departments, from technicians to management, contributing towards this ambitious goal.

We are a food company and we are aware of our responsibility towards food quality but also on food waste if packaging does not fulfill its primary role: food protection!

We are not simply working on this goal, we believe in it, along with the importance of our role and our potential to make a positive impact. We are aware that synergies along the supply chain are essential to make it work in practice everywhere. For this reason, for every single step we identified specific actions, actors and partnership. All of this will be improved year by year.

THE 5RS STRATEGY

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

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



Our packaging is designed to preserve flavor, freshness and quality, guaranteeing our consumers can enjoy this amazing experience



Ferrero signed the New Plastics Economy Global Commitment

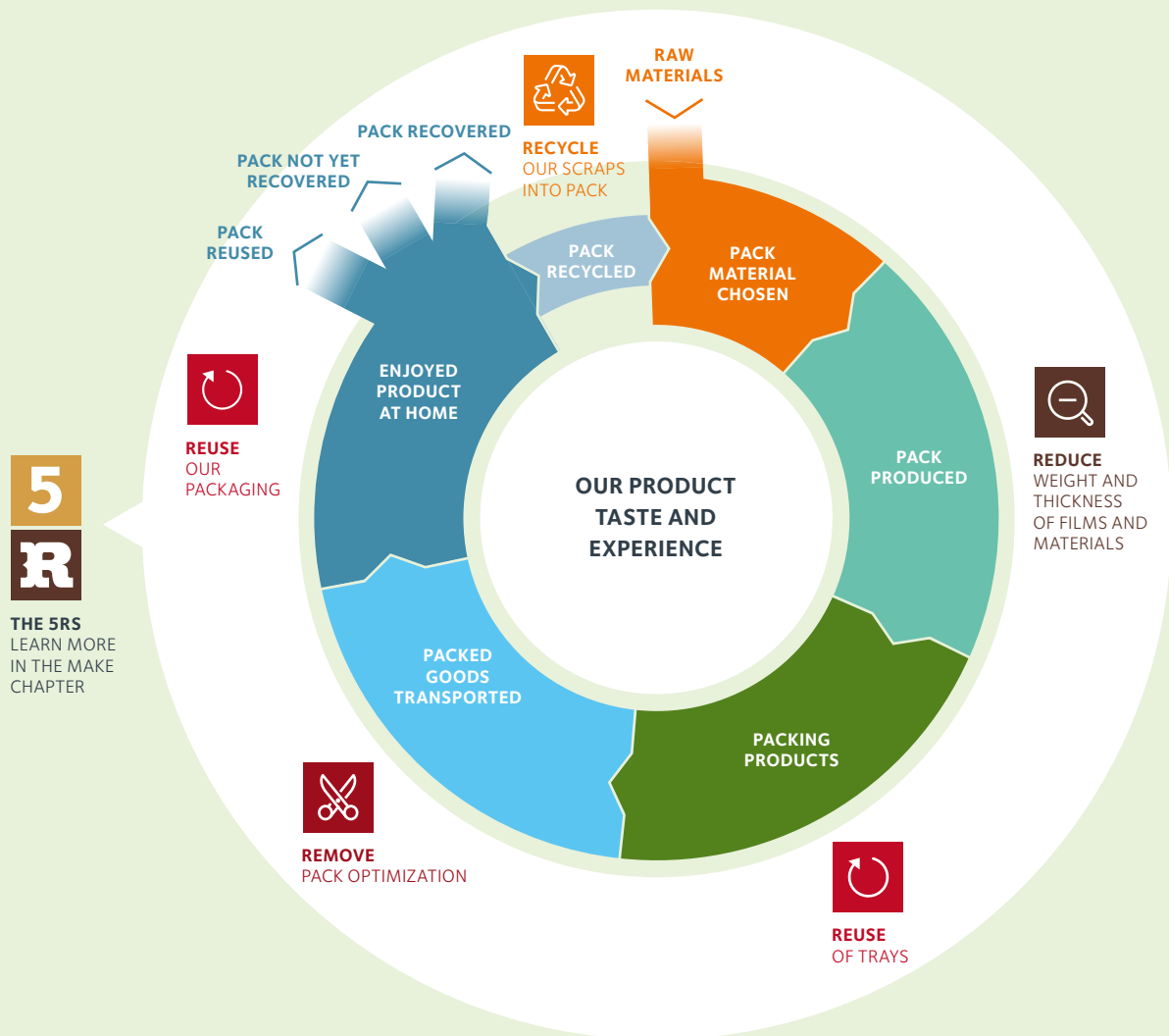




**THE 5RS IN ACTION
ACROSS OUR PACKAGING
LIFECYCLE**

Ecodesign is a continuous improvement activity combining the 5Rs Strategy with the support of LCA (Life Cycle Assessment) for benchmarking different pack options.

Last year we created successful packaging design experiences and contributions to improve the impact our packaging has on our resource consumption and transport system optimization.



2. CHOOSE

FERRERO SUSTAINABLE AGRICULTURAL PRACTICES

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

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

According to this vision, value is created not just from a commitment to a set of core values; it also implies the responsibility to share those values with all stakeholders inside and outside of our Group.

In particular, we care about the conditions that characterize the production of our supply chains’ raw materials and we require all suppliers and collaborators to adhere to our Code of Business Conduct and to comply with our non-negotiable high standards. This will ultimately strengthen the partnership between all involved in our supply chain, and increase transparency. We acknowledge that raw materials are produced in rural areas, and that rural development is the real driver to help farmers, workers, and their families. For this reason, we also promote good agricultural and social practices according to internationally recognized standards.



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



To achieve our ambitions for sustainable supply chains, we have launched the FFV program under the F-ACTS framework. Each tailored FFV program has specific objectives based on a three-pillar approach: development of dedicated projects and partnerships; adoption of standards and certifications; institutional and collective engagements. Specifically, considering the complexity of the global sourcing activities, we recognize that a single player alone cannot transform a given supply chain into a sustainable one. The three pillars work in conjunction to complement each other, rather than operating in isolation: a series of actions and initiatives implement the three-pillar approach.

To achieve our ambitions for sustainable supply chains, we have launched the FFV program under the F-ACTS framework.



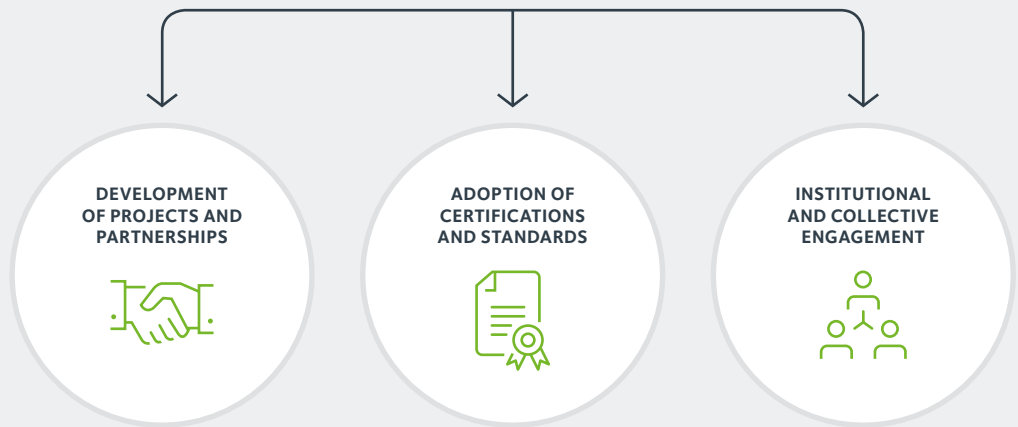


OUR THREE PILLAR APPROACH



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

THE THREE PILLARS



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



2. CHOOSE

CONTINUED

COCOA	
PROGRAM	OBJECTIVE
	By 2020 100% certified as sustainable

COCOA

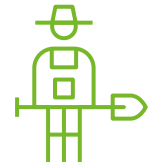
The vast majority of the world's cocoa is produced by small or family-run farms in developing countries amounting to about 4-5 million cocoa smallholder farmers. Including family, 40-50 million people live from cocoa. The majority of cocoa farmers live in Côte d'Ivoire and Ghana, which together produce more than 60% of the world's cocoa.

Contrary to industrialized agribusiness, these small-scale farmers must often rely on outdated farming practices with limited agricultural knowledge and resources. Farmers face significant challenges and encounter the complexities of economic, social and environmental issues, such as the increased competition by other crops and lack of access to and knowledge of good agricultural practices.

We are committed to support farmers in adopting sustainable agricultural practices, which in turn will contribute to improve their livelihoods and that of their communities. We do this through the implementation of the Ferrero Farming Values Cocoa Programme.

Certification and traceability form the starting point of our sustainability approach as they provide a strong base on which to achieve our overall objectives. But along our journey we have learnt that more is needed than certification and traceability to address the issues and challenges in the cocoa supply chain. We aim to build long-term relationships with the farmer groups that supply us cocoa beans and support them with strong sustainability projects. Of particular focus in these projects is farmer productivity, income diversification, empowerment of women and the well-being of children, as well as actions aimed at safeguarding the natural capital.

In this Cocoa section you will find information about the progress we have made in reaching our 2020 goal and examples of sustainability projects beyond certification.

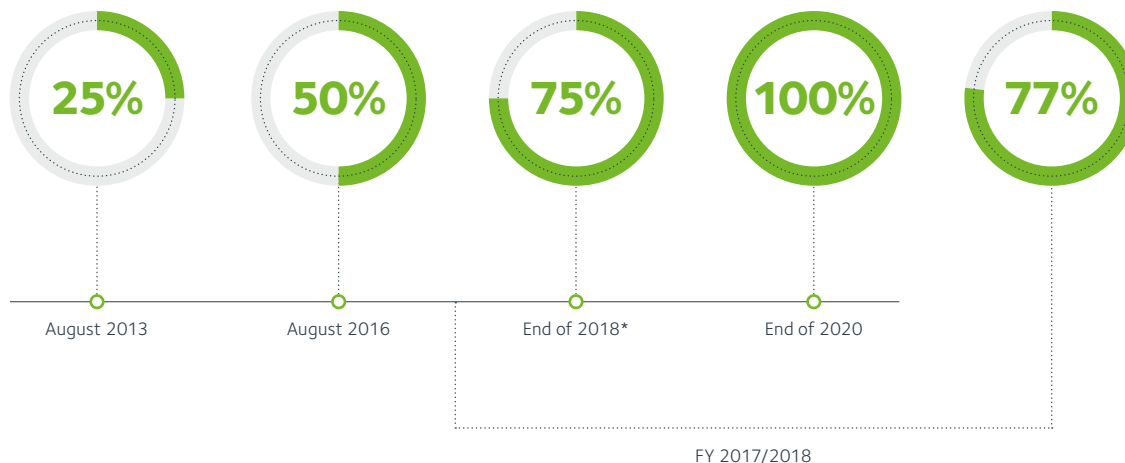


The majority of cocoa farmers live in Côte d'Ivoire and Ghana, which together produce more than

60%

of the world's cocoa

COCOA CERTIFICATION ROADMAP

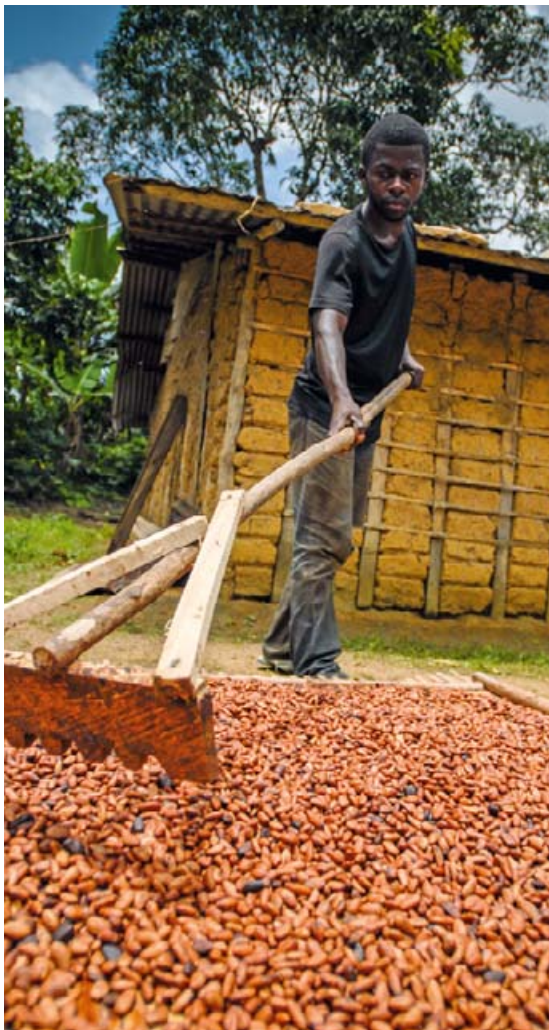




ENSURING THE BASIS: CERTIFICATION AND TRACEABILITY: ON TRACK WITH OUR 2020 ROADMAP

One of our key commitments towards building a sustainable agricultural supply chain is to source 100% sustainable cocoa beans by the end of 2020. By August 2018, we were still on track with the roadmap set out, reaching 77%.

Currently, we are sourcing sustainable cocoa beans mainly via the following certification standards: UTZ Certified, Rainforest Alliance Certified™, Fairtrade and Fairtrade USA.



UTZ certification means sustainable agriculture and better opportunities for farmers, their families and the planet. The UTZ program enhances farmers' knowledge of good agricultural practices, improves working conditions and ensures they care for their children and the environment. Through UTZ, farmers grow better crops and enjoy a higher income, which creates better opportunities for them and their families, preserves the environment and protects the earth's natural resources.

Rainforest Alliance Certified™ farms support a healthy environment, promote the well-being of workers and their communities and ensure efficient farming methods. Farm workers benefit from safe working conditions and housing, medical care and access to schools for their children. Certification helps to ensure the protection of ecosystems, including wildlife habitats, water and soil.

The Fairtrade Cocoa Programme enables small-scale farmers to benefit by selling more of their cocoa as Fairtrade. For more info, visit www.info.fairtrade.net/program. Within the Fairtrade Sourcing Programme terms, in 2013 we committed to buy 20,000 tons of cocoa by 2016. In 2016, we doubled the amount of cocoa we purchased from Fairtrade growers to 40,000 tons over the next three years.

Fairtrade USA enables sustainable development and community empowerment by cultivating a more equitable global trade model that benefits farmers, workers, fishermen, consumers, industry, and the earth. They achieve this mission by certifying and promoting Fairtrade Certified™ products in partnership with responsible brands and retailers. In 2017, we committed to buy 6,000 metric tons of Fairtrade USA cocoa beans over the course of three years, which enables cocoa farmers to invest \$1,200,000 in additional funds back into their communities.





2. CHOOSE

CONTINUED

Sacco conosciuto

Our commitment towards consumers has always been to provide products of the highest quality and freshness that are produced in a responsible way. This is only possible if it's known where the raw materials originate from and how they are produced, what we call "sacco conosciuto".

Together with our suppliers, mechanisms are put in place to follow the cocoa beans from the farmer to our plants, where we process the cocoa beans into cocoa powder, cocoa butter and cocoa liquor for our products. By using new and advanced technology we can continuously improve the quality and effectiveness of our traceability activities. This in turn provides more detailed and enriched data and enables a more targeted approach on the ground, allowing for bigger impact in the cocoa supply chain.

An important component of our traceability approach is to register data of smallholder cocoa farmers in our supply chain and map the exact locations of their farms using special devices, including data such as the trees on the farm and the soil fertility. This information is important for many reasons. Firstly because understanding the actual situation on the ground, not only the challenges that farmers face but also the opportunities for positive interventions, makes it possible to develop together with the farmer a long-term Farm Development Plan aimed at improving the livelihoods of the farmers and their families.

Secondly, this information enables a more accurate estimate of the total volume the farmer can produce, which can then be compared to the actual volume a farmer sells. Thirdly, in November 2017 we, alongside other chocolate and cocoa companies, signed the Frameworks for Action to end deforestation and restore forest areas in cocoa producing countries Côte d'Ivoire and Ghana. Having our cocoa supply chain geo-referenced is a key condition to secure our commitment (more information in the paragraph on the Cocoa and Forest Initiative).



Our traceability approach is to register data of smallholder cocoa farmers in our supply chain and map the exact locations of their farms using special devices



Example of cocoa farms mapped



WCF's 100+
members represent

80%

of the global cocoa
and chocolate market

GOING BEYOND: COLLECTIVE INITIATIVES AND SPECIAL PROJECTS

The challenges and issues in the cocoa supply chain, in particular in West Africa, are complex and require a strong collaboration between different stakeholders. We are therefore collaborating closely with other chocolate companies, non-profit and farmer organizations to address agricultural, social, environmental and business issues in cocoa farming. We also support on-going local projects to ensure sustainable cocoa production, whilst improving cocoa farmers' living conditions and the well-being of their communities.

The following examples illustrate our strong commitment to create positive change.

WORLD COCOA FOUNDATION



The World Cocoa Foundation (WCF) is a non-profit international membership organization whose vision is a sustainable and thriving cocoa sector – where farmers prosper, cocoa-growing communities are empowered, human rights are respected, and the environment is conserved.

Among WCF's 100+ members are farm-level input providers, financial institutions, cocoa processors, chocolate makers and manufacturers, farmer cooperatives, cocoa trading companies, ports, warehousing companies, and retailers. Together they represent 80% of the global cocoa and chocolate market.

We have been a member of WCF since 2005 and have always been actively involved in bringing its vision and mission into practice. For example, we are one of the founding members of CocoaAction and the Cocoa & Forests Initiative, current WCF flagship projects.



2. CHOOSE

CONTINUED

CocoaAction

CocoaAction, launched in 2014, is a voluntary strategy that aligns the world's leading cocoa and chocolate companies, origin governments, and key stakeholders on regional priority issues in cocoa sustainability. CocoaAction's vision is a transformed cocoa sector that offers a profitable way of life for professionalized and economically empowered cocoa farmers and their families, while providing a significantly improved quality of life for cocoa-growing communities.

The robust strategy has two focus areas: **Farmer Productivity package** and **Community Development programs**. By 2020 the participating companies, with WCF as convener, aim to reach 300,000 farmers and 1,200 communities in Côte d'Ivoire and Ghana.

We contribute to the two overarching goals of CocoaAction projects in Ghana and Côte d'Ivoire.

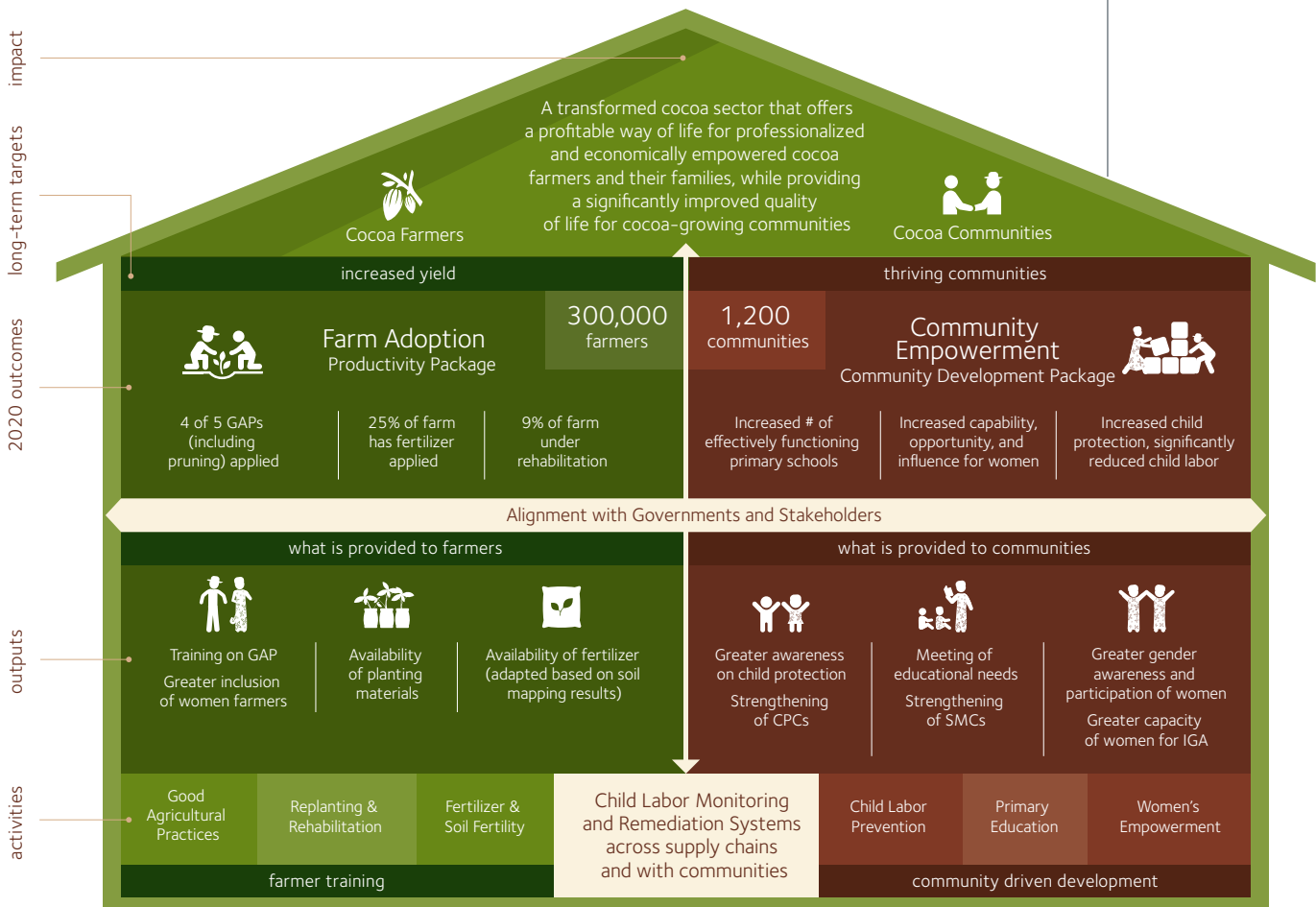
Cocoa and forests initiative

Cocoa-producing countries Côte d'Ivoire, Ghana and Colombia are actively committed to the Cocoa and Forests Initiative along with leading chocolate and cocoa companies, including us. In each country, far-reaching Frameworks for Action have been signed to end deforestation and restore forest areas. Central to the Frameworks is a commitment to no further conversion of any forest land for cocoa production. The companies and governments pledged to eliminate illegal cocoa production in national parks, in line with stronger enforcement of national forest policies and development of alternative livelihoods for affected farmers.

The signing of the Frameworks for Action in Côte d'Ivoire and Ghana took place in November 2017 at the UN Climate Change Conference (COP23); the Colombian Framework for Action was signed on July 17th, 2018. This set of public-private actions



Our CocoaAction project in Côte d'Ivoire involves collaborating with local partner Snopal, which buys cocoa beans from farmers in the area of Lakota



West Africa Results framework, CocoaAction Annual Report 2016



SUPPORTING FARMERS AND COMMUNITIES IN THE LAKOTA AREA

Our CocoaAction project in Côte d'Ivoire involves collaborating with local partner Snapal, which buys cocoa beans from farmers in the area of Lakota. In the 2017/2018 cocoa season almost 3,000 farmers producing Rainforest Alliance Certified™ cocoa beans received training in Good Agricultural Practices, improved planting materials and fertilizers, which they applied to increase their yield.

Starting in 2017 the Community Development program was initiated. First with four communities, then expanding to eight in 2018, and in 2019 this will increase further to 12 communities. This gradual approach allows for learning from the previous years' experience. Each community is supported for a period of up to three years. Before the implementation, an assessment is performed to identify the community needs, which is then translated into a Community Action Plan.

The community development program in the Lakota area covers three areas. Below are the main activities and achievements by area in 2018.

ACTIVITIES

Child protection:

- Set up a supply chain-based Child Labor Monitoring and Remediation System (CLMRS) plus a community-based Child Protection Committee. Both are designed to identify children involved in the worst forms of child labor (WFCL) and provide them with remediation services

Education:

- Trained School Management Committees to improve their ability to generate and manage funds to support the community's educational needs as well as to support their ability to monitor attendance and school enrollment
- Facilitated identified needs of existing schools in the selected communities such as renovations, materials, equipment



Abatoullie school

Women's empowerment:

- Set up Village Saving and Loan Associations (VSLAs) as the primary foundation
- Conducted literacy classes for women's groups
- Provided entrepreneurship trainings using a science-based methodology
- Identified new income generating activities (IGA) to be strengthened in groups ranging from food crops (e.g. in greenhouses) to livestock, textile or beauty

KEY RESULTS

Women's empowerment:

- 20 VSLAs established
 - Total 489 members, 94% women
 - 5,825,200 CFA (€8,880) of savings
 - 3,310,390 CFA (€5,046) currently loaned by 126 members, for example to strengthen or create individual IGA
- Literacy classes started in 3 communities
 - 73 women participate regularly
 - 21 sessions completed during this period

Education:

- 5 schools in 4 communities benefit from interventions. Total 1,178 students, 547 girls
- 3 classrooms rehabilitated
- 11 meetings held with School Management Committees

Child protection:

- 45 farmers trained on child labor issues
- 1,373 households and 4,602 children surveyed



2. CHOOSE

CONTINUED

represent unprecedented commitments on forest protection and restoration, and sustainable cocoa production and farmer livelihoods. The combined actions, which are aligned with the Paris Climate Agreement, will play a crucial role in sequestering carbon stocks and thereby addressing global and local climate change.

International cocoa initiative



The International Cocoa Initiative (ICI) is a multi-stakeholder initiative that aims to ensure a better future for children and to advance the elimination of child labor. It operates in Côte d'Ivoire and Ghana. We have been a member of ICI since 2008.

As part of its Strategy 2015–2020, ICI set a target to improve protection for 1 million children living in cocoa-growing communities by 2020, of which 200,000 children would be reached via ICI's direct

action. By end-2017 ICI was already 94% of the way towards achieving this 2020 direct action target. Highlights from the ICI's 2017 annual report are as follows:

- 127 cooperatives and 90,826 cocoa-farming households were targeted by ICI's CLMRS. ICI estimates that CLMRS identifies over 60% of child labor cases, and more than 50% of those identified cases can be taken out of child labor over a three-year period.
- 75 cocoa-farming communities in Côte d'Ivoire and Ghana were supported through ICI's core program. 127,299 people benefited from community development, 63,886 of whom were children. Newly built classrooms, vocational training courses, and the establishment of women's IGAs all contributed to improved prospects for children. A total of 3,949 children were newly enrolled in school between 2016 and 2017 as a direct result of ICI's actions in these communities.



Ferrero has been a member of the ICI since

2008

GHANA REPORT

KEY ACTIVITIES IMPLEMENTED FROM JANUARY TO DECEMBER 2017

CHILD LABOR AWARENESS RAISING

37

Awareness raising sessions

2473

People reached

COMMUNITY SERVICES GROUPS (CSG)

35

CSG members

32

farmers benefited from CSG services

WOMEN'S EMPOWERMENT

86

Community members trained in financial and occupational safety etc.

24

Community members received gender empowerment training

COMMUNITY CHILD PROTECTION COMMITTEES

339

CCPC and community members trained on formulating community rules and regulations

30

CCPC members trained on child labor identification

INCOME GENERATING ACTIVITIES

31

women

6

men supported through IGAs

EDUCATION ACTIVITIES

109

Child protection club members trained in health and safety

12

Teachers trained on child labor concepts



ICI CHILD-CENTERED COMMUNITY DEVELOPMENT PROJECT IN OUR COMMUNITIES

End 2015 ICI launched a three-year Child-centered Community Development intervention in the Ghanaian communities Akonkyi, Pakyi, Kwankyeabo and Saakrom, located west of Kumasi. We selected these four communities alongside cocoa trader Touton; they are part of the 75 communities within ICI's Core program.

With an inclusive and participatory approach, the project aims at creating a more protective environment for children and it is focused around the following interventions:

1. Community development activities including community needs assessment and the development of Community Action Plans (CAP).
2. Child protection: the establishment, equipment and empowerment of Community Child Protection Committees (CCPCs are composed of 9 to 11 members from each community, including 2 child representatives) and the implementation of remediation activities.
3. Supporting the implementation of CAP activities, main focusing on educational equipment.
4. Livelihood improvement and women's empowerment: supporting IGAs, notably for women, and supporting the set-up of Community Service Groups.

During the period January 2017-June 2018 the following main interventions were undertaken:

- CCPC members led a total of 49 awareness-raising sessions (reaching 31,762 people) and supported a child labor monitoring system. A total of 32 children at risk of child labor and 21 children engaged in hazardous work were identified.
- Individual remediation activities: CCPC members organized specific awareness-raising interactions with the families of children identified as at risk or involved in hazardous activities at a first individual remediation intervention level and 26 children were supported with school material.
- The four communities were supported in the development and implementation of their CAPs. Examples of initiatives: construction of a "community center", 3 classrooms and a school kitchen, renovation of teachers' accommodation and community health compound, and the supply of school equipment (i.e. desks, benches).
- IGAs groups (vegetable or maize production), mainly oriented at vulnerable families, were set up in the communities. By June 2018, 50 community members (88% women) benefited from training and were provided with equipment.
- Literacy and numeracy classes for adults (21 women, 8 men) started in collaboration with Ministry of Education.
- Community Service Groups (CSG), composed of 7 to 15 young adults, were set up in three communities. They are trained and equipped to provide adult labor to other farmers, which reduces the risk of children being involved in hazardous activities and, at the same time, provides additional income for the CSG's members.
- School management committee members were trained on child labor and school sustainable management.



Awareness-raising sessions led by CCPC members (reaching 31,762 people) which supported a child labor monitoring system

49



2. CHOOSE

CONTINUED

Joint project Save the Children & Ferrero to protect children

We are strongly committed to protect children's rights along all our supply chains, as stated in our Code of Business Conduct, and collaborate with different partners on the ground to reach our objectives. Bearing this in mind, we are very proud of our partnership with Save the Children and the project we launched together in 2016 in the Nawa region, located in the Southwest of Côte d'Ivoire.



After a successful one-year pilot in 10 communities, the project was extended by three years (2017-2020) and 10 more communities were added, bringing the total to 20 communities.

The project has two specific objectives and aims to reach 16,575 people directly, including 6,057 children. The total number of indirect beneficiaries is 33,150, of which 12,114 are children. The project is implemented in partnership with administrative authorities, institutions and other relevant stakeholders. It is crucial they actively take part in the project, according to their roles and responsibilities, in order to ensure the sustainability of the action.

The Specific Objectives are:

1. Protecting children (victims and at risk) against the worst forms of labor, abuses and violence
2. Promoting community development and creating an enabling environment for child protection

They are achieved in four action areas: Child Protection, Education, Food Security and Livelihoods, and Community Development.

Child protection

The project strengthens or fosters the establishment of Community-based Protection Systems such as Child Protection Committees and Children Groups. Communities are made aware, via group sessions, door-to-door activities and mass media campaigns, of the worst forms of child labor and other violence and forms of abuse against children. They are expected to take a lead in tracking and reporting child rights violations.

Referral systems are established and strengthened, involving the main actors in child protection (health facilities, social protection systems and judicial authorities), to ensure holistic and child-focused case management, as well as appropriate childcare.

Education

Education is both a prevention and response strategy for the worst forms of child labor. Through this project many children go to school for the first time, for example the nine-year-old Lassiné Kadi (see text box). The project is promoting education through:

- a) Bridge classes: ensuring that out of school children catch up with regular education in communities where there is no formal school
- b) Community schools: in communities where there is no formal school, community schools are established to fill the gap. Advocacy and awareness-raising activities are carried out to ensure the progressive recognition of these structures by the Ministry of Education
- c) Formal schools: supported by the establishment/strengthening of School Management Committees (COGES), the involvement of parents in their children's education and school management, and via the literacy boost approach



Total number of indirect beneficiaries of the Ferrero and Save the Children project in Nawa

33,150



KEY RESULTS BY MAY 2018

Below are the results of the first year of the three-year program (2017-2020). These results are on top of the results from the pilot phase (2016-2017) that are included in the 2017 CSR Report.

31

Child victims of abuse and violence, including WFCL, benefiting from protection services.

449

Children benefiting from alternative and formal education.

198

Community members benefiting from trainings on key child protection issues.

5

VSLAs set up.

10

CAPs updated and submitted to in the old communities.

10

Sheltered classes constructed and equipped.

109

Members of COGES trained on the functioning of COGES, children's rights, positive discipline and gender equality

10

Host families identified and trained.

2

Social centers in Meagui and Gueyo rehabilitated and equipped.

10

Bridge classes set up in the 10 new communities.

Food security and livelihoods

Farmers who rely on the production of cocoa as a main source of income are vulnerable because the price of cocoa is highly volatile. To respond to this recurrent risk, a study has been conducted to identify which cash crops can be included in a livelihood diversification strategy complementing cocoa production, but also to tackle immediate constraints to the household cash flow of cocoa producers in periods when cocoa prices are low. Cassava and plantain were the preferred crops.

In addition, in order to respond to the lack of financial planning capacity, the project included the establishment of Village Saving and Loans Associations (VSLA). VSLAs in particular encourage the participation of women.

Community development

The role of communities is crucial not only for child protection but also to identify alternatives to child labor. Community members are supported through a methodological approach to identify and map their needs as well as how to elaborate plans of action aimed at substituting child labor with adult manpower. Promoting livelihood diversification, income management skills and access to credit are additional strategies to cope with poverty at household level.

2. CHOOSE

CONTINUED



Access to education

Lassine Kadi is a nine-year-old girl. She had never been to school, which allowed her to be registered during the profiling stage of the children, the primary beneficiaries of bridging classes.

Although Kadi was enrolled and despite the volunteer teacher's calls to her mother, she had never been to school. As part of the follow-up on learners registered during the community sensitization sessions on child protection (CSCP), the volunteer teacher highlighted this case, in particular the categorical refusal of the mother to allow her daughter to attend school.

Once informed, members of the project brought the information to the attention of the village chief who then, at the request of the social worker, spoke to the mother.

They also found out Kadi's mother makes "logodougou" (she goes to the nearby camps to buy foodstuffs from local women then sells them on to wholesalers), which requires her availability and mobility. The father is absent, so the mother has to support her family.

As a result, the mother forces Kadi to stay home to care for her two-year-old twin brothers. Deprived of her own childhood, she now washes her little brothers, feeds them, watches them and makes sure they fall asleep, all before she can rest herself.

The volunteer teacher's reporting of the case during the community sensitization allowed the social worker to manage it in the presence of the ORASUR protection assistant, without reference. Eventually the village chief was asked to intervene.

Kadi's mother was then sensitized on children's rights, parental responsibilities in child education, the worse forms of child labor and the legal sanctions in such circumstances.

The mother, thanks to the intervention of the chief and the social workers, reconsidered her position and accepted that Kadi would re-join her friends in class. Kadi has now been attending class since March 2018.

Source: Save the Children, project CDI, Program Results



We are committed to tackling child labor



LONG-TERM PARTNERSHIP WITH COOPERATIVE UNION ECOOKIM

In 2014 we launched a partnership with the Ivorian cooperative union ECOOKIM, buying certified cocoa beans from seven cooperatives. By 2018 the number of cooperatives has increased to nine (out of a total of 23 ECOOKIM cooperatives), representing more than 7,000 farmers. And in line with our commitment to establish long-term relationships, our ambition is to continue this partnership much longer.

At the end of each cocoa season the member cooperatives decide democratically at the General Assembly how the certification premium will be used, ranging from provision of agricultural inputs to strengthening cooperative management, and from logistics to community projects.

We are very pleased that as our partnership with ECOOKIM continues to grow stronger and as cooperatives become more mature and professionalized, the premium use is changing too. The amount invested in community projects, including promoting child development and women's empowerment, has significantly increased.

Key milestones premium use since 2014:

- 10 schools
- 4 school canteens
- 3 playgrounds
- 5 water pumps
- 11 latrines
- School fees fund
- Child labor monitoring system and VSLAs in all cooperatives

Since the start of the partnership with ECOOKIM, Fairtrade Germany is also yearly monitoring the progress of 18 carefully selected key performance indicators.



By 2018 the number of cooperatives has increased to

9

(out of a total of 23 ECOOKIM cooperatives)



● Cooperatives
● Cities



2. CHOOSE

CONTINUED

OVERVIEW OF 18 INDICATORS	
GENERAL	
Number of producers	Number of Small Producer Organization (SPO) members by gender and age
Area of cocoa cultivation	Area of Fairtrade cocoa cultivation; % of farms mapped (new)
Farm size of producers	Percentage of Fairtrade certified SPO members by farm size
Type of small producer organization	SPOs categorized by highest position in value chain
Sustained access to Fairtrade markets	Number of SPOs with sustained participation in Fairtrade (over 3 years continual certification) Other social and sustainability certifications (new)
FARMING	
Cocoa farm	Average number of: cocoa trees, new trees, shadow trees, other cultures, age of trees (last 4 are new)
Cocoa yield	Estimated average dried cocoa yield per hectare
Volume of production	Volume of Fairtrade cocoa produced by SPO members (eligible to export)
Volume of sales	Volume of Fairtrade sales by SPOs and by ECOOKIM
Cocoa quality	Volume of Fairtrade certified cocoa by grade 1 and 2
Quality control	Quality control and assurance measures applied by SPOs
Good Agricultural Practices	Percentage of SPO members applying Good Agricultural Practices Number of farm visits by technicians/agronomists Main barriers for improvements in cocoa productivity and quality
Use of inputs	Type and volume of inputs used in Fairtrade cocoa production
COMMUNITY	
Support for producers	Number and type of trainings provided to SPO staff, members and members relatives, by training topic, number of participants, and gender
Fairtrade premium	Fairtrade premium received through sales to Ferrero
Fairtrade premium use	Average Fairtrade premium per member
Protection of children	Number of SPOs with child labor policy approved by General Assembly Number of SPOs with youth inclusive community based monitoring and child labor prevention system Specific activities addressing child protection and support; and number of children reached (new)
Empowerment of women	Number of SPOs with a written gender policy/strategy Percentage of women in different areas of responsibility in the cooperative Number of women members in AVEC (Association Villageoise d'épargne et de Crédit) Specific activities addressing empowerment of women



SOME KEY RESULTS OF THE 3RD MONITORING TERM 2018:



90%

OF THE PRODUCERS ARE MORE THAN 30 YEARS OLD



8/23

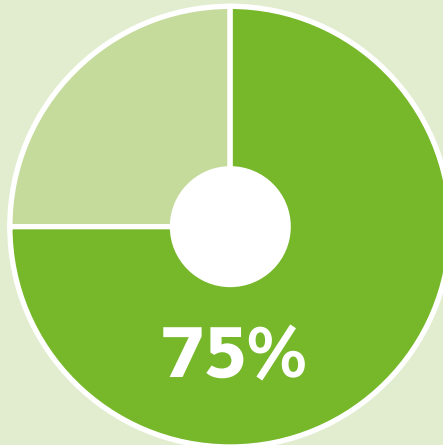
ECOOKIM COOPERATIVES ARE ASSIGNED TO FERRERO FOR FAIRTRADE

1 MORE THAN 2015



4/8

COOPERATIVES ARE FAIRTRADE CERTIFIED FOR MORE THAN 3 YEARS



75%

COCOA FARMS BETWEEN 0-5 HA



6,025

PRODUCERS BELONG TO THE 8 COOPERATIVES REPRESENTING 48% OF ECOOKIM'S TOTAL MEMBERS



22,510 HA

OF COCOA FARMS

THIS REPRESENTS 45% OF ECOOKIM'S TOTAL AREA

* ECOOKIM, results of the third monitoring term.



2. CHOOSE

CONTINUED

SOME KEY RESULTS OF THE 3RD MONITORING TERM 2018:

(CONTINUED)



2,534

FARM SUPPORT VISITS
BY ECOOKIM STAFF IN 2017



30.7%

AGRICULTURAL SUPPORT
AND INPUTS



22.6%

COMMUNITY PROJECTS

ECOOKIM UNION AND 8 COOPERATIVES:

5.42

TRAININGS ATTENDED
IN AVERAGE
BY EACH MEMBER

ALL 8

COOPERATIVES HAVE A CHILD
LABOR POLICY AND A CHILD
LABOR COMMITTEE INSTALLED

33.1%

AVERAGE MEMBER
ATTENDANCE AT GENERAL
ASSEMBLY MEETINGS



1,294

COCOA TREES PER HECTARE
AND 759 KG OF COCOA
PER HECTARE



13,450 MT

OF COCOA PRODUCTION
ELIGIBLE TO EXPORT



7,267 MT

FAIRTRADE COCOA SALES
TO FERRERO



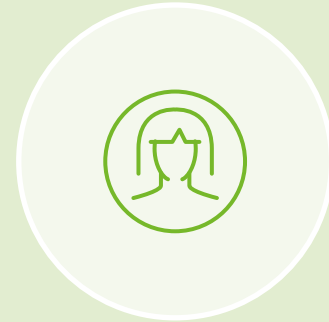
4.9 YEARS

THE 8 COOPERATIVES AVERAGE IN FAIRTRADE CERTIFICATION



\$1,453,383

AS FAIRTRADE PREMIUM RECEIVED BY ECOOKIM IN 2017 FROM SALES TO FERRERO



6.6%

OF THE PRODUCERS ARE FEMALE

11.4%

OF MANAGERIAL POSITIONS OCCUPIED BY WOMEN

7/8

COOPERATIVES WITH AT LEAST 1 WOMAN IN A MANAGERIAL POSITION



IN MARCH WE WON A FAIRTRADE GERMANY AWARD 2018 IN THE MANUFACTURER CATEGORY, FOR OUR COMMITMENT TO THE FAIRTRADE APPROACH


THIS ENGAGEMENT EXTENDS BEYOND INDUSTRY STANDARDS, THROUGH OUR LONG-TERM PARTNERSHIP WITH FAIRTRADE AND COOPERATIVE UNION ECOOKIM



2. CHOOSE

CONTINUED

PALM OIL, SHEA AND SAL

PROGRAM	OBJECTIVE
	Since January 2015 100% sustainable certified RSPO as segregated

In the reporting period 2017/2018, we sourced around 203,000 metric tons of palm oil. This amount is just below 0.3% of the world's total palm oil production, which is about 69.6 million tons according to official statistics (Oil World 2018).

THE FERRERO FRAMEWORK AND FFV PROGRAM

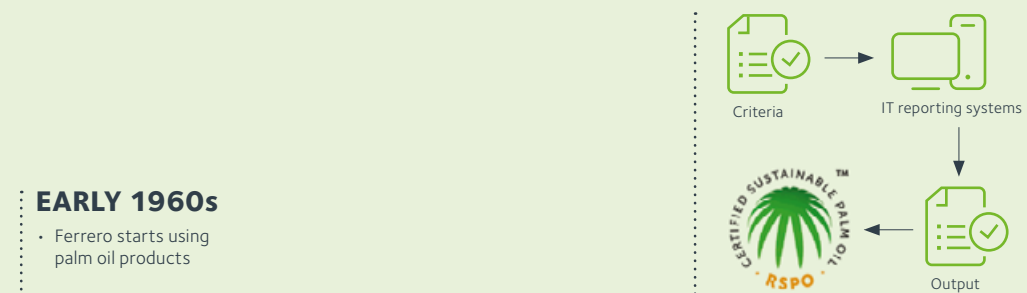
Since 2005, we have been a member of the RSPO and have started a systematic investment into segregated certified palm oil. Our responsibility does not stop at rigorous certification. With a vision of moving closer towards sustainability, we have launched the F-ACTS framework in order to improve the conditions of rural areas and their communities where we source our raw materials. In 2013, we created the Farming Values Palm Oil (FFVpo) Program, essentially the Palm Oil Charter, in order to better focus on palm oil communities and to address the leading causes of deforestation and social issues.



Metric tons of palm fruit oil we sourced in the reporting period 2017/2018

203,000

THE MAJOR MILESTONES OF OUR PALM OIL SUSTAINABILITY JOURNEY



EARLY 1960s

- Ferrero starts using palm oil products

1990

- Ferrero reinforces its rigorous approach to raw material quality

2005

- Ferrero becomes RSPO member



In 2015 we became one of the first global companies to source 100% RSPO certified palm oil as segregated. The segregation model ensures that sustainable palm oil is kept separately from non-sustainable palm oil all the way along the supply chain back to the plantations. This is something that other certification models such as Mass Balance and Book & Claim cannot guarantee.

During 2017, we started to systematically implement the Charter's requirements in our supply chain using the Verification Protocol. As a demonstration of our engagement with our suppliers, the Protocol allows for roadmaps with each supplier to address specific gaps and needs identified against our policies.



In 2013, we created the FFVpo Program

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

It is deep-rooted in our culture to **strengthen the long-term partnerships all along our supply chain and achieve a high level of transparency, or as we call it: Sacco Conosciuto**. Building on this approach, we have been working towards a responsible supply of palm oil since initial sourcing.

WE USE ONLY PALM OIL THAT IS 100% RSPO SG CERTIFIED AND TRACEABLE TO GROWERS



2015

- POIG membership
 - 3 growers
 - 4 FMCG
 - 9 NGOs

2017

- Field visits completed
- Contracted third-party auditor to verify Charter implementation
- Primary LCA launched



- Purchasing fully segregated, certified palm oil
- Maintenance of full traceability
- Supplier engagement
- Promotion of the sustainability business case
- Smallholder inclusion
- POIG

2013

- Ferrero Palm Oil Charter:
 - Providing fully traceable oil, while including smallholder
 - Not clearing High Carbon Stock forests
 - Not using fire to clear land
 - Not planting on peat soils
 - Protecting orangutans and other protected species by maintaining High Conservation Value areas
 - Reporting on the greenhouse gas emissions of their production
 - Respecting human rights, including the right to Free, Prior, and Informed Consent of indigenous and local communities
 - Recognizing, respecting and strengthening the rights of workers
 - Not using Paraquat
 - Actively fighting corruption

2016

- Systematic Implementation of the Charter:
 - Introduction of the Verification Protocol
 - Initial Supplier Roadmaps
 - Started to systematically collect the maps of plantations
 - 36,000 smallholders in the supply chain
 - Endorse HCS approach
 - New labor guidelines integrated
 - Dialogue with suppliers on Satellite verification
- Ferrero promotes sustainable palm oil exhibitions and engagement with stakeholders
- Starling Remote Sensing Verification pilot launched

2018

- Supporting and endorsing the RSPO P&C review
- Supplier engagement & field visits
- Evaluation and de-risking of the supply chain
- Piloting POIG audit on suppliers
- Land use change assessments
- Piloting satellite-based tools



FUTURE



2. CHOOSE

CONTINUED

LEADING THE WAY

We are dedicated to leading the way in industry transformation, working with our suppliers and partners. Following the previous year's acknowledgment from Greenpeace and WWF, we strive to maintain a supply chain that is reliable, safe and ready to innovate, and invest in continuous development. The Ferrero Palm Oil Charter has fully incorporated the requirements and Verification Indicators of the Palm Oil Innovation Group (POIG). We actively engage with our suppliers and verify by third-party against the Charter's requirements.

Commitment to uptake certified, fully segregated sustainable palm oil

In 2018, the activities of RSPO and its 4,000+ members have increased the volume of certified sustainable palm oil, reaching 3.74 million ha of certified plantations and 13.47 million tons of palm oil, which represents 19% of global production.

Though less than 50% of the certified palm oil volume was sold as RSPO certified palm oil, this is a clear sign of lack of demand for sustainably produced palm oil. Since the launch of the system, the sales of RSPO certified palm oil have increased to 6.3 million tons in 2018, 9% of the total palm oil production.

We remain committed to source only certified, fully segregated sustainable palm oil for the manufacturing of our products.

When it comes to this we talk the talk and walk the walk.

OUR COMMITMENT: TRANSPARENCY

We are fully committed to securing a deforestation-free and exploitation-free palm oil supply chain through active cooperation with NGOs, key stakeholders and suppliers. We agree that this is an essential component of sustainable sourcing and supply chain responsibility.

We decided to further increase transparency on our supply chain by committing to regularly disclose the latest traceability data on our supplying mills. We have published the full list of mills we sourced from in 2017 second semester, thanks to the help of our committed suppliers.

And we are also pleased to confirm that we will publish the full list of mills we source from twice a year going forwards, which clearly shows we "talk the talk and walk the walk".

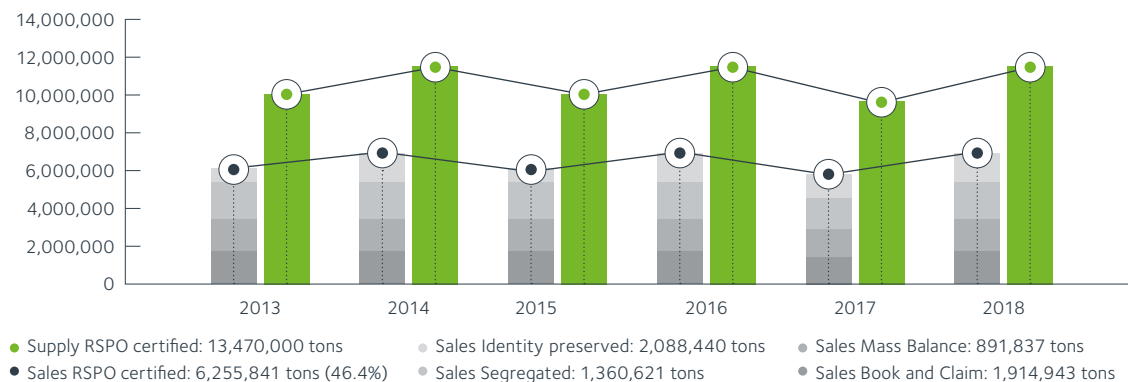
Our palm oil suppliers

Our main palm oil suppliers for the current reporting period are:



Supply and sales PO by supply chain model in 2018

Over 55% globally sold as conventional



Source: RSPO, www://rspo.org/impact



RISK MITIGATION AND VERIFICATION AGAINST THE FERRERO CHARTER

In line with this significant traceability and transparency effort, we commissioned a third-party verifier, Bureau Veritas, to carry out a pilot assessment in November 2018 on the field in order to determine POIG compliance of suppliers. The pilot assessment will be followed by systematic extension of verification to several supplying mills against the full POIG checklist during 2019. Our intention is to broaden the verification scope to the majority of our supply chain.

Transparency is a joint asset with our suppliers

We believe that mitigating risks requires a joint effort and maintaining an internal alert/early warning system is an asset. Therefore, we continue to actively engage with our suppliers in order for them to:

- continue to support our effort in maintaining a collaborative and transparent business environment, including full supply chain transparency;
- notify us immediately, if a producer OR its subsidiary OR its parent company OR any other business entity related to the producer is linked or accused of potentially illegal activities;
- notify us whenever a new producer is included in our supply chain;
- maintain adequate Grievance Management Systems.

We support the update of the RSPO Principle & Criteria

We welcomed the new P&C draft that became available at the end of the actual reporting period, as it presents a number of substantive improvements to the certification standard. In particular we welcome new and stronger “No Deforestation, No Development on Peatlands and No Exploitation” restrictions by the RSPO to prohibit the clearance of forests, including incorporation of the High Carbon Stock Approach, no new development on peatlands, and clearer safeguards for workers, which include more rigorous requirements addressing child labor and forced labor, such as restrictions on recruitment fees and retention of passports.



At an early stage we made a strong commitment to sustainable palm oil and set ambitious goals



We commissioned a third-party verifier, Bureau Veritas, to carry out a pilot assessment in November 2018 on the field in order to determine POIG compliance of suppliers

We will actively support the implementation of the updated RSPO criteria, and will engage with its suppliers on the improved Free, Prior and Informed Consent procedures and to enhance local food security.

Benchmarking the updated RSPO Principle & Criteria and the Ferrero Charter

The new RSPO P&C attempted to make some improvement in meeting the standard of responsibility articulated in the Ferrero Palm Oil Charter, essentially building on the POIG Charter and its Verification Indicators. Still, many RSPO criteria and indicators could be improved to meet our adopted indicators, and we recognize there is still concern around the following issues:

- RSPO and companies need to recognize that political and financial corruption is a major impediment to social and environmental responsibility and must be prohibited in any form.
- It is likely impossible for smallholders to meet RSPO standards, including smallholder standards, without the technical and financial support from RSPO member companies. Support needs to be required by the RSPO P&C.
- RSPO is allowing companies to maintain more than 20% of their workforce as casual workers. Maintaining a large contingent of casual workers can be a ploy to deny benefits and is a risk indicator for rights abuses.
- Passport retention by employers with worker consent can lead to coercing workers to acquiesce to a demand by the employer. There is no articulated reason why an employer needs to retain a passport (or other official identification document).
- RSPO’s definition of peatland needs to be clarified and a single globally accepted standard confirmed to assure that all companies and stakeholders understand what “no new planting on peat” means.
- Exemptions for High Forest Cover countries do not halt deforestation. RSPO needs to align its “High Forest Cover” requirements with those of the High Carbon Stock Approach.



2. CHOOSE

CONTINUED

WE SUPPORT THE HIGH CARBON STOCK APPROACH

We are an active supporter of the High Carbon Stock (HCS) Approach, which is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The methodology was developed with the aim to ensure a widely accepted, practical, transparent, robust and scientifically credible approach that implements commitments to halt deforestation in the tropics, while ensuring the rights and livelihoods of local people are respected.

The amount of carbon and biodiversity stored within an area of land varies according to the type of vegetative cover. The HCS Approach arranges the vegetation in an area of land into six different classes using analyses of satellite data and ground survey measurements.

The amount of carbon and biodiversity stored within an area of land varies according to the type of vegetative cover. The HCS Approach arranges the vegetation in an area of land into six different classes using analyses of satellite data and ground survey measurements. These six classes are: High Density Forest, Medium Density Forest, Low Density Forest, Young Regenerating Forest, Scrub, and Cleared/Open Land. The first four classes are considered potential High Carbon Stock forests.

The methodology respects local community land use and livelihoods, as well as local community rights through its integration with enhanced Free Prior and Informed Consent (FPIC) procedures.



The HCS Approach arranges the vegetation in an area of land into six different classes using analyses of satellite data and ground survey measurements

HIGH CARBON STOCK (HCS) FOREST				DEGRADED LANDS (FORMER FOREST)	
POTENTIAL HCS AREAS				MAY BE DEVELOPED	
HIGH DENSITY FOREST (HDF)	MEDIUM DENSITY FOREST (MDF)	LOW DENSITY FOREST (LDF)	YOUNG REGENERATING FOREST (YRF)	SCRUB (S)	CLEARED/OPEN LAND (OL)
Remnant forest or advanced secondary forest close to primary condition	Remnant forest but more disturbed than HDF	Appears to be remnant forest but highly disturbed and recovering	Mostly young re-growth forest, but with occasional patches of older forest within the stratum	Recently cleared areas, some woody regrowth and grass-like ground cover	Very recently cleared land with mostly grass or crops, few woody plants

Each vegetation class is validated through calibration with carbon stock estimates in the above-ground tree biomass and field checks. Community land rights and uses are mapped, and the HCS forest patches are further analyzed via a Decision Tree to identify viable and optimal forest areas for potential protection and areas for development.



The HCS Approach is a breakthrough for plantation companies and manufacturers who are committed to breaking the link between deforestation and land development in their operations and supply chains.

The HCS Approach requires participatory community-land use planning and management, applies conservation planning tools to the identified HCS forest areas, and combines with mapped community land use, HCV, peatland and riparian areas to delineate areas for conservation, restoration, community land use, and/or areas potentially available for plantation development.

We support this practical methodology, which has been tested and developed in active concessions in Asia and Africa with input from a variety of stakeholders. It is a relatively simple tool that plantation companies can use for new developments while ensuring that forests are protected from conversion.



2. CHOOSE

CONTINUED

TRACEABILITY, OUR STATE-OF-THE-ART APPROACH

We are committed to take our supply chain beyond RSPO requirements. A key factor in doing this is maintaining robust mill and grower level traceability, which allows us to understand the first mile of our palm oil supply. Knowing the origin of our palm oil means we can work more efficiently with our suppliers.

We are proud to be able to lead the industry in terms of rigorous and credible traceability and actively promote this attainable achievement to be the standard for our industry.

In 2018, we were supplied with 205,000 tons of palm oil. Of this we achieved 100% traceability quantity to 60 palm oil mills and 99.52% traceability to 270 plantations during the first half of 2018. We recorded the contribution of some 24,974 smallholder growers.



99.52% traceability of palm oil to plantations and

100%

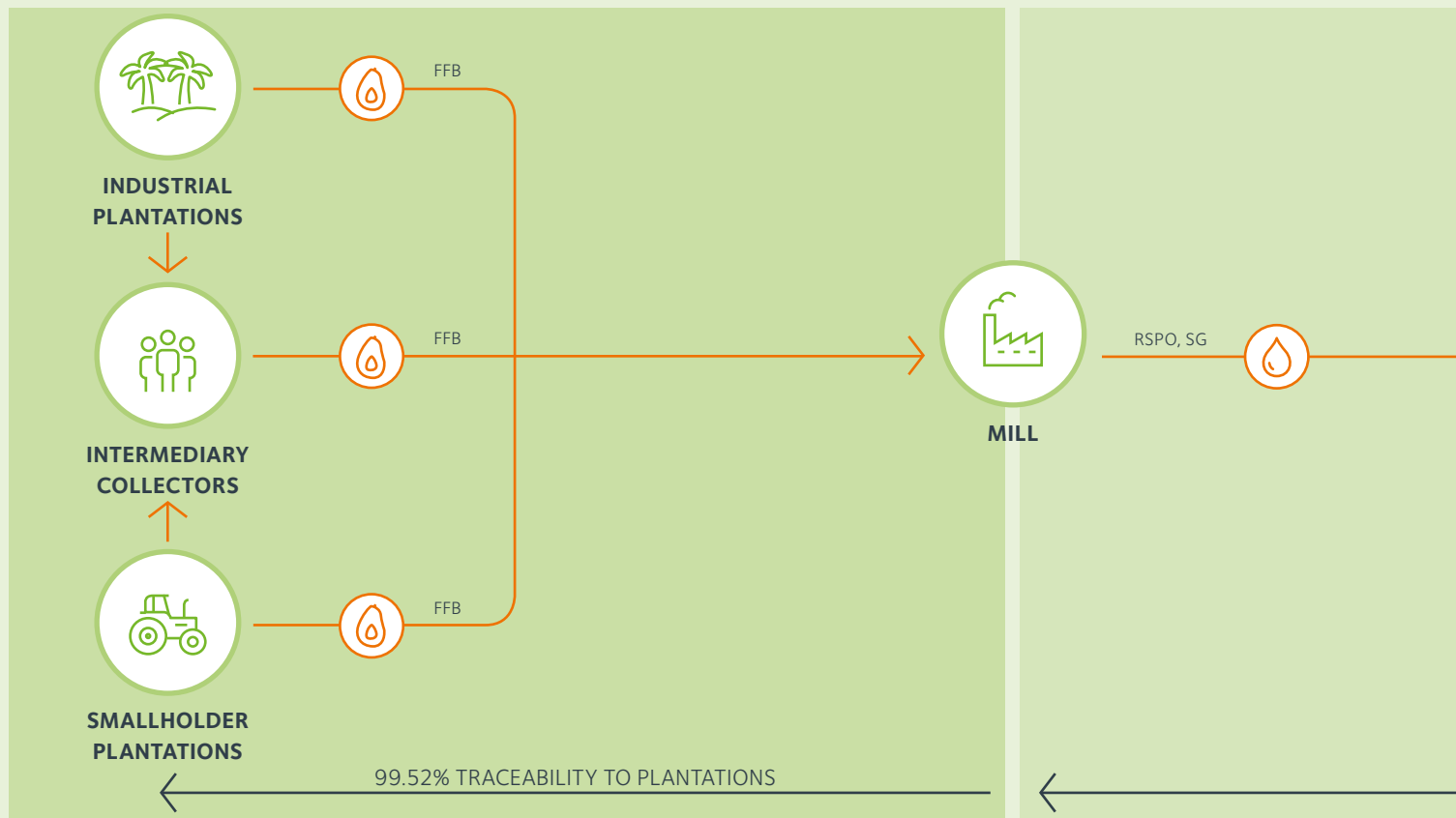
traceability to mills

Our latest traceability records show contributions from:

COUNTRY	VOLUME %	# MILLS
Malaysia	82.73%	33
Indonesia	13.66%	18
Papua New Guinea	3.11%	9
Colombia	0.13%	1
Total	100%	60

PALM OIL TRACEABILITY

FERRERO PALM OIL CHARTER/IMPLEMENTATION AND VERIFICATION

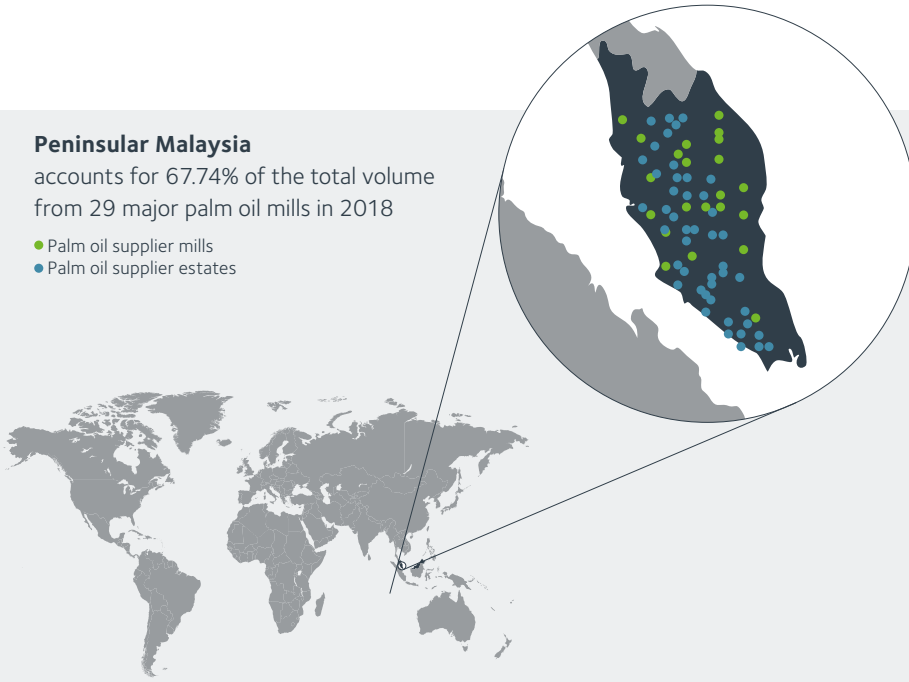




Peninsular Malaysia

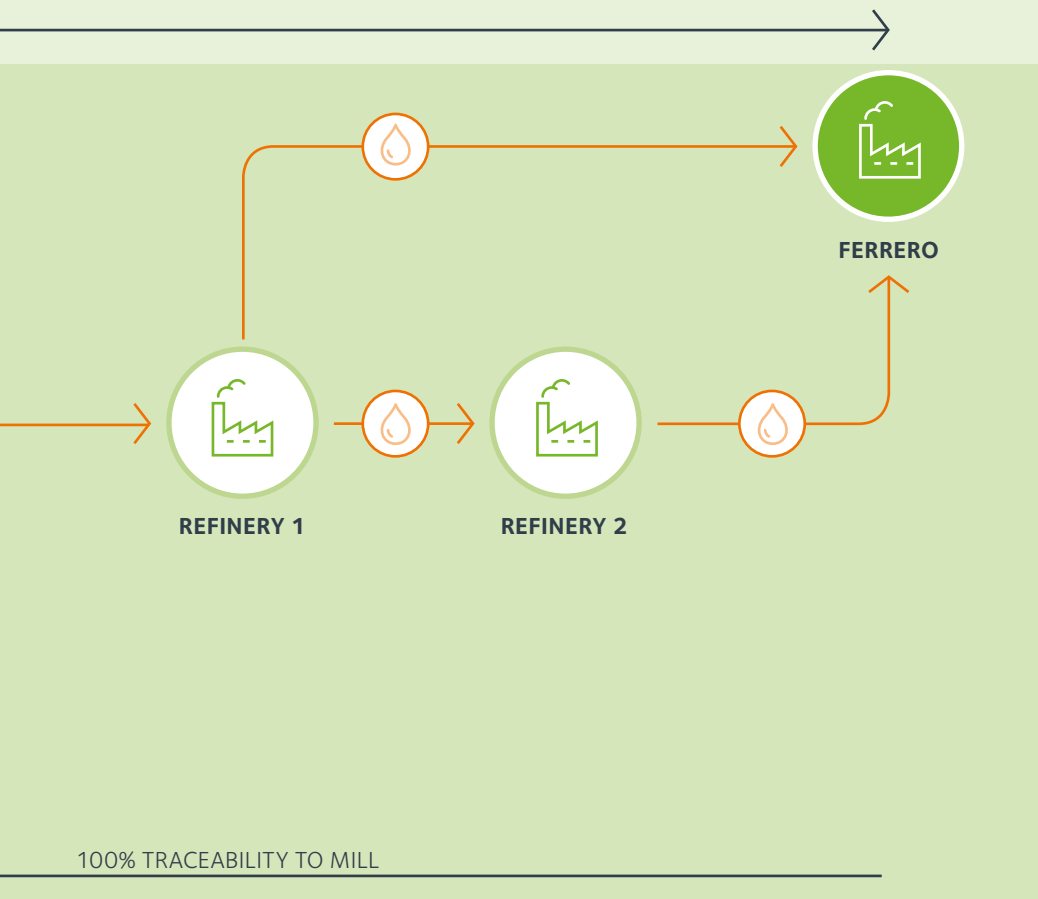
accounts for 67.74% of the total volume from 29 major palm oil mills in 2018

- Palm oil supplier mills
- Palm oil supplier estates



Our palm oil traceability means we locate our supply by:

- Location coordinates and maps of growing areas;
- Full information on suppliers' and their growers' certification history;
- Size, ownership and characteristics of plantations;
- Number and location of contributing smallholders;
- Certified source of each delivery coming to our factories.



KEY:

- Full physical integration
- 🍌 Palm fruit
- 🛢️ Crude palm oil
- 🛢️ Refined palm oil
- FFB: Fresh Fruit Bunches
- RSPO: Roundtable of Sustainable Palm Oil
- SG: Segregated



2. CHOOSE

CONTINUED



Relative changes due to climate change in potential yields (FAO/IIASA GAEZ)

UNDERSTANDING LAND USE CHANGE DYNAMICS

Given the unique traceability of our palm oil supply chain, we can evaluate historical and current land use dynamics. We actively collaborate with the Tropical Futures Initiative and Center for Earth Observation & Citizen Science (EOCS) of IIASA – the International Institute for Applied Systems Analysis, UN-FAO and other organizations in order to apply land use change modeling for our efforts.

Testing satellite-based assessments

In 2018 we concluded piloting a geospatial assessment to monitor forest cover change within our supply chain and to understand the capabilities of satellite monitoring for non-deforestation verification purposes. The assessment, Starling, has been developed through a partnership between Airbus Defence and Space, The Forest Trust (TFT) and SarVision, using a combination of remote sensing technologies.



ACTIVELY SUPPORTING TRANSFORMATION

We are an active promoter of sustainable palm oil at multiple levels. We are contributing members of various multidisciplinary expert platforms and roundtables, where the future of the palm oil industry is tailored and discussed.

We actively support the POIG, a multi-stakeholder initiative with a mission to transform the palm oil industry and break the link between palm oil, the destruction of forests and peatlands, and the violation of human and labor rights. We share the POIG's vision to "break the link between palm oil and deforestation, and human, land and labor rights violations."

Founded in 2013, the initiative was developed in partnership with leading NGOs as well as with progressive palm oil producers. Within POIG, we aim to support the RSPO by demonstrating that innovation and leadership in responsible palm oil production is possible. We are also an active participant of the Peatland&Wetland Working Group of POIG.



Find our biannual progress reports on:
www.ferrerocr.com

See Q&A Palm Oil on:
www.static.ferrero.com/globalcms/documenti/1758.pdf

See Q&A Palm Oil in Ferrero products on:
www.static.ferrero.com/globalcms/documenti/1758.pdf

See also:
www.ferrero.com/fc-4073?newsRVP=448

EPOA strongly supports the uptake of 100% sustainable palm oil. See:
www.palmoilandfood.eu/en

See further details on POIG on:
www.poig.org

RSPO

Roundtable on Sustainable Palm Oil

We have been an active member of RSPO since 2005 and believe that the roundtable has a key role in promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders.

We believe that by facilitating the uptake of RSPO-certified, physically segregated palm oil, and with constantly improving RSPO standards, there can be a significant impact on the transformation of the industry.

As active promoters of RSPO's journey of improvement, we are committed to buying 100% RSPO SG palm oil, but we also implement additional sustainability criteria on top of RSPO requirements.

European Palm Oil Alliance

We work closely with the European Palm Oil Alliance (EPOA). EPOA is a business initiative to engage with and educate stakeholders on the full palm oil story, closely collaborating with national initiatives active in the different European countries, 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. See: www.palmoilandfood.eu/en



We have been an active
member of RSPO since

2005



2. CHOOSE

CONTINUED

SUSTAINABILITY IN SHEA AND SAL

Shea butter is processed from Shea nuts and is used to enhance the taste and consistency in our products. The shea tree is a wild-growing tree that can only be found in the Sahel belt of West Africa. The tree is very important for countries in the region, as its fruit provides nutrition and income to the population in rural areas, and the bark, leaves, sap and roots are used for traditional medical purposes. The trees also contribute to the prevention of desertification.

Traditionally, women collect the shea fruits, which make up a significant proportion of the local diet. The kernels are boiled, deshelled and dried. Some kernels are kept for household use, and the rest are sold. The income from selling the kernels enables families to pay for school fees, clothing and farm equipment.

In 2017/2018, we teamed up with the NGO Progetto Mondo to create shared value and a long-lasting impact in our key shea butter sourcing areas. The objectives of the project were: 1) Sustainable agricultural development of Burkina Faso's rural community with the aim to limit malnutrition and development of woman agribusiness managerial skills; 2) Development of women's associations and mobilization aiming to support security nutrition actions; finally, 3) development of good nutrition practices among the local communities with specific focus on children's nutrition.

At the end of 2017/2018, we are proud to report that by empowering and educating women to treat the Shea in the best possible way from collection to storage, the project has helped generate more income by producing higher quality Shea kernels and trading directly with women's groups chosen by local women. The number of women participating in the program has grown almost exponentially since 2009, which indicates the program's success.





In 2017, we also became a member of the Global Shea Alliance.



Shorea (Sal) butter is obtained from the fruit of the Sal tree (*Shorea Robusta*) in India. The butter is used to enhance the consistency of our products.

Sal is a semi-deciduous tree, usually growing to a height of 18-30 feet. It is found mainly in moist evergreen regions of India, which make up around 14% of the country's total forest area – spread across the states of Chattisgarh, Orissa, Jharkhand, West Bengal, Madhya Pradesh, HP, Haryana, Uttaranchal, Assam, Arunachal Pradesh, Bihar, Uttar Pradesh and Andhra Pradesh. The butter is extracted from its fruit seeds and then further processed and refined to obtain a light colored butter, which has a low odor and smooth, dense texture, suitable for cosmetics as well as food. Our supplier of Sal butter has worked for many decades with indigenous people, who traditionally collect sal seeds and derive their main income from its cultivation.



2. CHOOSE

CONTINUED

HAZELNUTS

PROGRAM	OBJECTIVE
	By 2020 100% traceable

Hazelnuts are the heart of our company and characterize the taste of most of our products. Our success and origins are based on this raw material.

Being a larger hazelnut user, we are committed to influencing and driving good agricultural practices, economic and environmental sustainability, and innovation.

Since the early 90s, we have undertaken many initiatives promoting an ethical and profitable integration between the confectionery and agricultural industries, with a deep focus on quality improvement, which resulted in the creation of a new division, Ferrero Hazelnut Company (HCo) in 2015.



Ferrero has a deep focus on quality improvement, which resulted in the creation of HCo in

2015



THE HCO HAZELNUT VALUE CHAIN





The HCo division is the first example within the hazelnut industry of a “fully integrated value chain company”, from farming to consumer. It brings all the hazelnut value chain activities and its different departments under one structure.

1. AgriBusiness Development;
2. Hazelnut Procurement;
3. Hazelnut Industrial and Supply Chain;
4. Hazelnut Commercial B2B;
Other key departments operating all along the Value Chain:
5. Quality;
6. Sustainability.

1. AGRIBUSINESS DEVELOPMENT

We are supporting in the development of hazelnut cultivation in new and existing countries, focusing on developing new hectares and also improving the quality and yield of the existing value chains.

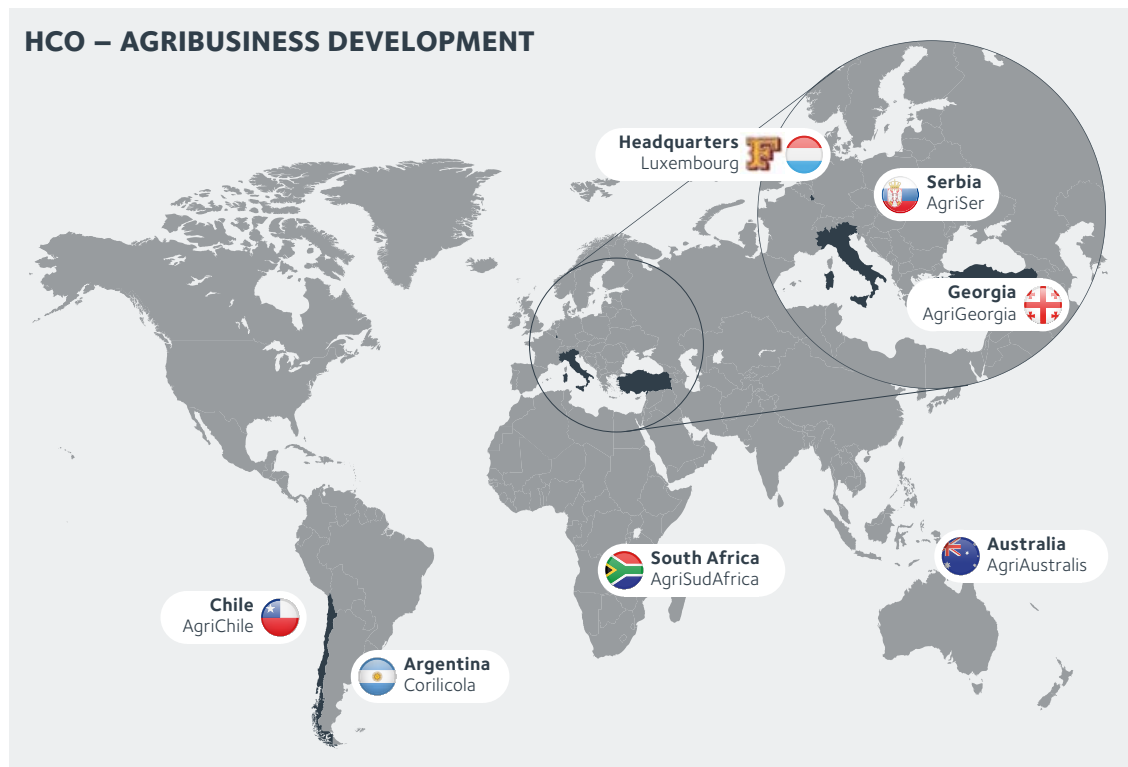
In this regard, the AgriBusiness Development department plays a key role:

- It leverages on its six own farms promoting hazelnut cultivation in Chile, Argentina, Georgia, South Africa, Australia and Serbia (employing around 4,000 people);
- The Agrifarms are the key to reaching farmers and sharing with them agricultural best practices, supporting the development of third-parties in the sector.



Estimated reach of traceability by the sustainable hazelnut sourcing roadmap by 2020

100%





2. CHOOSE

CONTINUED

2. HAZELNUT PROCUREMENT

The Purchasing Department operates in several countries around the world in order to supply the required hazelnut volumes according to our strict quality specifications.

3. HAZELNUT INDUSTRIAL AND SUPPLY CHAIN

Seven processing plants (located in Italy, Chile and Turkey) characterize the HCo Industrial and Supply Chain Footprint.

4. HAZELNUT COMMERCIAL B2B

HCo is also managing a range of commercial Business-to-Business activities.

5. OTHER KEY DEPARTMENTS OPERATING ALL ALONG THE VALUE CHAIN: QUALITY

Quality is one of the main pillars at HCo Ferrero (Quality First!): our products require a type of hazelnut with very strict and exclusive qualitative parameters, ad hoc varieties and origins, definite and precise dimensions and shapes.

This requires careful quality control all along the value chain (starting from the field), an accurate selection of suppliers, periodical inspection audits and several analyses according to our methodology; circa 150 Quality Team people are involved in the process, carrying out daily analysis, which amounts to more than 100,000 samples a year.

To preserve the unification and standardization of the quality model, the HCo plants, as well as our chocolate factories, are submitted to the certification processes ISO 9001 and ISO 22000, which will be completed, on a global level, by the end of 2019. The certification is a further recognition that attests good manufacturing practice, the respect of food safety and the processes' harmonization worldwide.

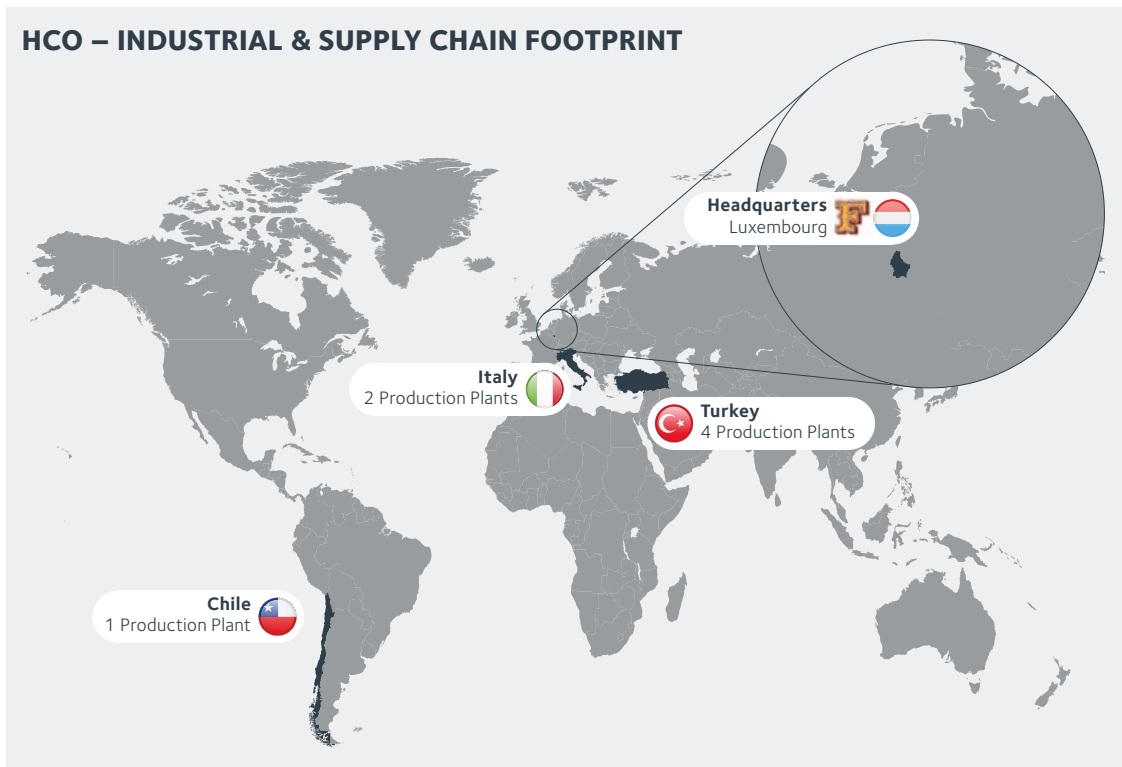


Circa 150 Quality Team people are involved in the quality process, carrying out daily analysis, which amounts to more than

100,000

samples a year

HCO – INDUSTRIAL & SUPPLY CHAIN FOOTPRINT





6. OTHER KEY DEPARTMENTS OPERATING ALL ALONG THE VALUE CHAIN: SUSTAINABILITY

Our main activities to achieve sustainability along the hazelnut supply chain include traceability of the product in the field as well as environmental, agricultural and social good practices.

The implementation of good practices in various areas ensures that the best, most modern and efficient technologies are applied to the cultivation of hazelnuts – with a clear intention to spread the culture created through our initiatives to local farmers and hazelnut communities in the different areas in which we operate. All activities are within the Ferrero Farming Values Hazelnut program.

In terms of GAP (Good Agricultural Practices), we are committed to directly apply (in our own Agrifarms and amongst third-party growers) several agricultural practices that maximize crop quality cost effectively while also having a reduced and responsible impact on the agricultural ecosystem. The areas covered by GAPs include: soil management (fertilizers), water management (irrigation techniques) and the correct and responsible use of chemicals (herbicides and pesticides) – all in compliance with local regulations and the highest sustainability standards.

The program covers social improvements too (Good Social Practices–GSP); providing information to help producers and workers understand issues concerning child and youth workers, regulations around working and living conditions, health and security, waste management, and much more.

Traceability in our hazelnut supply chain refers to our ability to identify the origins of hazelnuts, right back to individual farm or “farm cluster” level.

The FFV standards are the framework to guide GAP and GSP. Their driving principle is to produce crops in a way that is respectful and sensitive of nature, the surrounding environment and humans. In order to transmit those principles and set an example, we have created model farms where we apply FFV. At these farms, we run special Orchard, Harvest, Mechanization, Drip irrigation and Pruning educational days. Furthermore, together with our partners, we also organize activities to help women, young people and children improve their understanding of hazelnut production and contribute to creating an improved and sustainable hazelnut supply chain.

6.1 TRACEABILITY

Traceability in our hazelnut supply chain refers to our ability to identify the origins of hazelnuts, right back to individual farm or “farm cluster” level.

Production at scale can make traceability difficult for companies because of the highly complex supply chains involved. These are typified by a variety of intermediaries, scattered information and different data processing systems. We are working with other players along our supply chain to improve traceability, demanding greater transparency from all stakeholders to improve quality and sustainability.

Knowing the origin of our produce is also important in facilitating better connection and collaboration between ourselves and our suppliers; helping us to promote and ensure good social and environmental practices.

According to the sustainable hazelnut sourcing roadmap, the plan is to be 100% traceable by 2020. By the end of FY 2017/2018 we had achieved 39% traceability of our sourced hazelnuts.



The FFV standards are the framework to guide GAP and GSP



2. CHOOSE

CONTINUED

Since 2014, SCS Global has been conducting traceability audits of our hazelnut supply chain in Turkey. A similar approach is being applied to our sourcing activities in Italy and Chile. These audits, combined with our yearly compliance sustainable practice audit, provide us with deeper insights into a complex multi-tier supply chain.

In the future, as the traceability program matures, we plan to have even more of our international hazelnut supply chains audited by independent auditing bodies, covering all the crops used in our production. This will allow us to add yet another level of verification and assurance, demonstrating enhanced traceability practices at scale.

MAIN COUNTRY SPECIFIC GOOD SOCIAL AND AGRICULTURAL PRACTICES

We aim to promote a sustainable culture in the hazelnut supply chain. We strongly believe that this can be achieved by clearly defining the roles and responsibilities of all stakeholders along the supply chain. With the FFVh program, we actively support capacity building and capability improvements, which are crucial elements in respecting human rights.

Therefore, the objective of improving sustainable agricultural and social practices on farms is complemented by recognizing farmers as key partners in tackling the social issues and farming business transformation. In this chapter we will focus on our projects and initiatives in Turkey, Italy and Chile, which are our main hazelnut producing countries.

Turkey

Turkey is the largest hazelnut producing country and possesses particular conditions in its value chain of utmost importance to the Group. Here the FFVh activities are based on increasing quality in existing hazelnut orchards in order to improve conditions for farmers and build a better and more sustainable future. During the most recent growing season, our FFVh teams visited more than 340 orchards a day, across more than 50,000 ha and including 20,000 farmers. Orchards that participated in FFVh activities increased their yields by an average of 25-30% compared to non-participating orchards in the same areas.

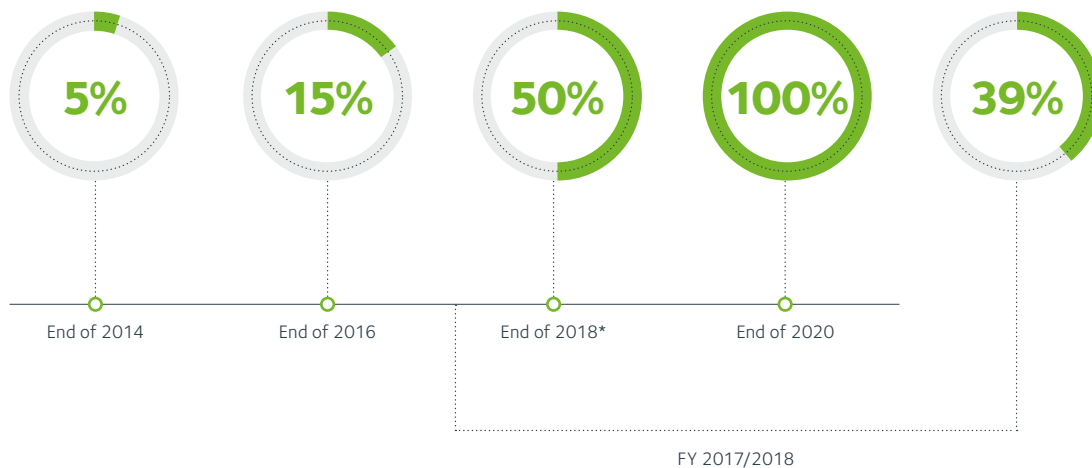


Our FFVh teams visited more than 340 orchards a day, across more than

50,000

ha and including 20,000 farmers

TRACEABLE HAZELNUT SOURCING ROADMAP



* The Fiscal Year ended on August 31st, 2018, therefore the data as of end 2018 has not been audited by PwC.



The social agenda promotes the transition to responsible agriculture and builds farmers' understanding of the Turkish regulatory system, through social dialogue

Ferrero Social Agenda – Turkey

The social agenda promotes the transition to responsible agriculture and builds farmers' understanding of the Turkish regulatory system, through social dialogue. The farming community is invited to actively engage in these dialogues by Ferrero Social Officers. During meetings, we share needs, concerns, ideas and solutions regarding social issues in farming. The dialogue also helps farmers to understand relevant Turkish laws and regulations related to worker employment.

Other activities fulfilled by the Social Officers include, but are not limited to, children's activities and activities with seasonal workers facilitated through NGOs, women's training, mukhtar (head of the village) training, internal audits and stakeholder mapping. The yearly circle of activities executed by our FFVh Social Officers is illustrated above. A major focus is the conduction of the Monitoring & Evaluation System – created within the Strategic Alliance with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH).



2. CHOOSE

CONTINUED

ACTIVITIES OF A FERRERO SOCIAL OFFICER

Good day, my name is Elif and I have been working for Ferrero as a Social Officer in Turkey since February 2016. I am specifically dedicated to the region of Sakarya. Overall, I have 20 Social Officer co-workers who act in various regions along the Black Sea Region in Turkey – the main hazelnut region in the country. Our yearly targets are planned far in advance in order to reach many key stakeholders along the hazelnut supply chain and improve the social issues. The activities are divided into harvest time, and non-harvest time.

In the non-harvest time, we visit our farmers regularly and support them through Good Social Practices training and consultation, as well as specific training for women. We created activities for children and young adults related to hazelnut topics, such as a photography workshop, training about their rights and own limits or future planning for their professional path. Mukhtars are the “village heads” and have a respected position as opinion leaders, we collaborate with them to share knowledge on social practices. Besides exchanging with mukhtars, we also visit local partners such as local communities, NGOs, universities, schools. In the harvest season we even build up projects together in order to improve social and agricultural practices on farms as well as building collaboration and capacity, and foremost transfer ownership towards local communities.

The overall objective is to improve the conditions of the seasonal migrant workers, who travel from crop to crop throughout the country. In August, during the harvest period, our efforts are therefore primarily set on them. They, as well as their labor brokers, receive training on working conditions, child labor, legal requirements and age verification prior to the harvest given by my team.

Also during the harvest season, we support the external audits – SCS Global verification and UTZ certification.

In order to understand our impact on the ground we conduct surveys with farmers, mukhtars, workers, etc., which feed into our internal Monitoring and Evaluation System (M&E), designed and implemented within our Strategic Alliance with GIZ. The system gives us the ability to analyze the risk and tailor projects for regions according to these analyses. We have already had intensive M&E training with experts and I am already keen on improving my skills through the one-to-one coaching sessions in 2019!



The overall objective of our Social Officers is to improve the conditions of the seasonal migrant workers, who travel from crop to crop throughout the country

STRATEGIC ALLIANCE – PROMOTING SUSTAINABLE SOURCING IN THE FRUIT INDUSTRY

Implementing efficient sustainable sourcing initiatives is inherently collaborative. In order to receive appropriate strategic advice and technical expertise on the designing, implementation and monitoring of sustainable sourcing themes, we decided to join forces with two other companies, MesseM in Morocco and Havamad in Madagascar, in a Strategic Alliance enabled through GIZ. The three-year partnership started in 2016 and aimed to promote sustainable sourcing in the fruit industry with a specific focus on worker rights.

The develoPPP.de program was set up by the German Federal Ministry for Economic Cooperation and Development (BMZ) to foster the involvement of the private sector at the point where business opportunities and development policy initiatives intersect. Through develoPPP.de, BMZ provides companies investing in developing and emerging countries with financial and professional support by public partners like GIZ. In Turkey, it included, among other activities, training programs for FFVh Social Officers on the ground and educational activities for farmers’ children during harvest season.



The general objective of this Strategic Alliance PPP is to set up sustainable sourcing models that improve the working conditions of seasonal workers in labor intensive fruit supply chains in Turkey. We believe that the lessons learnt and best practices should be shared in order to tackle the root causes of the systemic issues arising from the seasonal migrant workforce. Therefore, GIZ and Ferrero decided to participate in the SAI Platform and BSL Master Class in Lausanne, Switzerland “Building Sustainable Value Chain”.

With the support of an expert in impact assessment, the German organization Endeava, the objective was to design and implement a comprehensive Monitoring & Evaluation System (M&E) in order to be able to assess and report the progress and impact of social activities and interventions managed by FFVh. The main results are visible throughout the design of the M&E System, including the robust revision of questionnaires, a comprehensive Handbook summarizing the key elements of an M&E System, as well as a shorter guidebook for direct implementation in the field. Besides the training on how to collect, evaluate and interpret M&E data, at the beginning of 2019 the 21 Social Officers received a one-to-one coaching session with an expert on M&E and qualitative research methods, on how to conduct a strong and unbiased survey.

The M&E reflects the collected data from different stakeholders in the hazelnut sector, including farmers, workers, labor brokers and various community opinion leaders. FFVh uses the outputs of the system to create effective action plans to better tailor on-the-ground activities to social needs.



BMZ provides companies investing in developing and emerging countries with financial and professional support by public partners like GIZ

OUR NUMBERS
2017/2018

5,920

Farmer Survey

832

Mukhtar Survey

826

Worker Survey

1,072

Internal Observation Survey

5

Labor Broker Survey



2. CHOOSE

CONTINUED



Representatives of the Ferrero Turkey office participated in two days of Sustainability Sourcing/ M&E training together with other sustainability practitioners of agribusiness enterprises actively sourcing in Turkey. The main purpose of the training was 1/ increasing understanding of sustainability in the Turkish agricultural context, 2/ introducing strategies and tools to support sustainable agricultural supply chains, 3/ introducing digital solutions for M&E, 4/ familiarizing with basic impact evaluation concepts and methods.



Ferrero Luxembourg Sustainability employees attended and presented during a two-day participatory workshop "Sustainable sourcing of agricultural raw material: Successes and challenges of Monitoring & Evaluation system in agricultural supply chains". The objectives of this workshop were to 1/ foster exchange between different stakeholders actively involved in sustainable sourcing, 2/ share experiences, lessons learnt, and best practices in sustainable sourcing, 3/ discuss specific needs and technical challenges companies are facing when designing and implementing M&E systems, as well as concrete and pragmatic case studies on how enterprises have tackled certain issues.

ILO PPP

Action Against Child Labor in Seasonal Hazelnut Agriculture: An Exemplary Public-Private Partnership

We support and participate actively in an extended Public-Private Partnership with CAOBISCO (European Association of Chocolate, Biscuits & Confectionery Industries) and the ILO (International Labour Organization) in Turkey, through a project that aims to contribute to the elimination of the worst forms of child labor in seasonal agriculture in hazelnut harvesting. The project is being implemented jointly by the Ministry of Family, Labour and Social Services of Turkey (MoFLSS) and the ILO, in line with the National Employment Strategy (2014-2023).

The PPP was established in 2013 and in September 2017 the majority of project members agreed on a smooth transition into a new project phase, running until the end of 2020. Contributing through financial efforts, active engagement and expertise, the members decided to focus on capacity building in combating child labor, at a local and national level; by training seasonal migrant workers in their regions of origin as well as in the areas where they find work in the hazelnut supply chain. Between 2013-2017, the project contributed to the policy development of a National Programme on the Elimination of Child Labour (2017-2023), in collaboration with the Ministry of Family, Labour and Social Services to a Circular issued by the Ministry of National Education (MoNE) in 2016 focusing on Access to Education for Children of Seasonal Agricultural Workers and Nomadic or Semi-Nomadic People. In 2017, a Circular issued by the Prime Ministry focused on Seasonal Agricultural Workers, regulating the efforts of hazelnut provinces to provide assistance and secure conditions for workers. Beside the policies created, activities targeting local stakeholders, teachers and school administrators took place in target provinces in order to raise awareness and strengthen capacities for the identification of necessary measures and actions to be taken to prevent child labor in seasonal hazelnut agriculture and implementation of child labor monitoring mechanisms in light of recently issued policy documents. Based on the developed strategic intervention model, identification and referral mechanism activities, together with education, counseling and rehabilitation services, took place during hazelnut harvesting seasons (see table next page).



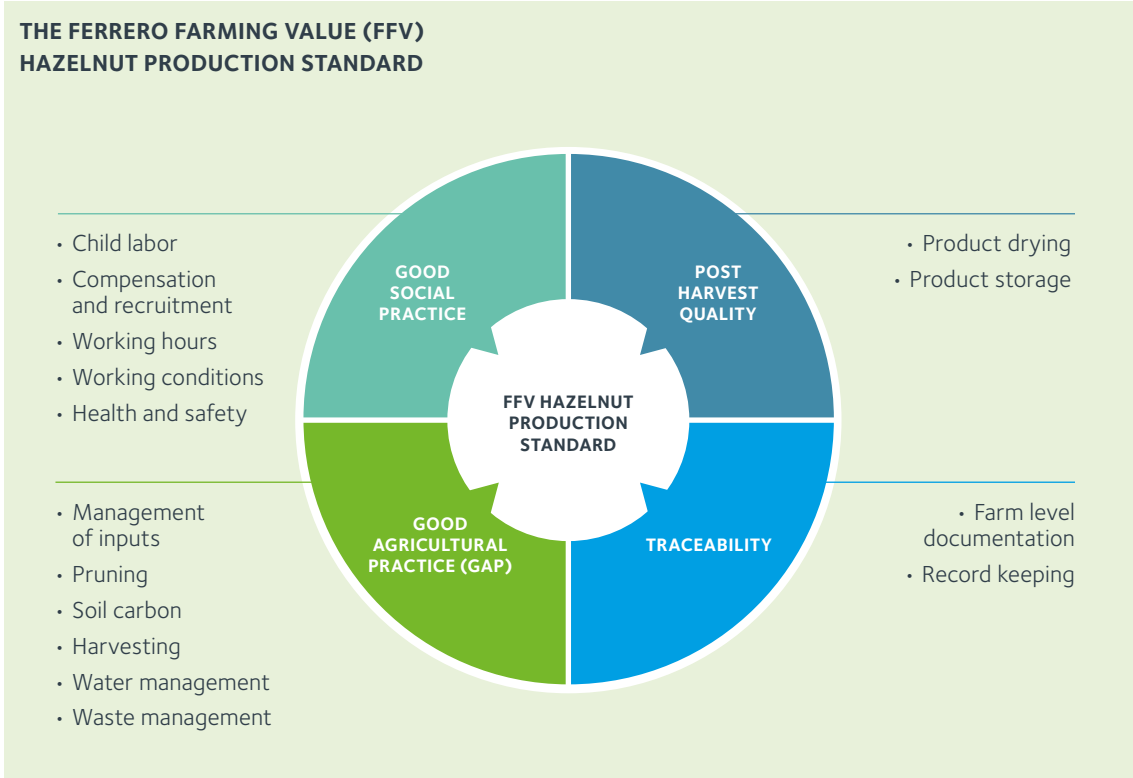
Children withdrawn/ prevented from working in the field through education services since 2013

4,382



ACHIEVEMENTS BETWEEN 2013-2018 IN THE HAZELNUT SUPPLY CHAIN THROUGH THE PPP WITH CAOBISCO AND ILO TURKEY

		2013	2014	2015	2016	2017	2018	TOTAL
Families	Counseling services	330	313	1,033	1,500	1,050	668	4,894
	Individual counseling	192	101	202	267	330	349	1,441
Children withdrawn/prevented	Education services	381	408	1,165	1,200	1,125	1,252	5,531
	Regular attendance	252	310	719	1,015	1,064	1,022	4,382
Intermediaries	Group/individual counseling	22	20	41	48	54	112	297
Orchard owners	Counseling services	104	307	75	202	341	196	1,225





2. CHOOSE

CONTINUED

THIRD-PARTY VERIFICATION AND CERTIFICATION



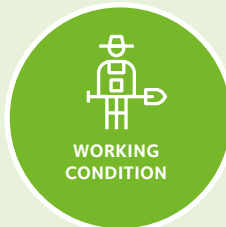
Since 2012, our plan on sustainable procurement has included the involvement of leading global certification firm, Scientific Certification System (SCS Global Services), which we have commissioned to develop concrete action on the ground in Turkey, and since 2018 also in Chile (details in the chapter Chile).

Twice a year, SCS and local auditing firms carry out specific audits on our supply chain to prove the commitment and compliance of producers to the FFV Hazelnut Production Standard as well as UTZ certification.



UTZ is a program and label for sustainable farming worldwide. The mission is to create a world where sustainable farming is the norm. Sustainable farming helps farmers, workers, and their families to fulfil their ambitions and contributes to safeguarding the earth's natural resources, now and in the future. This involves farmers implementing good agricultural practices and managing their farms profitably with respect for people and the planet, the industry investing in and valuing sustainable production, and consumers enjoying and trusting the products they buy. We also support farmers to implement farm practices according to the UTZ standards. The UTZ certification proves to consumers that products have been sourced, from farm to shop shelf, in a sustainable manner. To become certified, all UTZ suppliers have to follow the UTZ Code of Conduct, which offers expert guidance on better farming methods, working conditions and care for nature. This in turn leads to better production, a better environment and a better life for everyone. (www://utz.org/what-we-offer/certification/).

The Code of Conduct consists of four main requirements:



In August 2018, SCS Global audited 103 FFVh farmers in six provinces:

23

of them were audited for FFVh & UTZ

441

Overall the number of farmers involved in UTZ

2,681 ha

Total Field Size

Furthermore, we audited against the UTZ Chain of Custody Standard, which is a set of requirements designed to provide a high level of confidence that UTZ certified products are physically or administratively (in the case of mass balance) related to UTZ certified producers/producer groups, and ensures the traceability of any UTZ certified product. Certification against the Chain of Custody Standard ensures that the products sold by a certified supply chain actor are UTZ certified, and have been traded and handled according to the requirements set forth by UTZ.



ITALY

Third-party verification and certification

We have been purchasing hazelnuts in three regions in Italy: Piedmont, Lazio and Campania.

Taking care of Sustainable Value Chain development and preservation in these areas is key, since they are historically where high-quality hazelnuts that meet our standards are cultivated.

Since 2015, our plan on responsible sourcing includes the collaboration with the global assurance provider DNV-GL, helping us develop concrete actions on the ground with both farmers and associations.

The main actions we took during 2018 are:

- **Training:** 386 participants including Farmers, Associations and Traders have been trained on Good Social Practices/Good Agricultural Practices;
- **Field Assistance:** In-field trainings/consultancies were made by Ferrero Technicians on the information/requirements provided during training sessions. In total 150 training participants between Farmers/Aggregators Traders have been involved in this process;
- **Audit:** Audit carried out by DNV-GL to Farmers, Associations and Traders (accomplished end of October) has evaluated an important improvement (after the training sessions) mainly in documentation analysis and compliance to existing law (e.g. labor law), both to Farmers and Traders storage, management and use of chemicals in agriculture;
- **Next Steps:** The collaboration with DNV-GL will continue and twice-yearly Audits to Farmers and Associations will be performed in order to prove the commitment and compliance of producers to Sustainable Standards.

DNV-GL is also our partner for the Traceability target auditing and monitoring along the Italian Value Chain.

CHILE

Third-party verification and certification

Hazelnut farming is nowadays a reality in Chile, with more than 23,000 ha planted in the Valle Central, a favorable agro-climatic environment for hazelnut cultivation, which stretches along 1,000 km from Curicó (VII Region) to Puerto Montt (X Region).

In 1991 we established in Chile our first and currently largest agrifarm: Agrichile. The result of more than 25 years of Agrichile activity, combining the expertise of our agronomists and the high skills of Chilean farmers, has been the creation of a full value chain (from hazelnut farming to shelling). Two constants that always distinguished Agrichile's actions in all these years have been the attention to quality and the sharing of sustainable practices among farmers.

As a confirmation of this continuous commitment toward sustainability, Agrichile is collaborating since 2017 with SCS Global Services, to certify its own production processes under the Sustainably Grown Standard.

Sustainably Grown is an accredited certification program aligned to global programs and recognized by major stakeholders operating in sustainability. It provides agricultural producers with a technical curriculum to improve the sustainable management of their plantations. Simultaneously, it 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.

The certification process started in 2017 with the pre-audit, covering all areas of the management of the plantation, from the orchards to third-party services. These led to a deep analysis of the process, resulting in an improved set of policies on the environmental and social impact of farming operations (i.e. emission of greenhouse gases, carbon footprint, biodiversity assessments, energy, irrigation and water management, etc.).

The preparation of all the documents for the improvement and training of the Agrichile staff took the best part of 2018. The audit by an external body will take place at the beginning of 2019.



The Ferrero Group established in Chile our first and currently largest agrifarm Agrichile in

1991

2. CHOOSE

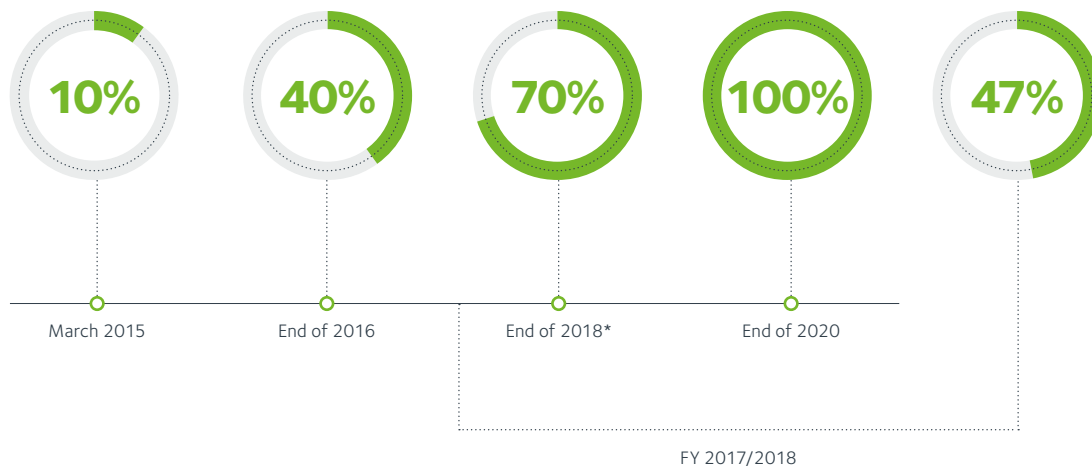
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SUGAR	
PROGRAM	OBJECTIVE
	By 2020 100% certified as sustainable

In FY 2017/2018, the total volume of sugar we purchased was approximately 25% refined cane sugar and 75% beet sugar. We have maintained a commitment to strong, trust-based relationships with numerous agricultural cooperatives and sugar producers. For decades, we have collaborated with suppliers, who extensively provide us with high-quality sugar. To support the development of sourcing from other sugar producing countries, our procurement and quality teams have put in place a baseline selection procedure for new suppliers. This allows us to guarantee that raw sugar always meets our high-quality criteria, through its internal auditing system. As mentioned in previous CSR Reports, we source 100% non-GMO sugar.



SUSTAINABLE SUGAR SOURCING ROADMAP



* The Fiscal Year ended on August 31st, 2018, therefore the data as of end 2018 has not been audited by PwC.



We are committed to source all our refined cane sugar from sustainable sources by 2020. By systematically devoting resources to evaluating the currently available certification schemes, namely their robustness, on-ground impact, resource and cost efficiency evaluations, we are identifying further possibilities to expand our sustainable sugarcane supply chain. Through intensive discussions and field visits, we have identified and formally engaged with suppliers who have sound sustainability strategies.



Bonsucro

Since 2010, we have been a member of Bonsucro: a global multistakeholder non-profit organization that exists to promote sustainable sugarcane production, processing and trade around the world. Bonsucro supports a community of over 500 members in over 40 countries all along the sugarcane supply chain, including, farmers, millers, traders, buyers and support organizations. Bonsucro promotes the sustainability of the sugarcane sector through a metric-based certification scheme. The scheme is supported by the implementation of a production standard that focuses on reducing environmental and social impacts including biodiversity, ecosystem, human rights and labor standards, as well as legal compliance.

Approximately 25% of all the world's sugarcane land is engaged in Bonsucro and that number is continuing to grow. We see Bonsucro as a strong partner in promoting and accelerating sugarcane sustainability in different countries. As a company, we contribute to the increased sustainability of sugarcane by increasing purchased quantities, every year, until all of our cane sugar is 100% certified.

Sugar is usually bought locally, so as a part of Bonsucro, we are engaged in a continuous dialogue both with local communities and other Bonsucro members, finding ways to promote sustainable sugarcane production in many countries. Together, we are working on getting key sugarcane supply chain actors certified against the Bonsucro production standard, thus contributing to more resilient and sustainable sugarcane production.

altromercato

Altromercato

Leading organizations: Consorzio Ctm altromercato Soc.Coop., Ferrero.

Sector: Agricultural development and agri-food value chains

Sustainable Development Goals (SDGs): 2.3 – 2.4

Beneficiaries: Small sugarcane planters who are members of 25 target cooperative societies

Local partners: Mauritius Sugar Syndicate (MSS); Mauritius Cooperative Agricultural Federation (MCAF)

Country: Mauritius

Areas: Northern districts – Pamplemousse, Rivière du Rempart; Central districts – Moka, Flacq, Plaines Wilhelms; Southern districts – Grand Port, Savanne

The "Sustainable Development Program" is a five-year program from 2016–2020 that we are implementing with Ctm Altromercato in Mauritius to complement the commercial agreement concerning the purchase of sugar from the Mauritius Sugar Syndicate 12,000 tons of sugar in the period 2016–2018.

The general objective of the program is to improve and enhance the economic, environmental and social sustainability of small sugarcane producers in Mauritius, going beyond the commercial partnership.



Ferrero sources

100%

non-GMO sugar



We have been a member of Bonsucro since

2010



2. CHOOSE

CONTINUED

In particular, the specific objectives of the program are:

1. To foster an increased use of organic fertilizers and adjuvants in conjunction with appropriate chemical fertilizers by small planters of target cooperatives, introducing standardized, efficient and sustainable Integrated Nutrient Management (INM) practices, in line with recent governmental policies on bio-farming in Mauritius.
2. To favor the enhancement and upgrade of services provided to small planters by investing in new young human resources to support target cooperatives and their members.

The sugar industry is vital to the country in economic, social and environmental terms. However, nowadays, the overall sustainability of sugarcane production by small planters in Mauritius is at risk due to a variety of factors, such as increasing production costs, low profitability as a result of low international sugar prices and low involvement of younger generations, among others. This situation is getting worse, leading to diffused land abandonment or conversion for non-agricultural use, with subsequent economic, environmental and social effects on local communities.

The innovativeness and complexity of the “Sustainable Development Program” in Mauritius require the design of a robust system for its M&E. Therefore planning, implementation, monitoring, evaluation and use of findings become a continuous cycle. Indeed, a tailored framework for the M&E of the program encourages broader flexibility and evidence-based learning to undertake corrective actions and accountability processes, in order to translate results into more innovative strategies and initiatives.

The monitoring system aims at continuously collecting and systematizing relevant data on the implementation of the program activities according to the work-plan and the responsibilities of each partner. It thus represents a crucial tool for the Project Manager to monitor each phase, assess potential issues affecting the implementation and propose corrective actions to keep the program on track to achieve its expected results. In particular, the annual monitoring reports provide key updated information and data about the program implementation and results (see the first Monitoring Report released in November 2017 and the second Monitoring Report released in September 2018).

MAIN INDICATORS*

Responsiveness of CCS (Commercial Cane Sugar)

Despite some initial difficulties in enhancing communication and trust, the responsiveness of most CCS representatives is improving; they are progressively more ready to help and support the program activities, and also planters are more likely to actively participate in meetings and trainings.

INDICATOR	MEETING	VALUE	PERCENTAGE
Number of secretaries attending the periodical meetings/Number of target CCS	Nov-2016	19/25	76%
	Feb-2017	18/25	72%
	Apr-2017	19/25	76%
	Sept-2017	24/25	96%
	Apr-2018	21/25	84%

* Source: Sustainable Development Program intermediate evaluation report. Ferrero, Altramerco, Arco.



Distribution of fertilizers

A progressive improvement in the delivery of fertilizers is surely taking place, starting from difficulties experienced in the first year that particularly affected the production and availability of chemical fertilizers and their timely delivery to planters.

INDICATOR	PERCENTAGE 1ST YEAR	PERCENTAGE 2ND YEAR
Distributed chemical fertilizer (kg)/ Foreseen distribution of chemical fertilizer (kg)*	70%	95.4%
Distributed bio-fertilizer (l)/ Foreseen distribution of bio-fertilizer (l)**	59.7%	100%
Number of signed vouchers/ Number of planters in target CCS	71.4%	89%

* Note: Calculated on Total no. of acreage – 250 kg NPK 17-8-20/acre.

** Note: Calculated on Total no. of acreage – 500 ml NPK bio-fertilizer/acre.

DRIVING SUSTAINABLE SUGAR BEET PRODUCTION – RUSSIA

We are partnering with the Sustainable Agriculture Initiative Platform (SAI) to implement a sustainable sugar beet project in Russia. This project is another example of how we are using the power of partnerships to achieve our sustainability objectives.

In Europe, the sugar we use in our products mainly comes from sugar beet. But it is often unclear what defines sustainable beet sugar. To get a clearer view on that, we are one of the founding members of SUBERU (Sustainable Beet Russia) project, supported by SAI Platform, a global initiative aimed at promoting the development of sustainable agriculture.

A group of SAI Platform members prioritized the sugar beet industry in Russia as a key opportunity for advancement in 2018-2019. On September, 13th 2018, in Moscow, the SUBERU project began with a meeting of Project Partners and participants.

Upon completion of the project, project supply chains (including farmers) will:

1. Better understand what sustainability means at farm-level, which translates into on-the-ground value and action;
2. Harmonize sustainable production approaches to the SAI Platform FSA guidelines;
3. Have demonstrated local sustainability leadership to demonstrate farmer value;
4. Have a community that facilitates on-going learnings on precompetitive, on-farm sustainability.

The group members will work closely with farmers and help them to verify the sustainability of their farming. Project members plan to meet to review current best practices, to discuss industry challenges and to brainstorm ways to improve sustainability in the sugar beet supply chain.



2. CHOOSE

CONTINUED

MILK AND EGGS

Policy on animal welfare in the milk and egg supply chains

We consider animal welfare to be an important principle of our ethical responsibility. Within the supply chains of animal origin products, one of our main objectives is the development of a process that ensures the progressive improvement of animal welfare standards.

In June 2017, a multidisciplinary team involving Sustainability, Procurement, Quality and R&D departments, and FAI (Food Animal Initiative) Farms (a consultancy and research organization driving progress toward food sustainability) was created in order to build a comprehensive program dedicated to animal welfare. Animal welfare contributes to the quality and safety of products, as well as the sustainability of the supply chain over time.

The five freedoms¹¹ of animal welfare provide an internationally recognized framework to describe the conditions necessary to support animal well-being:

1. Freedom from hunger, thirst and malnutrition, ensuring the animal's access to fresh water and a diet that maintains full health;
2. Freedom to have a suitable physical environment, providing the animal with shelter and a comfortable resting area;
3. Freedom from pain, injury and disease, preventing or diagnosing and treating issues quickly;
4. Freedom to express their own species-specific behavioral characteristics, providing the animal sufficient space, proper facilities and the company of animals of their own species;
5. Freedom from fear and distress, ensuring conditions and care that do not involve psychological pain for the animal. It is now acknowledged that as well as ensuring an absence of negative welfare states, the promotion of positive welfare is important to ensure a "good life for animals"¹².

Therefore, we are committed to ensuring that in our supply chains:

- animals receive an adequate supply of water and feed and the necessary care to keep them in good health, avoiding pain and suffering;
- genetic engineering or cloning must be avoided on laying hens and dairy cattle, globally;
- milk and eggs derivatives are not obtained by using animals (surrogate dams, clones and their progeny), which have been reproduced through cloning techniques;
- antibiotics must be used responsibly, reducing their use and avoiding their prophylactic use, whenever possible; the use of cephalosporins (3rd and 4th generation) in laying hens is not allowed (the implementation will be effective by the end of 2018);
- the transport of animals must always be carried out, minimizing potential causes of stress and limiting its duration as much as possible, and must be compliant to the legal requirements;
- routine mutilations must be avoided, unless strictly necessary to preserve the well-being of animals.

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

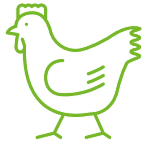
12 Farm Animal Welfare in Great Britain: Past, Present and Future; Farm Animal Welfare Council: London, UK, 2009.





EGGS	
PROGRAM	OBJECTIVE
	<p>By 2025 100% of eggs from barn hens (100% for EU plants reached in September 2014)</p>

Our egg supply chain is fully integrated (suppliers have the control of the lifecycle of their animals and the feed composition). And we are committed to sourcing eggs from cage-free systems for our global supply chain. We reached our objective of using 100% cage-free eggs in 2014 in 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% (to be verified) of our global consumption and we are working with our supplier to develop a cage-free egg supply chain for both of these countries, to fulfill our commitment by 2025.

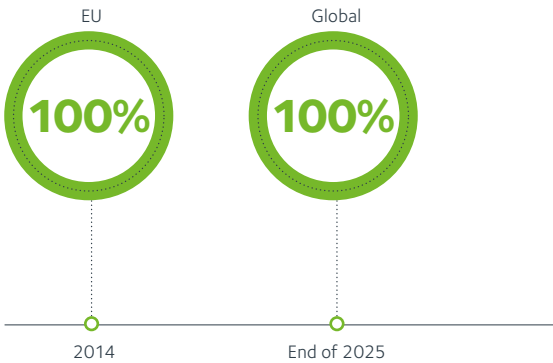


100% of eggs from barn hens by

2025



EGGS FROM CAGE-FREE BARN HENS ROADMAP





2. CHOOSE

CONTINUED

MILK	
PROGRAM	OBJECTIVE
	Pursue strict quality standards and monitor sustainability indices

Over many years we have developed and nurtured long-term relationships with carefully selected, local milk producers. These partnerships alongside our strict standards have enabled us to assure and improve the freshness and quality of our milk.

We use these relationships to strengthen our “controlled, short supply chains”, paying particular attention not only to milk quality but also to the activities of suppliers linked to sustainability in the areas of animal welfare and environmental responsibility.

We have established a very strong long-term relationship with two strategic suppliers, auditing 100% of their farms (Inalpi in Italy and Mittelbe in Germany).

We strictly adhere to national production regulations on raw milk and other dairy products. Dairy production regulations covering milk quality parameters (e.g., the absence of antibiotics), and its classification and composition, may vary from country to country. However, our high standards for the supply of milk are applied globally, regardless of the level of local regulations in force. We source our 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.

Through the short, controlled supply chain, we are able to create a streamlined system of traceability, which goes beyond legislation (including 100% traceability of dairy farms globally), to provide a clear picture of the path from farm to product. We want to work with our suppliers to drive continual improvement and encourage them to adopt best practices in milk production, wherever possible.



We source our 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



In January 2018, we defined a dedicated quality and sustainability program, which outlines our vision for our dairy supply chain. The program was developed with the technical support of Compassion in World Farming (the leading international farm animal welfare organization) and FAI Farms (Food Animal Initiative). The “VisionDairy” program has been developed to drive sustainability and continuous improvement in three main areas on our dairy farms:

1. Cow and calf welfare;
2. Improve farm performance by supporting efficient, resilient and ethical business practices;
3. Promote environmental stewardship by protecting and enhancing our shared environment.

In total we have 15 principles that cover the three areas, these principles cover a range of important issues including animal welfare, human rights, worker health and safety, greenhouse gas emissions, soil and water management, and biodiversity.

We recognize that in order to create a shift towards sustainability in dairy farming, we have a role in bringing relevant stakeholders together, to engage in constructive dialogue and to identify shared causes and solutions.

OUR ENGAGEMENT AND COLLABORATION WITH SUPPLIERS

Sectoral collaborative engagement

Since 2011, we have been an active member of AIM-Progress. This is a group of more than 40 Fast Moving Consumer Goods companies, assembled to enable and promote responsible sourcing practices. It is a global initiative supported and sponsored by AIM in Europe and GMA in North America.

AIM-Progress’ key objectives include building supply chain capability so that member organizations and their suppliers are competent in executing robust responsible sourcing programs; and effectively assuring compliance in the members’ supply chains through aligning practices, standards and metrics.

Since November 2017, we joined the leadership team of AIM-Progress and co-led its Human Rights Work Stream, to drive the responsible sourcing agenda of the sector.

We also signed the Mutual Recognition Framework of AIM-Progress to reduce audit fatigue and align with members on key issues of responsible sourcing. We share supplier on-site social audits and recognize those completed on behalf of another company in an anonymous manner.

Under the membership of AIM-Progress, we collaborated with other member companies on organizing supplier capability building activities in order to level the playing field of responsible sourcing along our supply chains.

Supplier Sustainability Program: engaging with suppliers

We have a wide range of direct and indirect suppliers, ranging from small-scale producers to multinational businesses. Driven by our vision “Share Value to Create Value”, we want to share best practices with all our stakeholders and require all our suppliers to comply with our Code of Business Conduct.

Adhering to the UN Guiding Principles of Business and Human Rights, we therefore assess and assist our suppliers in managing their risks. Specifically, we have launched the Supplier Sustainability Program, which aims to:

- Understand the human rights, social and environmental risks in all supply chains and address them through corrective actions; and
- Create a sustainable business model that benefits everyone and helps foster long-term relationships.

The Program comprises two key initiatives: Supplier CSR Assessment Initiative and Social & Ethical Compliance Initiative. We understand that collaboration is an important factor to generate positive impacts along the responsible sourcing journey. Therefore, we adopt a collaborative engagement approach in running both initiatives.



Since 2011, we have been an active member of AIM-Progress. This is a group of more than

40

Fast Moving Consumer Goods companies, assembled to enable and promote responsible sourcing practices



In our Supplier Sustainability Program we adopt a collaborative engagement approach



2. CHOOSE

CONTINUED





ecovadis

Supplier CSR Assessment Initiative

The Supplier CSR Assessment Initiative is a major component of the Program. We decided to implement a simple process to monitor and rate suppliers' environmental, social, and ethical performance through EcoVadis Supplier Sustainability Assessment Platform.

The methodology covers 21 criteria across four main themes: environment, social, fair business practices, and sustainable procurement practices.

The EcoVadis CSR Assessment solution helped us understand and monitor risks in our supply chain, while identifying best practices and areas for improvement.

It also provided suppliers with a detailed analysis of their performance, allowing them to benchmark their position against sectoral practices and to effectively manage improvement.

Between 2015–2018, we launched various assessment campaigns covering the categories of raw materials, packaging and logistics. To date, around 650 suppliers were invited, of which more than 420 were assessed. The overall average score is 49.3/100 compared to the EcoVadis average of 42.2.

However, as we strive for excellence, we have created a corrective action threshold in order to elevate the playing field of suppliers' CSR performance.

A Sector Collaboration: AIM-Progress Supplier Sustainability Assessment Initiative

In 2017, we joined forces with other AIM-Progress members as a group of major FMCG companies committed to reduce supplier assessment fatigue through collaborative sharing of supplier CSR performance ratings and to set a common sectoral expectation on promoting responsible sourcing practices and sustainable supply chains.

The one-year pilot was initiated in May 2017 with the objective to create a shared platform to allow sharing of CSR performance ratings among AIM-Progress members. To date, 4,250 supplier CSR assessment scorecards were shared.

Through this collaborative platform, members also participated in regular calls and meetings to share challenges and best practices, in order to find synergies to tackle common issues.



Social & Ethical Compliance Initiative

Another key component of the program is the Social & Ethical Compliance Initiative. We recently implemented a social audit process to identify human rights and ethical risks of our supply chains. For this reason, we are engaging with Sedex (Supplier Ethical Data Exchange) to develop coverage of social audits at all tiers.

Sedex is a global non-profit membership organization and a collaborative platform for sharing data on supply chains. Its platform, Sedex Advance, allows us to request and verify availability of social audit reports from our suppliers. It covers four key areas: labor standards, health and safety, environment and business ethics. Sedex enables us to further gain further visibility of our global supply chain, in order to manage risk as well as engage with our suppliers to improve standards.

We started a pilot project with Sedex in mid-2017 in three high focus countries – China, India and the Philippines. Around 70 local suppliers were identified in scope. To date, those suppliers have completed their self-assessment questionnaire. Selected suppliers are required to perform an independent third-party on-site audit, using the SMETA 6.0 (Sedex Member Ethical Trade Audit) methodology.



The overall average score of the suppliers' CSR performance

49.3/100

compared to the EcoVadis average of 42.2



3. MAKE

MAKING OUR PACKAGING

HOW DOES THE INCESSANT IMPROVEMENT WORK ON OUR PACKAGES TAKE SHAPE?

Throughout the planning, testing and creation process, our specialized technicians and designers always keep in mind the “5Rs Strategy”, aimed at achieving the very best in terms of quality and freshness, while minimizing the quantity of waste produced.

THE 5RS

Integrate the 5Rs into our Ecodesign approach

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

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





5RS IN ACTION – SOME EXAMPLES



RENEW

In our continuous improvement on plastic packaging impact reduction we set an ambitious goal to limit the consumption of non-renewable material (to increase 10% of renewable packaging by 2020), evaluating bioplastics adoption in our packaging.

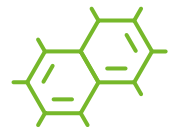
After different experiences, scouting existing technologies and our requirements (e.g. safety, food quality protection, consumer expectations), we have reconsidered our previous goal regarding massive use of those materials.

This decision is due to the fact that we recognize benefits as well threats on their use: today we need more study on those materials. When we are sure that the bioplastics meet all the requirements along the supply chain as well as the regulations in force, we will use it in our packaging.

Our Science R&D team (see Science box) is exploring next generation bio-materials and other innovations relevant for us to reach the new challenging packaging goals.

We're now focusing on our biggest plastic packaging challenge (but not for plastic packaging only): To be part of a circular economy without littering and waste.

Many projects have been launched to meet this new target and incoming legal requirements on specific items, such as the exploration of new solutions for drinking straws, which are still under study by our technicians.



In 2018 we created the "Science Hubs and R&D team" with the goal to explore innovations





3. MAKE

CONTINUED



REUSE

Our efforts are focused on two different strategies:

- 1. Creative or secondary reuse:**
i.e. designing packaging that can be reused by our consumers: this is the reason why our special occasions packaging is not only designed to meet consumer expectation and to be appealing, but also to be reusable for celebrations and other scope: our 4 seasons NUTELLA jar won a price for this reason!
- 2. Reusable packaging:**
i.e. introducing reusable packaging between our factories and warehouses or in our production line in secondary or tertiary packaging.

For a food company, primary reusable packaging is very challenging, but we'll continue to explore any suitable and sustainable reuse system aimed at pursuing our goal.

Our plant in Baramati (India)

introduced reusable boxes (up to 30 cycles) for transport from Ferrero to our supplier's manufacturing plant and back, which allowed the reduction of waste generated by non-reusable boxes.

NUTELLA winner at the German Design Awards

The embossed NUTELLA jar has been designed to be reused for food preservation once the cream has finished. This new format of the iconic shape of the NUTELLA jar is suitable for food preservation, with significant benefits in terms of ecological sustainable lifecycle.



REDUCE

Every year we develop many projects aimed at material consumption reduction. Some projects have led to a redesign of our packs that can be appreciated by our consumers, other changes are less obvious to the naked eye.

In many other plants, redesigns or reorganizations have been carried out to reduce the material used in primary and secondary packaging or increase the number of packages transported to reduce environmental footprint.

This led to a saving of:

- More than 15 tons of glue in one year in our Brantford (Canada) plant
- More than 1,200 pallets in one year in our Alba (Italy) plant
- More than 5 tons of aluminum in one year in our Belsk (Poland) and Alba (Italy) plants
- More than 60 tons of plastics in one year in our Baramati (India) plant

Our plant in Brantford (Canada)

Changed the substrate of the TIC TAC Gum label: before the change they used a holographic substrate sourced from Italy, now they use a material sourced from North America, reducing transport.



Thorntons plant in Alfreton (UK)

Changed size and composition of Thank you Teacher and Father's Day boxes' packaging. This allowed a reduction of almost 38 tons of paper and more than 5 tons of plastic.



REMOVE

Our 2018 efforts to eliminate unnecessary packaging elements, thus optimizing packaging and saving packaging material quantity, have witnessed several projects.

Our plant in Baramati (India)

Saved more than 20 tons of cardboard thanks to the removal of the filler from the TIC TAC play and to its general redesign.



RECYCLE

All packaging materials are valuable, whether they come from renewable or non-renewable sources, so it is very important for us that those resources should not be wasted.

In addition to making our consumers aware of the damage caused to the environment by the phenomenon of littering, we want to ensure that our packaging does not even end up in landfills.

Every part of packaging that ends up in landfill corresponds to a waste of material that is unacceptable for us, that's why with our new goal we are committed to making all our packaging reusable, recyclable or compostable by 2025.

For this purpose we have undertaken projects to increase further our recyclable packaging rate. Main key packages have been identified, corresponding to specific projects which bring us to our goal. Our teams have been tasked to find innovative solutions and are working hard to reinvent our packaging.

In the meantime, our design team has been trained on sustainability topics and specific design for recycling guidelines. All our design team are part of a constant training program to stay up to date on new developments and to refresh relevant topics for daily work.

We examine single packaging elements as well as packaging as a whole, to identify how each specific aspect could negatively impact the recycling process.

Our plant in Brantford (Canada)

According to plastic sorting and recycling technology, using the wrong sleeve may be detrimental for jar recycling.

According to our design for recycling guidelines we have changed the Nutella jar's sleeve material, making the whole packaging more suitable for recycling plants.



3. MAKE

CONTINUED

OPERATIONS

OUR APPROACH TO SUSTAINABILITY

Considering the growing importance attached by external stakeholders to topics related to the environment (in particular climate change and air quality, natural capital preservation and biodiversity – see the Materiality Matrix on page 5), we decided to adopt a more common and focused approach to sustainability in operations.

Our group operations environmental program and organization was outlined to support continuous compliance and to enhance further performance improvements in four streams, as follows:



CLIMATE CHANGE



ENERGY EFFICIENCY



WATER STEWARDSHIP



CIRCULAR ECONOMY

The program aims at sharing and implementing best practices in the four streams and to develop a specific sustainability plan for each operations plant. In the following chapter actions and initiatives are shown that are already in line with the program.

Organization and culture

An organizational change was introduced to support the new focus and delivery of the sustainability program.

PLANT ISEE MANAGERS

In 2017/2018 the role of “Plant ISEE Manager” was created in our plants, as a local counterpart of the Central DISEE (Direzione Industrial Sustainability, Environment and Energy). The Plant ISEE Managers locally cover a leading role in being the driving force of sustainability, environment and energy efficiency management.

The cooperation among DISEE and those who have the same role in our plants is aimed at sharing and developing a common ambition and progress, standardizing tools and methodologies and spreading best practices on the environmental sustainability streams.



In 2017/2018 the role of “Plant ISEE Manager” was created in our plants, as a local counterpart of the Central DISEE (Direzione Industrial Sustainability, Environment and Energy).”



PLANT ISEE MANAGERS





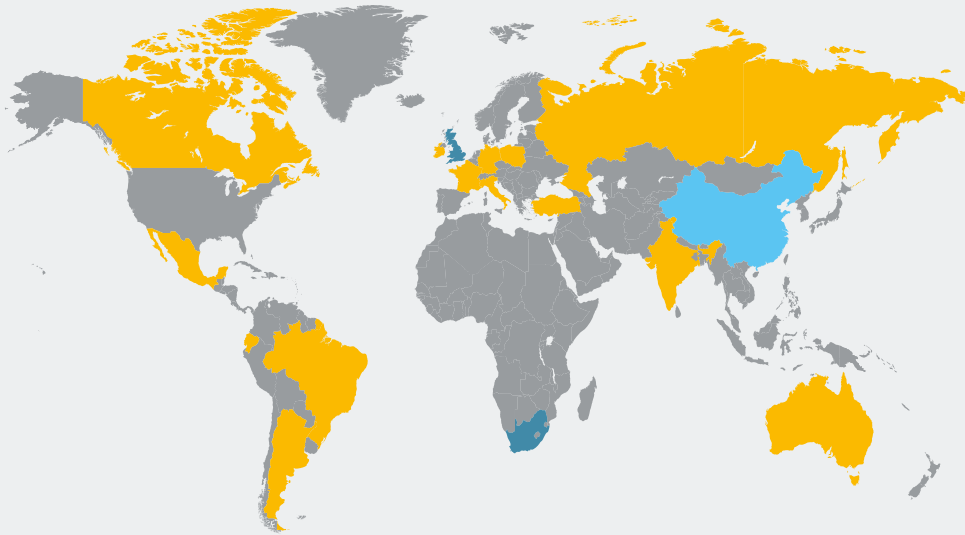
3. MAKE

CONTINUED

ISO 14001 AND ISO 50001 CERTIFICATION

The Ferrero Environmental and Energy Policy is implemented through a Group Management System, designed to improve environmental performance, ensure compliance with all relevant requirements and enable our factories and warehouses to achieve and maintain ISO 14001 and ISO 50001 certifications.

- Countries where we have certified factories and warehouses (ISO 14001 and ISO 50001)
- Ferrero factory planned to be certified by 2019
- Ferrero factory planned to be certified



At the end of FY 2017/2018, 18 of our factories and 10 warehouses were ISO 14001 certified, while 11 of our plants achieved ISO 50001 certification. ISO 14001 certification is going to be extended by 2019 to the Hangzhou plant and later to the Walkerville and the Alfreton plants.

Our project to bring 17 plants under multisite ISO 50001 certificate by 2020 has been confirmed.

Overall, 17 internal audits were carried out at Group level, 12 of which jointly concerned the ISO 14001 and ISO 50001 standards. According to the program P.I.X.A. (Program of Internal eXchange of Auditors) aimed at sharing know-how and best practices within the Group, 30 cross auditors participated in 15 audits.



Our project to bring 17 plants under multisite ISO 50001 certificate by 2020 has been confirmed



CLIMATE CHANGE

GLOBAL GREENHOUSE GAS EMISSIONS

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

This year, in line with our commitment to gradually increase our reporting boundaries, we have reached a very important goal concerning the way we calculate our environmental performance: we achieved full compliance with the Greenhouse Gas Protocol¹⁰.

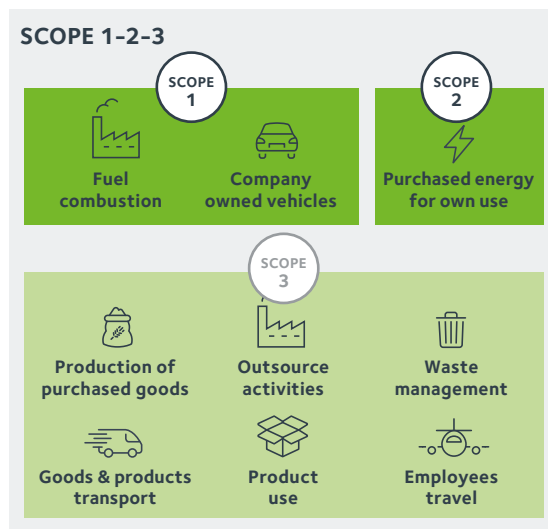


Since 2009, we have measured our Total Carbon Footprint in order to identify the impact of the entire supply chain of our products. We now achieved full compliance with the Greenhouse Gas Protocol."

The methodology was updated to align with the guidance principles and to expand the scope of activities included in the assessment.

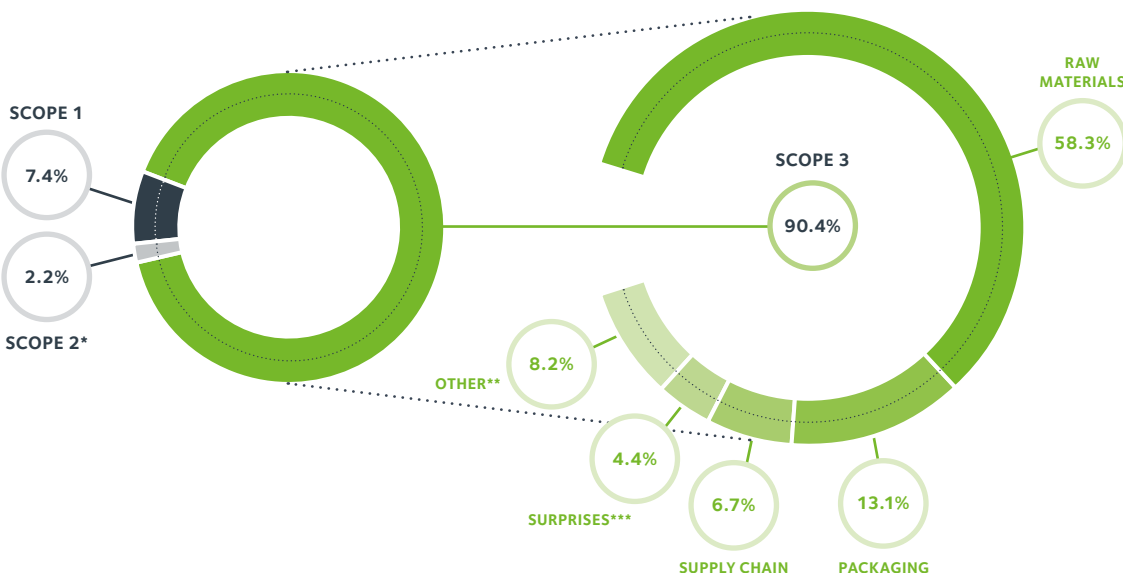
The same approach was applied to the past FY data (2016/2017): the recalculated results are provided to ensure comparability between the two reporting periods.

For FY 17/18, emissions for which we have indirect responsibility (Scope 3) totaled 5,711,880 tons of CO₂ equivalents, or 90.4% of total emissions. As part of the scope 3 emissions, the cultivation and production of agricultural raw materials is our biggest source of environmental impact (58.3%).



¹⁰ For more details on Scope 2 market/location-based emissions, as well as all Scope 3 categories reported following the GHG Protocol, see page 204 (table in last page, that will be reported in "Key data" section).

GREENHOUSE GAS EMISSIONS



* 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.

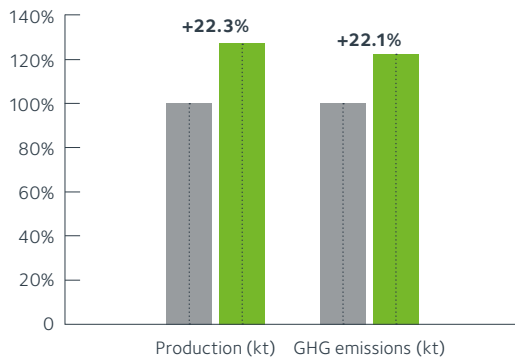


3. MAKE

CONTINUED

GREENHOUSE GAS EMISSIONS IN OPERATIONS

We are committed to address climate change by reducing our operational impact. To reduce our own greenhouse gas (GHG) emissions, we focus on producing thermal energy and electricity energy from renewable sources, and continuously improving the energy efficiency of our existing energy and production operations.



● FY 2007/2008* ● FY 2017/2018

* FY 2007/2008 data was not audited and is not in scope of the auditor's assurance letter.

Driven by our business growth in the last 10 years, the amount of GHG produced in our own operations boundaries remained stable.

Considering an increased production volume over the years, including our expanding scope and continuous pursuit of energy efficiency savings in our energy and operational plants, we were able to keep broadly constant the overall intensity regarding emissions from production sites (Scope 1 and Scope 2 – “market-based” methodology).

ENERGY PRODUCTION AND CONSUMPTION

The Scope 1¹¹ includes direct emissions from our own energy productions (465,957 tons CO₂eq) and the Scope 2¹¹ refers to indirect emissions deriving from the quantities of purchased electricity, heat or steam (128,774 tons CO₂eq). The Scope 1 emissions remained steady in comparison with the previous FY even though the Alfreton factory was included in the scope of this report.

We are focusing on reducing the absolute carbon footprint (Scope 1) through increased efficiency of energy production and decarbonization initiatives as increasing the production of onsite renewable energy or use of biofuels.

The example below demonstrates our commitment in this direction.

GOOD PRACTICE

ROOFTOP SOLAR PROJECT HANGZHOU (CHINA)



In July 2018 Ferrero China completed the installation of solar panels for 1 MWp on the roofs of the production building and of the car/e-bike parking. This system is integrated in the factory grid with the possibility to sell the overproduction of electricity back to the service provider.

The plant covers an area of about 6,000 square meters and generates energy equal to 1,000 MWh per year, with an annual reduction of carbon dioxide emissions of around 780 tons. Rooftop solar panels at the Hangzhou factory provide enough renewable energy to meet the daily needs of about 800 houses.



In July 2018 Ferrero China completed the installation of solar panels for 1 MWp on the roofs of the production building and of the car/e-bike parking



We are committed to address climate change by reducing our operational impact

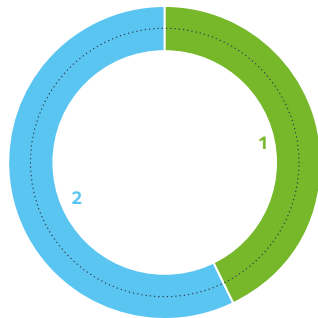
¹¹ Data only refers to emissions generated by production plants. For total Scope 1 and Scope 2 emissions (including Supply Chain and offices), please refer to table on page 204.



In recent years, we have focused on developing production plants that generate electricity and heat from cogeneration or trigeneration

PURCHASED ELECTRICITY

We are also focusing on reducing the carbon footprint of electricity purchased (Scope 2). Over the last years we have committed to gradually increase the rate of renewable electricity purchased for the factories (see the graph, related to FY 2017/2018) by choosing energy suppliers able to ensure renewable sources of electricity and/or promoting installation of wind and solar plants. During the FY 2017/2018 the factories consuming only “green” electricity were Arlon (Belgium), Belsk (Poland), Cork (Ireland) and Stadtallendorf (Germany).



* The values presented in this chart only refers to the breakdown of purchased electricity. The values are therefore not comparable with the “Energy Consumption” table where the sold energy is excluded.

Purchased electricity*

1. Renewable source	43%
2. Non-renewable	57%

The total amount of Scope 2 emissions are reported according to both the “market-based” and “location-based” methodologies (page 204): the additional increase in purchasing “green” energy allowed us to reduce the emissions calculated according to the “market-based” approach to around 7% (for production plants) in comparison with the FY 2016/2017.

SELF-PRODUCED ENERGY

We have kept focusing on developing and optimizing production plants that generate electricity and heat from cogeneration or trigeneration. Wherever possible, we aim to use renewable sources. At the end of 2017/2018, the number of cogeneration/trigeneration plants we managed is 11, some of them classified as operating at high-efficiency.

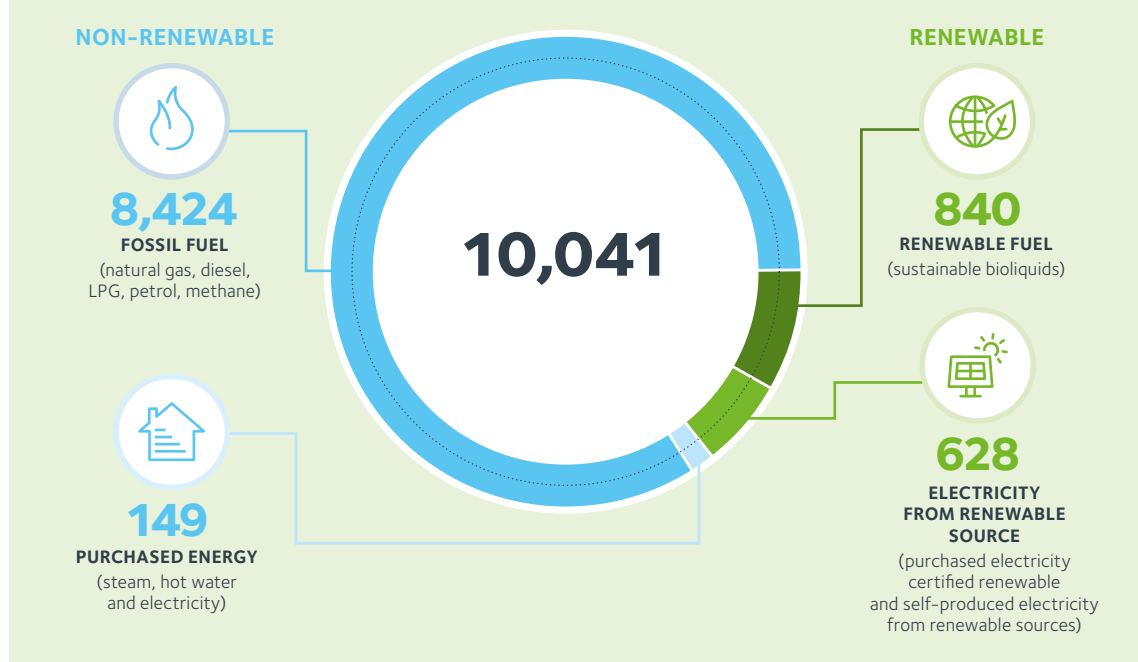
In FY 2017/2018, using cogeneration plants we self-produced about 48% of all the electricity we consumed and 51% of the thermal energy needs of our plants.

20% of our installed power capacity uses renewable energy sources.



Wherever possible, we aim to use renewable sources

ENERGY CONSUMPTION TJ





3. MAKE

CONTINUED



ENERGY EFFICIENCY

We confirm that continuous improvement in energy efficiency is a crucial aspect for the reduction of GHG emissions. We strengthened our commitment on energy efficiency to focus on tackling saving opportunities for our most significant energy users, both in utilities and production lines.

Energy diagnosis

We identified a Group standard for the energy diagnosis (systematic evaluation to obtain an adequate knowledge of the energy load profile of the plant and to identify possible improvements), that each factory is supposed to carry out periodically.

Examples of initiatives and projects carried out in FY 2017/2018

Actions range from high investment projects to management and behavioral activities, in a variety of different areas. For example, insulation of hot pipes, renewal of lighting systems, improvement of vacuum pumps, heat recovery from steam boilers and automated switch-off of equipment during production stops.

Continuous improvement in energy efficiency is a crucial aspect for the reduction of GHG emissions.



The Group's energy intensity ratio

8.4 GJ/t



In FY 2017/2018 Stadallendorf plant completed a series of actions to renew the cooling station for the production of -1°C water

In FY 2017/2018 the Group's energy intensity ratio was 8.4 GJ/t, slightly raised vs the last FY, mainly due to the inclusion of the data perimeter of the Alfreton plant of the Alfreton plant and the impact of new production lines in some factories and construction activities, as well as specific improvement projects.

The following case study explains in more detail one of our initiatives aimed at improving energy efficiency.

GOOD PRACTICE

RENEWAL OF OUTDATED BRINE PUMPS SYSTEMS STADTALLENDORF (GERMANY)



In FY 2017/2018 Stadallendorf plant completed a series of actions to renew the cooling station for the production of -1 °C water.

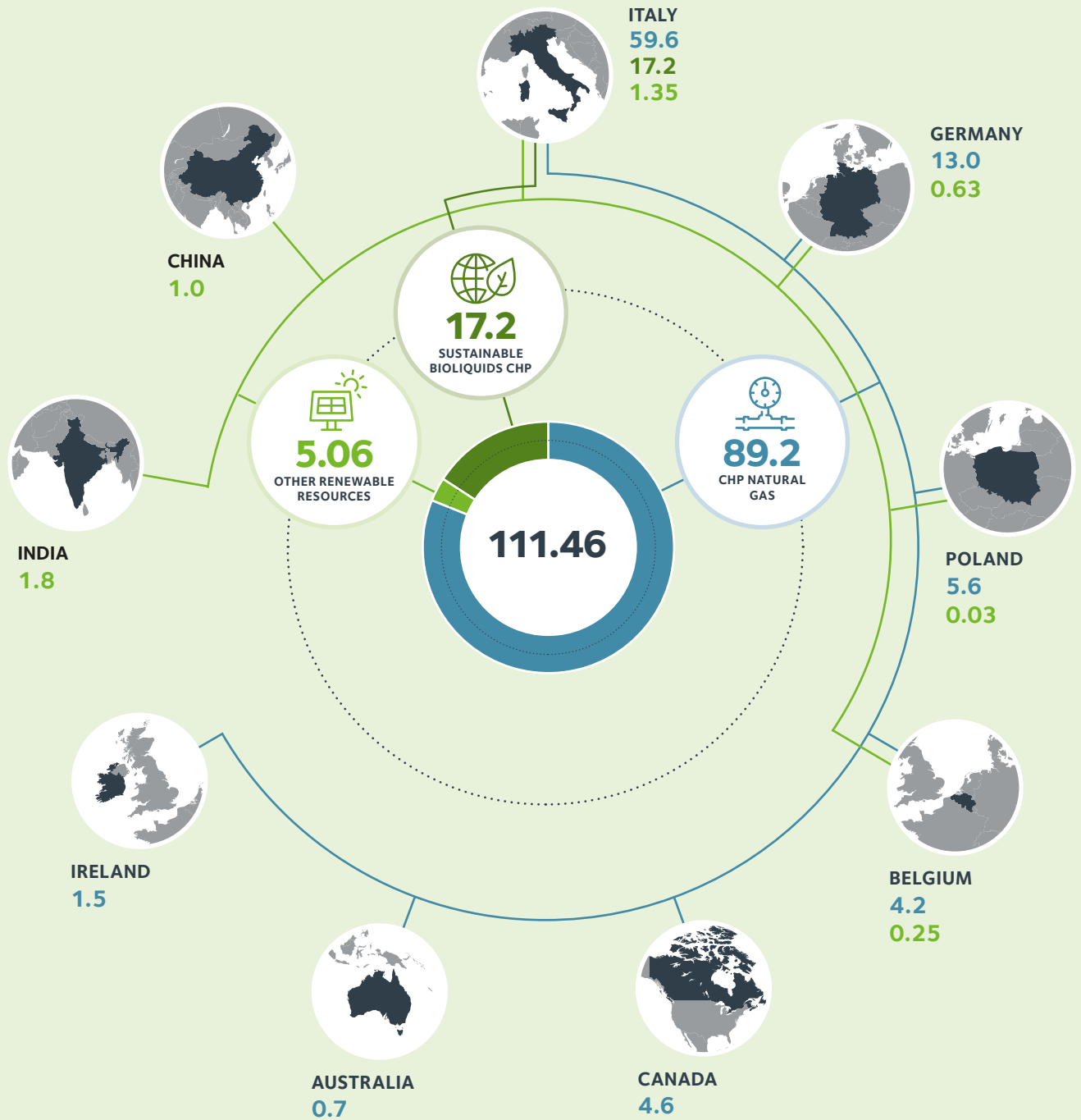
In the secondary chilled water loop, three outdated brine pumps were replaced with high efficiency pumps (less energy consumption for the same output) equipped with Variable Frequency Drives (motors can run at variable power, according to the factory needs); furthermore, the control software was updated and the pressure set-point was reduced by 30%.

As a result of these actions, the electrical consumption of the pumps was reduced by 45% (204,000 kWh/year).



POWER PLANTS IN PRODUCTION SITES FERRERO

INSTALLED ELECTRICAL POWER (MW) AS OF AUGUST 31ST, 2018





3. MAKE

CONTINUED



WATER STEWARDSHIP

WATER

The issue of water scarcity is playing an ever-more important role in the global development agenda: we recognize water to be a fundamental natural resource and its growing scarcity to be a huge risk for future generations.

We committed to develop our business in a way that enables effective water stewardship, by ensuring our operations use water efficiently through sustainable initiatives without adverse impact on the local eco-system. In particular the source of water withdrawal and incoming treatments are chosen according to their final use, with the aim of minimizing the impact on the environment and other users.

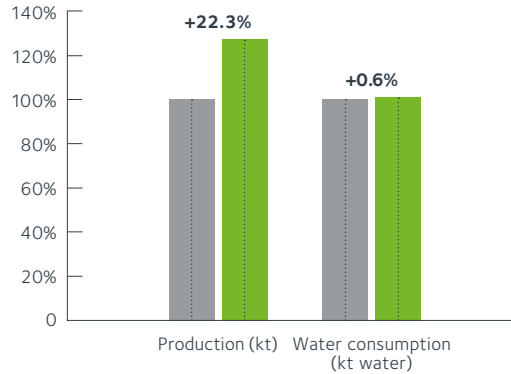
Local water assessment

We defined a local water audit program in factories in order to identify further rationalization and saving possibilities through a breakdown analysis of water cycle.

Examples of initiatives and projects put in place

- Installation of closed cooling circuits in place of open models
- Research of water leaks in internal distribution networks
- Treatment of wastewater for reuse in the process
- Delivery of awareness activities to our employees

Our water consumption ratio for FY 2017/2018 was 4.30 m³/t. This year the water intensity has apparently increased by around 16% versus last year, mainly due to the inclusion of the incoming water data of the Alba Power cogeneration plant, as a result of a merger in Ferrero Group, held in September 2017.



● FY 2007/2008* ● FY 2017/2018

* FY 2007/2008 data was not audited and is not in scope of the auditor's assurance letter.

Despite an increased production volume over the last decade, we were able to realize an overall intensity decrease of about 20% of water consumption from our production sites.

The following case study explains one of our water initiatives in more detail.

GOOD PRACTICE

HYBRID COOLING TOWERS ARLON (BELGIUM)



In April 2018 Ferrero Ardennes realized the replacement of a cooling tower in the Arlon factory with a more efficient model, in order to reduce the quantity of water consumption. Specifically, this machine could work in three different modes based on the ambient temperature: as "dry cooler", "adiabatic" and as a traditional cooling system.

In particular, this tower normally operates without consuming any water, with the possibility to adapt to hotter days by activating the adiabatic system (consisting in pre-cooling incoming air) or operating as an opened tower (in case the ambient temperature exceeds the 30°C). This project is helping us to save scarce water resources, so that we withdraw less and leave it available for other users.



Overall intensity of water consumption from our production sites in the last decade

-20%



WASTEWATER

We ensure an effective treatment of any wastewater coming from factory processes before reusing them or discharging them into the environment. Wherever possible, we use municipal wastewater treatment facilities, otherwise we operate our own wastewater plants.

Continual commitment focuses on reducing pollutants in wastewater by improving treatment systems through more efficient technologies, finding alternative or more efficient washing methods, information campaigns and investigating possible use of more ecological products.

The following good practice explains one of our water recoveries in more detail.



In Alba the wastewater discharge was reduced by around 140,000 m³ during FY 2017/2018

GOOD PRACTICE

CONDENSATE RECOVERY ALBA (ITALY)



In autumn 2017 Alba factory completed the installation of a pre-treatment plant to allow a more effective recovery of condensate from the steam supply of the cogeneration plant.

This plant provides condensate with suitable physicochemical properties to be returned to the cogeneration, as well as supplying energy to some production areas, instead of being discharged to sewers.

As a result of this project, the wastewater discharge was reduced by around 140,000 m³ during FY 2017/2018 with a related decreased water consumption.



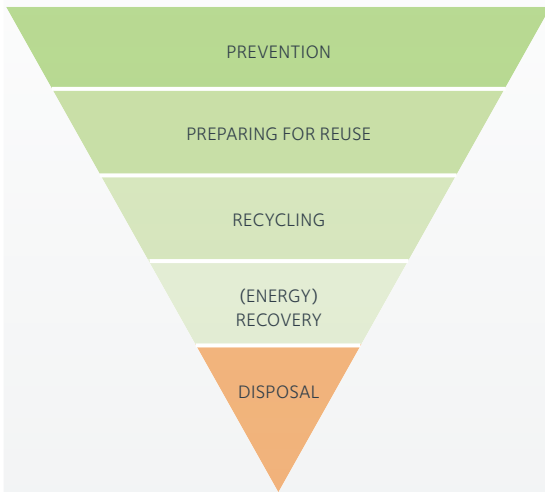
3. MAKE

CONTINUED



CIRCULAR ECONOMY

As part of our commitment to apply the principles of the circular economy (moving from a linear economy model), where we cannot reduce or eliminate waste, we see it as a valuable resource.



We deal with residuals according to the waste hierarchy, firstly eliminating waste across our operations and prioritizing the recycling of the amount generated and then sending it for energy recovery; landfill is the last option.

Audit on waste management suppliers

The periodical audit program on our waste management suppliers is confirmed and is developed and carried out locally by our factories.

Examples of initiatives and projects put in place

We have been working on several fronts, developing projects and initiatives, e.g. delivery of awareness activities to employees, research of new technologies of waste treatment in line with circular economy perspective, selection of suppliers offering more sustainable treatment solutions, as well as an increase in production line efficiency.

In FY 2017/2018 our waste recovery rate was 95.0%, constant compared to the previous FY, while the increase in waste generation in absolute terms (around 6%) is primarily due to the inclusion of the Alfreton factory in the scope of this report, as well as the widening product portfolio which in some cases temporarily increased the waste production.

The factories not directly sending waste to landfill were Alfreton (UK), Arlon (Belgium), Manisa (Turkey) and Villers-Ecalles (France).

Some factories have implemented specific initiatives for reducing their own plastics waste (refer to the case of Baramati factory, located in India, below).

GOOD PRACTICE

PLASTICS WASTE REDUCTION BARAMATI (INDIA)



In accordance with the Indian Plastic Waste Management (amendment) rules 2018, brand owners and plastic producers are required to recycle post-consumer Plastic Waste as part of the Extended Producers Responsibility (EPR) obligations. Our Baramati factory (Ferrero India) has pledged to recycle around 700 t (about 30% of total plastic consumption 2017/2018) of post-consumer Plastic Wastes as a three-year plan from 2018-21.

Additionally single use plastics have been banned in most Indian states. Considering this ban as a part of a growing trend restricting the use of plastics for nature preservation, our factory is currently putting in place some actions, for example decrease of the use of shrink wrapping film. The plant is moving from whole pallet wrapping to rope belts to provide the support of trays. A pilot has been done with the TIC TAC brand, where the estimated reduction in usage is around 80% vs FY 2014/2015.



Our Baramati factory (Ferrero India) has pledged to recycle around

700 t

of post-consumer Plastic Wastes as a three-year plan from 2018-21

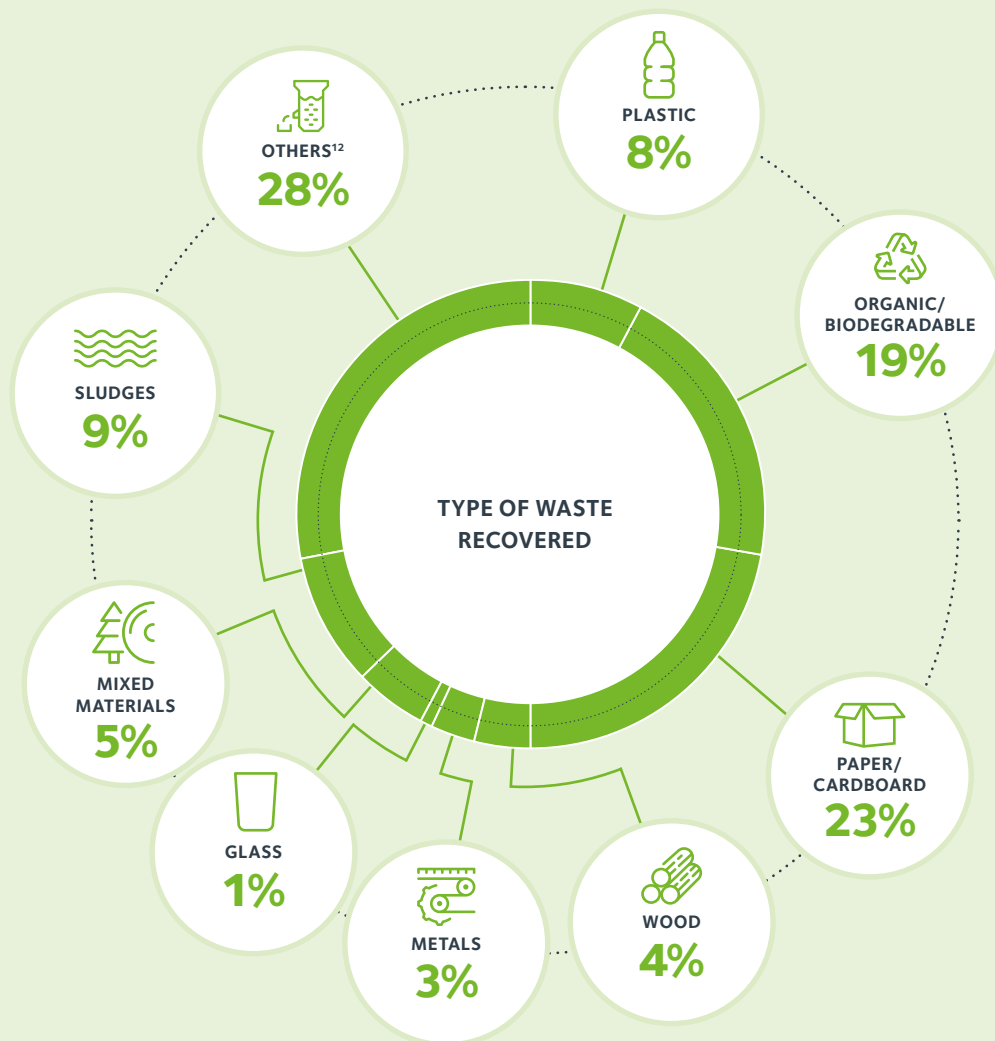


Waste recovery

95%



The following chart displays the distribution by weight of the different types of waste recovered following EU classification, in 20 factories and 13 directly managed warehouses:



12 Note: The category defined "Others" includes waste from maintenance and building activities, laboratories, etc. not including in the specified categories.



4. STORE AND DELIVER

Our supply chain department is responsible for storing, shipping and transporting many different materials, including raw materials and packaging to our factory plants or finished products to our clients. They do this in ways designed to reduce our environmental impact.

As stated on page 202, this year the methodology of emissions calculations was updated and the same approach was applied to the past FY data. Our FY 2017/2018 emissions from transport and storage were 421,265 tons CO₂eq, an increase in absolute values of 5% from the previous fiscal year, despite several projects aimed at reducing CO₂ emissions from the supply chain.

ISO 14001 Certification

Three additional Italian warehouses were certified ISO 14001 during FY 2017/2018, bringing the number of certified Italian warehouse, managed directly by us and located outside the plants to 10.

Transport optimization – Ferrero India

During FY 2017/2018 Ferrero India launched an overall project on the optimization of product transport, through an increase in container load of around 10% in comparison with the previous FY and reduction of the turnaround time of trucks (achievable by simplifying internal procedures). Fitting more products on every truck or ship leads to a reduction of CO₂ emissions: this project provides a saving of 47 t yearly.

Transport with Natural gas – Ferrero Italy

During the FY 2017/18 Ferrero continued and expanded the program of LNG (“liquid natural gas”) as fuel for transports used. The most important growth in this application was within the Italian network that increased the shipments done in the previous FY involving national and international transport lines. The trucks used for these transports have covered an increasing distance, with a saving of CO₂ produced.

In Italy the authorities are encouraging the development and use of biofuel for transport in order to respect the European Directive on the promotion of the use of energy from renewable sources. Ferrero is voluntary answering to this national sustainable policy in order to reduce the impact of logistic activities. The commitment of Ferrero on biofuel will continue during the next years.

Specific activity with Shuttle “Polo Albese”

In addition to the Natural Gas project on national and international transport lines, a specific program was also developed for products transport within the “Polo Albese” (comprising Alba factory, Monticello warehouse and the coopackers connected to them, around 15 km away). Starting from October 2018, 50% of the transports are supposed to be carried out through CNG (“compressed natural gas”) trucks that cover more than 170,000 km.



Increased use of natural gas-fueled trucks for domestic transport in Italy during FY 2017/2018





PLANT LOCATIONS AND BIODIVERSITY

During the last fiscal year we have remapped 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	<1km	Not Ass.	153.794095
S.Angelo dei Lombardi	Querceta dell'Incoronata (Nusco)	Site of Community Importance (Habitats Directive)	Regional	<1km	Not Rep.	13.62
Alfreton	Oakerthorpe	Local Nature Reserve	National	<2km	IV	0.0266097
Alfreton	Penny Town Ponds	Local Nature Reserve	National	<2km	IV	0.0545065
Belsk	Modrzewina	Nature Reserve	National	<2km	IV	3.3219
S.Angelo dei Lombardi	Alta Valle del Fiume Ofanto	Site of Community Importance (Habitats Directive)	Regional	<2km	Not Rep.	5.9
Stadtallendorf	Brückerwald und Hußgeweid	Site of Community Importance (Habitats Directive)	Regional	<2km	Not Rep.	4.1075
Stadtallendorf	Herrenwald östlich Stadtallendorf	Site of Community Importance (Habitats Directive)	Regional	<2km	Not Rep.	28.5208
Villers-Ecalles	Boucles de la Seine normande	Regional Nature Park	National	<2km	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



5. YOU

END OF USE

HELP US TO BE EFFECTIVE!

We are committed to ensure that our delicious products reach you in perfect condition. We have used all the knowledge and technologies available to ensure that our packaging meets your highest expectations. Help us to ensure that our packaging materials are not wasted or do not become a polluting agent for our planet.

What can you do?

Never throw waste on the ground!

Incorrectly managed waste will negatively affect the environment.

A recent study by the Ellen MacArthur Foundation warned that there will be more plastic in the sea than fish by 2050, if nothing is done to change this trend. We have committed to make our packaging reusable, recyclable or compostable by 2025, but we need a shared collaboration across our entire supply chain to ensure that our efforts are not in vain: each of us could make the difference.

If you can reuse, do so!

Some of our packaging has been specifically designed to be easily reused, others need your creativity.

A plastic box can become a nice container for objects and a glass jar can store your cookies. If you need some ideas take a look at our websites, you'll find lots of interesting and creative ideas.

Don't forget to recycle!

We are engaged to help our consumers correctly manage our packaging when the product is finished. We developed an end-of-life packaging label to provide consumers with an indication on the material of each single component: we recommend our consumers check how their local waste is collected to understand the right bin and collection instruction for each packaging element.

Be careful: the domestic waste management system changes from state to state and sometimes even from region to region in the same state!

We're boosting the project to increase the geographical coverage of label. Different legal requirements, different waste management systems, changes on waste collection, and the small space available on pack make this goal very challenging, but we are striving to improve.

Today you can find it on all ESTATHÈ packs, NUTELLA jars in main European countries, NUTELLA bread and bakery products, and KINDER® products on our dedicated website page.

RECYCLING TIPS

- Do not put porcelain in a glass recycling bin, it causes problems in the recycling process of glass!
- If you see a sleeve (full-body label) covering all of the body of a bottle, take it out before putting the bottle in the plastic bin.
- Small plastic labels on bottles and plastic caps can be left: the recycling system is equipped to differentiate them. Only full body labels are a problem.



We have committed to make our packaging reusable, recyclable or compostable

2025



www.nutella.com/it/it/nutella-upcycling

www.nutella.com/de/de/diy



FER-WAY PROJECT MEASURED AREAS









OUR DATA & OTHER INFORMATION

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For more information visit:
www.ferrerocsr.com



KEY DATA

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 optimization and data transfer.

Standards and methodologies

The Carbon Footprint is fully compliant with the Corporate Accounting and Reporting Standard – GHG Protocol – developed by the World Resources Institute (WRI) with the World Business Council for Sustainable Development (WBCSD), today used globally as the main internationally recognized measurement tool and carbon reporting standard.

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 aluminum 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 CO₂ emission coefficients used for the assessment of Location-based and Market-based emission factors come from the Ecoinvent 3.4 database.

For Scope 3 GHG calculations, the sources are mainly commercial databases (i.e. Ecoinvent 3.1, IEA) 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 Center 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. 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.

Deviation of last FY's data

FY 2016/2017 data has been recalculated to be fully compliant with the GHG protocol and presented in table "Air Emissions".

Please note: energy consumption data and energy intensity ratio have been restated due to alignment with GHG protocol, which requires inclusion of sold energy in our boundary. The figures reported in the section "Energy" in the table below have been amended.



We manage the collection and analysis of plant data through an internal platform called SuRe (Sustainability Reporting)



ENERGY			
	UNIT	2016/2017*	2017/2018**
Green energy consumption	%	13.2%	14.6%
Energy linked to the fuel used in sustainable bioliquids plants	GJ	881,784	839,901
Energy consumption from eolic and solar plants	GJ	9,833	16,170
Purchased electric energy certified renewable	GJ	631,905	827,921
Energy intensity ratio	GJ/t	8.34	8.39
Total energy consumption	TJ	9,805	10,041
Total fuel consumption	TJ	9,158	9,263
	from non-renewables	TJ	8,276
	from renewables	TJ	882
Total electricity consumption (electricity sold excluded)	TJ	846	1,008
	from non-renewables	TJ	438
	from renewables	TJ	408
Steam or hot water consumption (sold streams excluded)	TJ	-199	-231
Electricity and natural gas contribution on the total for Plants and managed Warehouses	%	92%	93%
Plants – Self produced electric energy over total	%	50%	50%
Plants – Self produced thermal energy over total	%	102%	102%



KEY DATA

CONTINUED

AIR EMISSIONS				
		UNIT	2016/2017*	2017/2018**
GWP Emissions TOTAL (Total Scope 1 + Scope 2 Market-based + Scope 3)		t CO ₂ eq	6,093,082	6,320,367
GWP Scope 1 Emissions	Total emissions	t CO ₂ eq	465,983	466,419
	(Of which) for Energy streams sold externally	t CO ₂ eq	75,974	82,425
	Net total emissions	t CO ₂ eq	390,008	383,994
GWP Scope 2 Emissions	Market-based	t CO ₂ eq	147,214	142,067
	Location-based	t CO ₂ eq	251,754	277,653
GWP Scope 3 Emissions	Cat 1. Purchased goods and services	t CO ₂ eq	4,368,799	4,601,068
	Cat 2. Capital goods	t CO ₂ eq	226,453	181,406
	Cat 3. Fuel-and-energy-related activities	t CO ₂ eq	99,362	100,010
	Cat 4. Upstream transportation and distribution	t CO ₂ eq	530,513	567,511
	Cat 5. Waste generated in operations	t CO ₂ eq	4,473	5,236
	Cat 6. Business travels	t CO ₂ eq	22,873	22,873
	Cat 7. Employee commuting	t CO ₂ eq	49,150	49,150
	Cat 8. Upstream leased assets	t CO ₂ eq	101,402	104,603
	Cat 9. Downstream transportation and distribution	t CO ₂ eq	3,388	3,572
	Cat 10. Processing of sold products	t CO ₂ eq	NA	NA
	Cat 11. Use of sold products	t CO ₂ eq	NA	NA
	Cat 12. End of life treatment of sold products	t CO ₂ eq	73,474	76,452
	Cat 13. Downstream leased assets	t CO ₂ eq	NA	NA
	Cat 14. Franchises	t CO ₂ eq	NA	NA
	Cat 15. Investments	t CO ₂ eq	NA	NA
Ferrero Plants GWP emission ratio (Scope 1&2 only)		kg CO ₂ eq/t	514	498
Refrigerant gases: ODP contribution		kg R11eq	46	16
Refrigerant gases: GWP contribution		t CO ₂ eq	16,276	7,971



WATER		UNIT	2016/2017*	2017/2018**
Water consumption		m ³	4,349,387	5,141,108
	from water main	%	57.6%	65.7%
	from well	%	27.5%	21.8%
	from river	%	14.9%	12.5%
	from other sources	%	0.0%	0.0%
Water consumption ratio		m ³ /t	3.70	4.30
Wastewater		m ³	3,183,363	3,282,469
	Sewage	%	94.1%	94.9%
	Surface water	%	4.4%	3.1%
	Ground and underground	%	1.5%	2.0%

WASTE		UNIT	2016/2017*	2017/2018**
Waste production ratio		kg/t	85.9	89.8
Total waste		t	100,975	107,457
Percentage of recovered waste		%	95%	95%
Types of waste recovered by weight	Plastic	%	9%	8%
	Organic/Biodegradable	%	19%	19%
	Paper/Cardboard	%	21%	23%
	Wood	%	4%	4%
	Metal	%	4%	3%
	Glass	%	1%	1%
	Mixed Materials	%	5%	5%
	Sludges	%	9%	9%
	Others***	%	28%	28%
Number of significant spills or leaks of hazardous waste, or accidents involving hazardous waste		n.	0	0

OTHER FIGURES		UNIT	2016/2017*	2017/2018**
Total raw materials used		t	1,849,430	1,908,226
Recycled materials in packaging		%	36%	35%
Renewable materials in packaging		%	37%	39%

* Data for Water, Energy and Other Figures relating to 19 production plants (excluding: Cameroon, South Africa, USA, Thorntons Plc. plant in Alfreton and HCO manufacturing plants) and to 13 warehouses directly managed by Ferrero. FY 2016/2017 data has been updated to allow for comparison, considering the change in methodology (alignment with GHG Protocol).

** Data relating to 20 production plants (excluding: Cameroon, South Africa, USA and HCO manufacturing plants) and to 13 warehouses directly managed by Ferrero.

***This category includes waste from maintenance and building activities, laboratories, etc. not included in the specified categories.

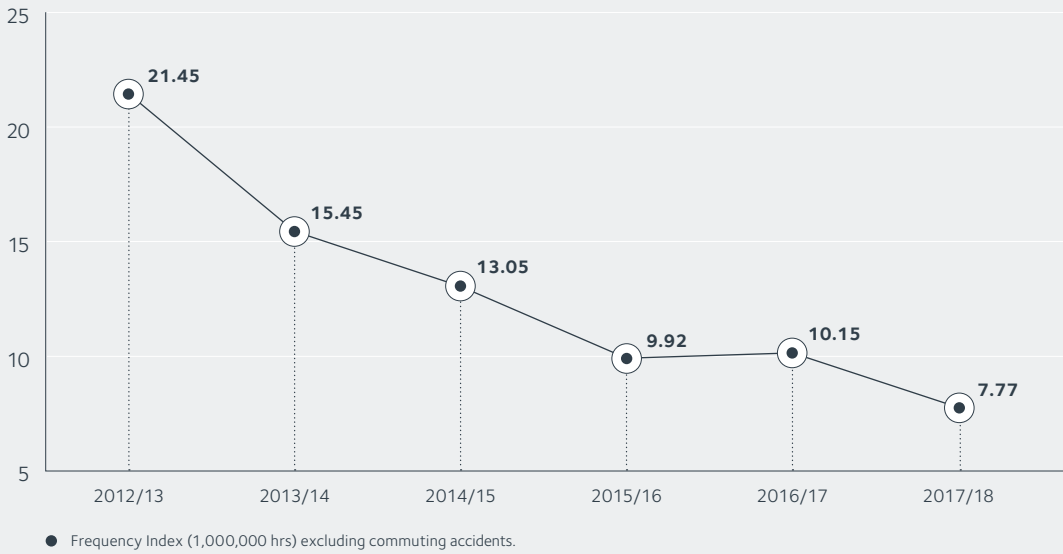


KEY DATA

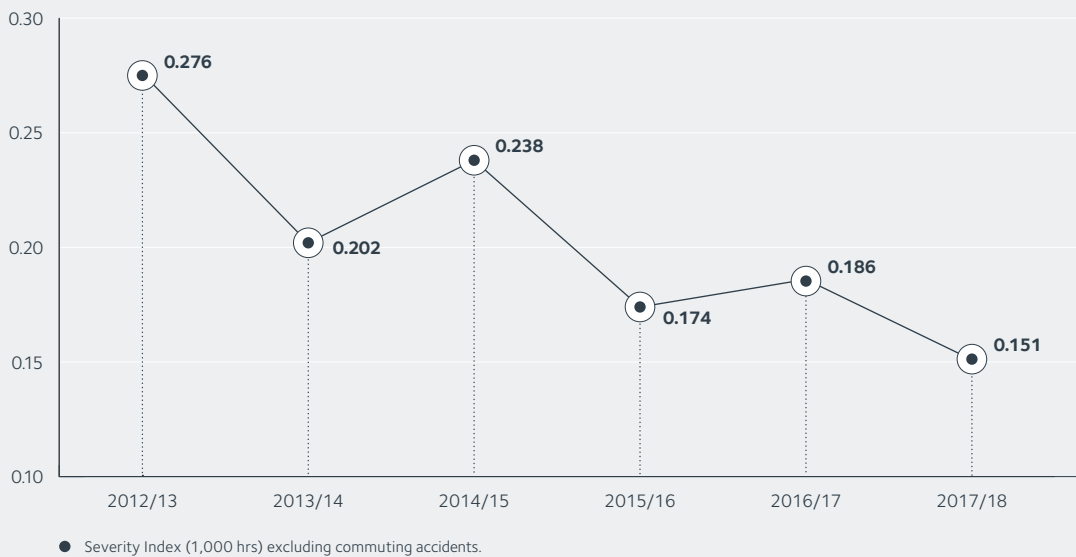
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HEALTH AND SAFETY DATA

FERRERO GROUP ACCIDENT FREQUENCY RATE (ABSENCE OF MORE THAN 1 DAY)



FERRERO GROUP ACCIDENT SEVERITY RATE



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 only for FY 2017/2018.


FERRERO GROUP (INDUSTRIAL AND SUPPLY) SAFETY PERFORMANCE

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
EXCLUDING COMMUTING ACCIDENTS						
Frequency Rate (1,000,000 hrs)	21.45	15.45	13.05	9.92	10.15	7.77
Accident Severity Rate (1,000 hrs)	0.276	0.202	0.238	0.174	0.186	0.151

Work-related injuries can be broken down into two major areas: Europe and Outside Europe.

Excluding the commuting accidents in Europe, there was a reduction in the injury frequency rate (-16%) and a reduction in the injury severity rate (-15%). Outside Europe there was an increase in the injury frequency rate (+18%) and a decrease in the injury severity rate (-44%).

FERRERO GROUP (INDUSTRIAL & SUPPLY) SAFETY PERFORMANCE BY GEOGRAPHIC AREA

	2014/2015	2015/2016	2016/2017	2017/2018
ACCIDENT FREQUENCY RATE*				
Europe	14.57	14.59	13.51	11.35
Outside Europe	5.91	5.05	4.55	5.39
ACCIDENT SEVERITY RATE				
Europe	0.27	0.25	0.27	0.23
Outside Europe	0.13	0.09	0.09	0.05

* Excluding commuting accidents and including temporary workers.

The following table subdivides our Industrial and Supply Department by area: **Europe, International Area** and **APAC MEA**.

In the **International Area**, there was a consistent reduction in the injury frequency rate (-48%) and a decrease in the injury severity rate (-36%). In the **APAC MEA** area, there was a consistent reduction in the injury frequency rate (-32%) and a decrease in the injury severity rate (-67%).

	2014/2015	2015/2016	2016/2017	2017/2018
ACCIDENT FREQUENCY RATE*				
Europe	14.57	14.59	13.51	11.35
International Area	6.84	7.74	9.04	4.74
APAC MEA	22.58	2.74	3.05	2.06
ACCIDENT SEVERITY RATE				
Europe	0.27	0.25	0.27	0.23
International Area	0.13	0.15	0.14	0.09
APAC MEA	0.19	0.05	0.03	0.01

* Excluding commuting accident, temporary workers are included only for FY 2017/2018.



KEY DATA

CONTINUED

TRAINING DATA

OVERALL TRAINING HOURS		TRAINING PARTICIPATIONS		TOTAL NUMBER OF PARTICIPANTS		NUMBER OF TRAINING HOURS PER CAPITA	
2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018
526,288.29	730,622	57,255	66,251	19,383	22,557	17.4	23

AREA OF KNOWLEDGE (TRAINING CATEGORY)	DELIVERED HOURS
Industrial	154,397
Leadership skills	139,890
Human resources	121,457
Languages	91,199
On-the-job training	74,571
Sales	50,743
Group on-boarding	23,928
Information technology	15,789
Marketing	11,278
Local on-boarding	10,933
Quality	9,737
Procurement	5,544
Supply chain	4,969
Legal	3,830
Finance	3,578
Packaging	2,496
Coaching	1,943
Raw materials	1,499
Research & development	1,121
Mentoring	938
Professional Know-How	526
Others	257
TOTAL	730,622 (2016/2017: 526,288.29)
TOTAL EXCLUDING ON THE JOB TRAINING	656,051



TRAINING PILLAR (TRAINING AREA)	DELIVERED HOURS
Ferrero Know-How	386,963
Ferrero leaders	139,869
Foreign languages	91,199
Development	77,452
Welcome to Ferrero	34,882
Others	257
TOTAL	730,622 (2016/2017: 526,288.29)

TRAINING HOURS BY GENDER		
GENDER	DELIVERED HOURS	TRAINING HOURS PER CAPITA
Female	330,579	24
Male	400,043	22
TOTAL	730,622 (2016/2017: 526,288.29)	23 (2016/2017: 17.4)

TRAINING HOURS BY CATEGORY	TRAINING HOURS	HOURS PER CAPITA
Blue Collar	350,553	19
Employees	293,826	30
Middle Manager	69,130	29
Senior Manager and above	17,113	18
TOTAL	730,622 (2016/2017: 526,288.29)	23 (2016/2017: 17.4)



KEY DATA

CONTINUED

WORKFORCE DATA

EXACT WORKFORCE OF THE GROUP AS OF AUGUST 31ST		
NO. EMPLOYEES	AS OF 31/08/2017*	AS OF 31/08/2018**
TOTAL	30,829	34,145
Of which women	44.1%	45.2%

* Exact workforce figures include our directly employed employees as of August 31st, including the employees of the Piera, Pietro and Giovanni Ferrero Foundation, but excluding those of Thorntons Plc., Fannie May and Stelliferi, Stelma and Stelliferi Findik.

** Exact workforce figures include our directly employed employees as of August 31st, including the employees of the Piera, Pietro and Giovanni Ferrero Foundation, but excluding those of Fannie May and Stelliferi, Stelma and Stelliferi Findik.

GROUP WORKFORCE BY TYPE OF CONTRACT				
TYPE OF WORK CONTRACT	AS OF 31/08/2017		AS OF 31/08/2018	
	NO. EMPLOYEES	%	NO. EMPLOYEES	%
Fixed term	7,254	23.5%	7,741	22.7%
Permanent contract	23,575	76.5%	26,404	77.3%
TOTAL	30,829	100%	34,145	100%

TYPE OF WORK CONTRACT	AS OF 31/08/2018			
	EUROPE*	%	EXTRA EUROPE	%
Fixed term	4,985	22.3%	2,756	23.3%
Permanent contract	17,327	77.7%	9,077	76.7%
TOTAL	22,312	100%	11,833	100%

* Europe is intended as the 28 EU Member States.

PART-TIME/FULL-TIME		
	AS OF 31/08/2017	AS OF 31/08/2018
	%	%
Part-Time	4.3%	7.1%
Full-Time	95.7%	92.9%

GROUP WORKFORCE BY CATEGORY				
EMPLOYEE CATEGORY	AS OF 31/08/2017		AS OF 31/08/2018	
	NO. EMPLOYEES	%	NO. EMPLOYEES	%
Blue Collar	18,389	59.6	21,015	61.5
Employees	9,144	29.7	9,693	28.4
Middle Manager	2,357	7.6	2,457	7.2
Senior Manager	939	3.0	980	2.9
TOTAL	30,829	100%	34,145	100%



Senior managers' role in the Company is characterized by a high degree of competence, autonomy and decisional power, and contribution to the orientation and development of the corporate strategy.

GROUP WORKFORCE BY AGE AND GENDER

AGE GROUP	AS OF 31/08/2017		AS OF 31/08/2018	
	% WOMEN	% MEN	% WOMEN	% MEN
<30	45.5%	54.5%	47.7%	52.3%
30-50	44.4%	55.6%	45.0%	55.0%
>50	42.0%	58.0%	43.3%	56.7%

GROUP WORKFORCE BY AGE AND CATEGORY

EMPLOYEE CATEGORY	AS OF 31/08/2018		
	<30	30-50	>50
Blue Collar	5,246	10,549	5,220
Employees	1,910	6,525	1,258
Middle Manager	110	1,796	551
Senior Manager	0	564	416
TOTAL	7,266	19,434	7,445

EMPLOYEE CATEGORY	AS OF 31/08/2018		
	<30	30-50	>50
Blue Collar	15.4%	30.9%	15.3%
Employees	5.6%	19.1%	3.7%
Middle Manager	0.3%	5.3%	1.6%
Senior Manager	0.0%	1.7%	1.2%
TOTAL	21.3%	56.9%	21.8%

The Committees mentioned in the paragraph "Corporate Governance" are composed of 18 members, who belong to the following age groups: 50% in the "over 60 group"; 50% in the "51 to 60" group. In these committees, the female presence corresponds to the Chairman of the Board of Directors.



KEY DATA

CONTINUED

GROUP WORKFORCE	AS OF 31/08/2017			AS OF 31/08/2018		
	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN
	NO. EMPLOYEES	%	%	NO. EMPLOYEES	%	%
Geographical Area						
Europe	19,445	42.5%	57.5%	22,312	44.7%	55.3%
Extra-Europe	11,384	46.9%	53.1%	11,833	46.1%	53.9%
Employee Category						
Blue Collar	18,389	47.3%	52.7%	21,015	48.4%	51.6%
Employees	9,144	43.4%	56.6%	9,693	44.1%	55.9%
Middle Manager	2,357	33.1%	66.9%	2,457	34.4%	65.6%
Senior Manager	939	15.3%	84.7%	980	16.0%	84.0%
Type of contract						
Permanent	23,575	41.2%	58.8%	26,404	54.3%	45.7%
Fixed term	7,254	53.7%	46.3%	7,741	42.5%	57.5%
Part-Time/Full-Time						
Part-Time	1,319	78.5%	21.5%	2,428	79.3%	20.7%
Full-Time	29,510	42.6%	57.4%	31,717	42.6%	57.4%
TOTAL	30,829	44.1%	55.9%	34,145	45.2%	54.8%



Personnel turnover*

During FY 2017/2018, we hired 2,774 new employees, of which 1,162 are women and 1,612 men.

OUTGOING AND INCOMING TURNOVER BY AGE – EUROPE						
2016/2017						
EUROPE	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	88	125	213	239	344	583
30–50	177	224	401	165	327	492
>50	126	194	320	9	23	32
TOTAL	391	543	934	413	694	1,107
%	4.88	4.99	4.94	5.15	6.38	5.86
2017/2018						
EUROPE	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	67	64	131	217	306	523
30–50	186	199	385	228	309	537
>50	102	218	320	26	49	75
TOTAL	355	481	836	471	664	1,135
%	4.30	4.30	4.30	5.70	5.94	5.84

* Thorntons retail workforce is excluded from the calculation of the turnover.



KEY DATA

CONTINUED

OUTGOING AND INCOMING TURNOVER BY AGE – EXTRA EUROPE						
2016/2017						
EXTRA EUROPE	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	425	475	900	506	514	1,020
30–50	560	728	1,288	521	643	1,164
>50	82	124	206	45	48	93
TOTAL	1,067	1,327	2,394	1,072	1,205	2,277
%	20.11	22.36	21.30	20.21	20.31	20.26
2017/2018						
EXTRA EUROPE	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	228	245	473	326	372	698
30–50	407	566	973	351	555	906
>50	32	51	83	14	21	35
TOTAL	667	862	1,529	691	948	1,639
%	12.49	14.26	13.43	12.94	15.68	14.40

OUTGOING AND INCOMING TURNOVER BY AGE – GROUP						
2016/2017						
GROUP	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	513	600	1,113	745	858	1,603
30–50	737	952	1,689	686	970	1,656
>50	208	318	526	54	71	125
TOTAL	1,458	1,870	3,328	1,485	1,899	3,384
%	10.94	11.13	11.04	11.14	11.30	11.23
2017/2018						
GROUP	OUTGOING			INCOMING		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
<30	295	309	604	543	678	1,221
30–50	593	765	1,358	579	864	1,443
>50	134	269	403	40	70	110
TOTAL	1,022	1,343	2,365	1,162	1,612	2,774
%	7.51	7.80	7.67	8.54	9.36	9.00



Absenteeism

Our employees' absenteeism rate is calculated by counting the hours of absence due to illness and injury based on the total hours worked in the period under observation.

BLUE COLLAR ABSENTEEISM		
	FISCAL YEAR 2016/2017	FISCAL YEAR 2017/2018
Alba	3.85%	4.30%
Arlon	5.47%	6.01%
Balvano	5.43%	5.08%
Belsk	5.64%	7.16%
Brantford	3.54%	5.39%
Cork	4.78%	5.72%
La Pastora	7.90%	5.97%
Lithgow	4.31%	4.71%
Manisa	1.85%	2.87%
Poços De Caldas	3.59%	2.90%
Pozzuolo Martesana	5.06%	5.17%
Quito	2.37%	2.62%
Sant'Angelo dei Lombardi	4.68%	4.35%
San José Iturbide	0.43%	0.71%
Stadtallendorf	7.59%	7.84%
Villers – Ecalles	5.87%	4.94%
Vladimir	3.78%	3.08%



KEY DATA

CONTINUED

Remuneration

The table shows the relationship in FY 2017/2018 between our minimum wage (the minimum wage is the same for all newly hired personnel without gender distinction) and the legal minimum wages of the countries in which our plants and offices are located.

RATIO BETWEEN BASE SALARY OF NEWLY HIRED WORKERS AND THE LEGAL MINIMUM*		
	FISCAL YEAR 2016/2017	FISCAL YEAR 2017/2018
Argentina	3.25	3.32
Australia	1.00	1.00
Belgium	1.01	1.01
Brazil	1.27	1.28
Cameroon	1.01	1.12
Canada	1.52	1.27
China	1.46	1.35
Ecuador	1.00	1.00
France	1.10	1.10
Germany	1.00	1.00
India	1.70	1.57
Ireland	1.23	1.20
Italy	1.00	1.00
Mexico	2.40	2.15
Poland	1.05	1.07
Russia	2.23	1.56
South Africa	1.31	1.51
Turkey	1.34	1.25

* The basic salary is the minimum gross annual salary of newly recruited staff working along our production lines. The figure does not take into account extraordinary forms of remuneration, production awards or individual awards. In the event the relationship is equal to 1: there is an exact correspondence between the legal minimum wage and the salary we offer.



AVERAGE WAGE RATIO BY GENDER AND CATEGORY*		
EMPLOYEE CATEGORY	WOMEN VS. MEN WAGE RATIO AS OF 31.08.2017	WOMEN VS. MEN WAGE RATIO AS OF 31.08.2018
ITALY		
Blue Collar	92.9	93.2
Employees	95.0	95.6
Middle Manager	93.3	94.5
Senior Manager	72.5	76.5
GERMANY		
Blue Collar	80.4	81.0
Employees	84.3	85.4
Middle Manager	86.3	87.3
Senior Manager	94.5	96.4
FRANCE		
Blue Collar	89.8	88.3
Employees	99.2	99.5
Middle Manager	88.4	87.3
Senior Manager	136.9	113.1
POLAND		
Blue Collar	73.1	74.6
Employees	92.6	90.0
Middle Manager	93.0	93.1
Senior Manager	59.4	70.1
IRELAND		
Blue Collar	90.4	88.3
Employees	77.7	80.1
Middle Manager	79.0	89.9
Senior Manager	n.a.	n.a.
CANADA		
Blue Collar	88.6	88.2
Employees	89.1	93.5
Middle Manager	108.8	96.2
Senior Manager	97.7	102.0



KEY DATA

CONTINUED

AVERAGE WAGE RATIO BY GENDER AND CATEGORY*		
EMPLOYEE CATEGORY	WOMEN VS. MEN WAGE RATIO AS OF 31.08.2017	WOMEN VS. MEN WAGE RATIO AS OF 31.08.2018
USA		
Blue Collar**	69.2	75.1
Employees	93.9	91.4
Middle Manager	103.3	88.2
Senior Manager	87.6	85.4
RUSSIA		
Blue Collar	79.0	78.2
Employees	109.8	109.5
Middle Manager	101.4	98.0
Senior Manager	70.0	66.3
BELGIUM		
Blue Collar	96.1	96.5
Employees	88.2	87.2
Middle Manager	85.4	86.1
Senior Manager	50.3	52.2
MEXICO		
Blue Collar	82.8	80.0
Employees	89.7	87.5
Middle Manager	85.4	100.9
Senior Manager	n.a.	n.a.

* This is calculated with the formula as: "Average wage Men : 100 = Average wage Women : x". When the datum is less than 100, the average wage for men is higher than that of women.

** Figure refers to the workers employed in our packaging plant in the USA.


PERCENTAGE OF LOCALLY HIRED SENIOR MANAGERS AS OF AUGUST 31ST, 2018

COUNTRY	%
Italy	80-99%
Germany	
France	
Poland	60-79%
Russia	
Turkey	
USA	40-59%
Austria	
Czech Republic	
Hungary	
India	
Romania	
Scandinavia*	20-39%
United Kingdom	
Argentina	
Australia	
Belgium	
Brazil	
Canada	1-19%
Mexico	
Spain	
China	
Singapore	

* Scandinavia includes Denmark, Finland, Norway and Sweden.



KEY DATA

CONTINUED

PERCENTAGE OF LOCALLY HIRED SENIOR MANAGERS AS OF AUGUST 31ST, 2018	
COUNTRY	%
Asia**	0%
Chile	
Colombia	
Greece	
Ireland	
Israel	
Kazakhstan	
Luxembourg	
Portugal	
Principality of Monaco	
South Africa	
Switzerland	
The Netherlands	
Ukraine	

** Asia includes Ferrero locations in a) China, Hong Kong SAR; b) China, Taiwan Province of China; c) South Korea.



Parental leave

The following data on returning to work after a period of parental leave relates to a sample of six countries: Italy, Luxembourg, France, Germany, Spain and Brazil.

The data includes employees who went on parental leave for a period of at least two months.

ITALY						
	FISCAL YEAR 2016/2017			FISCAL YEAR 2017/2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	N/A	89%	89%	100%	100%	100%
Retention rate after parental leave	0%	90%	88%	N/A	92%	92%

Return-to-work: In FY 2017/2018, 49 employees (2 men and 47 women) took parental leave. Six employees were due to return to work at the end of their parental leave: all of them actually returned to work within FY 2017/2018.

Retention after parental leave: In FY 2016/2017, 64 employees (all women) took parental leave. Of these 64 employees, as of August 31st, 2018, 14 are still on parental leave, 46 have returned to work at the end of their parental leave and 4 employees have left the Group after parental leave.

LUXEMBOURG						
	FISCAL YEAR 2016/2017			FISCAL YEAR 2017/2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	N/A	100%	100%	100%	85%	86%
Retention rate after parental leave	N/A	100%	100%	N/A	85%	85%

Return-to-work: In FY 2017/2018, 20 employees (17 women and 3 men) took parental leave. 14 employees were due to return to work at the end of their parental leave: 12 actually returned to work within FY 2017/2018, 2 employees left the Group.

Retention after parental leave: In FY 2016/2017, 13 employees (all women) took parental leave. Of these 13 employees, as of August 31st, 2018, 11 employees (all women) have returned to work at the end of their parental leave and 2 employees have left the Group after parental leave.

FRANCE						
	FISCAL YEAR 2016/2017			FISCAL YEAR 2017/2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	N/A	91%	91%	N/A	100%	100%
Retention rate after parental leave	N/A	94%	94%	N/A	92%	92%

Return-to-work: In FY 2017/2018, 29 employees (all women) took parental leave. 20 employees were due to return to work at the end of their parental leave: all of them actually returned to work within FY 2017/2018.

Retention after parental leave: In FY 2016/2017, 26 employees (all women) took parental leave. Of these 26 employees, as of August 31st, 2018, 24 employees (all women) have returned to work after the end of their parental leave and 2 employees have left the Group after parental leave.



KEY DATA

CONTINUED

GERMANY						
	FISCAL YEAR 2016/2017			FISCAL YEAR 2017/2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	N/A	N/A	N/A	N/A	67%	67%
Retention rate after parental leave	100%	88%	89%	100%	74%	75%

Return-to-work: In FY 2017/2018, 38 employees (37 women and 1 man) took parental leave. 3 employees (all women) were due to return to work at the end of their parental leave: among these, 2 employees actually returned to work within FY 2017/2018, while 1 employee left the Group after parental leave.

Retention after parental leave: In FY 2016/2017, 40 employees (38 women and 2 men) took parental leave. Of these 40 employees, as of August 31st, 2018, 18 employees (17 women and 1 man) have returned to work at the end of their parental leave and 6 employees (all women) have left the Group after parental leave.

SPAIN						
	FISCAL YEAR 2016/2017			FISCAL YEAR 2017/2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	N/A	100%	100%	N/A	100%	100%
Retention rate after parental leave	N/A	50%	50%	N/A	100%	100%

Return-to-work: In FY 2017/2018, 2 employees (all women) took parental leave. Both of them have returned to work after parental leave.

Retention after parental leave: In FY 2016/2017, 3 employees (all women) took parental leave. All of them, as of August 31st, 2018, returned to work after parental leave.

BRAZIL						
	FISCAL YEAR 2016/2017			FISCAL YEAR 2017/2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Return to work rate	N/A	67%	67%	N/A	80%	80%
Retention rate after parental leave	N/A	38%	38%	N/A	60%	60%

Return-to-work: In FY 2017/2018, 22 employees (all women) took parental leave. 20 employees were due to return to work at the end of their parental leave: among these, 16 employees actually returned to work within FY 2017/2018, while 4 employees left the Group after parental leave.

Retention after parental leave: In FY 2016/2017, 10 employees (all women) took parental leave. Of these 10 employees, as of August 31st, 2018, 6 employees have returned to work at the end of their parental leave and 4 employees have left the Group after parental leave.


SENIORITY OF SERVICE AS OF 31.08.2018

EMPLOYEE CATEGORY	WOMEN	MEN	TOTAL
ITALY: ALBA SINCE 1946, POZZUOLO MARTESANA SINCE 1965, BALVANO SINCE 1985, S. ANGELO DEI LOMBARDI SINCE 1985			
Blue Collar	11 Years, 2 Months	15 Years, 11 Months	13 Years, 9 Months
Employee	19 Years, 8 Months	22 Years, 3 Months	21 Years, 7 Months
Middle Manager	21 Years, 5 Months	26 Years, 3 Months	26 Years, 0 Months
Senior Manager	0 Years, 0 Months	26 Years, 4 Months	26 Years, 4 Months
GERMANY: STADTALLENDORF SINCE 1956			
Blue Collar	9 Years, 3 Months	11 Years, 6 Months	10 Years, 5 Months
Employee	12 Years, 3 Months	16 Years, 3 Months	14 Years, 11 Months
Middle Manager	15 Years, 6 Months	20 Years, 0 Months	19 Years, 6 Months
Senior Manager	13 Years, 11 Months	22 Years, 7 Months	22 Years, 4 Months
FRANCE: VILLERS-ÉCALLES SINCE 1960			
Blue Collar	6 Years, 5 Months	11 Years, 9 Months	9 Years, 3 Months
Employee	11 Years, 2 Months	17 Years, 1 Month	14 Years, 11 Months
Middle Manager	6 Years, 3 Months	11 Years, 0 Months	10 Years, 1 Month
Senior Manager	0 Years, 0 Months	14 Years, 11 Months	14 Years, 11 Months
AUSTRALIA: LITHGOW SINCE 1974			
Blue Collar	9 Years, 4 Months	7 Years, 3 Months	8 Years, 3 Months
Employee	4 Years, 1 Month	5 Years, 5 Months	4 Years, 5 Months
Middle Manager	8 Years, 11 Months	9 Years, 10 Months	9 Years, 4 Months
Senior Manager	11 Years, 6 Months	20 Years, 2 Months	16 Years, 5 Months
IRELAND: CORK SINCE 1975			
Blue Collar	13 Years, 6 Months	12 Years, 4 Months	12 Years, 9 Months
Employee	14 Years, 9 Months	17 Years, 1 Month	16 Years, 5 Months
Middle Manager	21 Years, 2 Months	23 Years, 3 Months	22 Years, 6 Months
Senior Manager	9 Years, 1 Month	0 Years, 0 Months	9 Years, 1 Month
ECUADOR: QUITO SINCE 1975			
Blue Collar	10 Years, 6 Months	6 Years, 12 Months	8 Years, 9 Months
Employee	8 Years, 1 Month	7 Years, 10 Months	8 Years, 0 Months
Middle Manager	18 Years, 3 Months	16 Years, 0 Months	16 Years, 9 Months



KEY DATA

CONTINUED

SENIORITY OF SERVICE AS OF 31.08.2018			
EMPLOYEE CATEGORY	WOMEN	MEN	TOTAL
BELGIUM: ARLON SINCE 1989			
Blue Collar	6 Years, 11 Months	7 Years, 11 Months	7 Years, 6 Months
Employee	17 Years, 11 Months	18 Years, 10 Months	18 Years, 4 Months
Middle Manager	29 Years, 3 Months	19 Years, 6 Months	20 Years, 1 Month
Senior Manager	0 Years, 0 Months	13 Years, 11 Months	13 Years, 11 Months
POLAND: BELSK DUZY SINCE 1992			
Blue Collar	4 Years, 7 Months	7 Years, 6 Months	6 Years, 2 Months
Employee	10 Years, 5 Months	10 Years, 1 Month	10 Years, 2 Months
Middle Manager	8 Years, 11 Months	21 Years, 7 Months	19 Years, 6 Months
Senior Manager	21 Years, 0 Months	20 Years, 7 Months	20 Years, 9 Months
ARGENTINA: LA PASTORA SINCE 1992			
Blue Collar	13 Years, 11 Months	12 Years, 1 Month	12 Years, 11 Months
Employee	5 Years, 1 Month	5 Years, 3 Months	5 Years, 2 Months
Middle Manager	1 Year, 11 Months	7 Years, 4 Months	6 Years, 6 Months
Senior Manager	0 Years, 0 Months	16 Years, 2 Months	16 Years, 2 Months
BRAZIL: POÇOS DE CALDAS SINCE 1994			
Blue Collar	5 Years, 3 Months	4 Years, 0 Months	4 Years, 9 Months
Employee	4 Years, 5 Months	5 Years, 1 Month	4 Years, 9 Months
Middle Manager	3 Years, 4 Months	6 Years, 3 Months	5 Years, 6 Months
Senior Manager	0 Years, 0 Months	10 Years, 8 Months	10 Years, 8 Months
CANADA: BRANTFORD SINCE 2006			
Blue Collar	4 Years, 8 Months	4 Years, 0 Months	4 Years, 3 Months
Employee	7 Years, 2 Months	6 Years, 9 Months	6 Years, 11 Months
Middle Manager	6 Years, 4 Months	15 Years, 2 Months	12 Years, 1 Month
Senior Manager	13 Years, 2 Months	16 Years, 4 Months	15 Years, 9 Months
CAMEROON: YAOUNDÉ SINCE 2005			
Blue Collar	6 Years, 10 Months	5 Years, 0 Months	6 Years, 3 Months
Employee	6 Years, 6 Months	6 Years, 6 Months	6 Years, 6 Months
Middle Manager	12 Years, 7 Months	0 Years, 0 Months	12 Years, 7 Months


SENIORITY OF SERVICE AS OF 31.08.2018

EMPLOYEE CATEGORY	WOMEN	MEN	TOTAL
INDIA: BARAMATI SINCE 2007			
Blue Collar	9 Years, 12 Months	6 Years, 3 Months	7 Years, 7 Months
Employee	3 Years, 2 Months	3 Years, 1 Month	3 Years, 1 Month
Middle Manager	0 Years, 0 Months	9 Years, 10 Months	9 Years, 10 Months
Senior Manager	7 Years, 9 Months	5 Years, 9 Months	6 Years, 2 Months
SOUTH AFRICA: WALKERVILLE SINCE 2006			
Blue Collar	8 Years, 3 Months	6 Years, 5 Months	7 Years, 11 Months
Employee	2 Years, 4 Months	3 Years, 7 Months	3 Years, 0 Months
Middle Manager	0 Years, 0 Months	17 Years, 2 Months	17 Years, 2 Months
RUSSIA: VLADIMIR SINCE 2009			
Blue Collar	4 Years, 12 Months	5 Years, 5 Months	5 Years, 3 Months
Employee	4 Years, 6 Months	4 Years, 9 Months	4 Years, 7 Months
Middle Manager	6 Years, 10 Months	4 Years, 10 Months	6 Years, 0 Months
Senior Manager	8 Years, 1 Month	12 Years, 1 Month	10 Years, 8 Months
MEXICO: SAN JOSÉ ITURBIDE SINCE 2013			
Blue Collar	1 Year, 10 Months	1 Year, 9 Months	1 Year, 10 Months
Employee	3 Years, 10 Months	4 Years, 8 Months	4 Years, 4 Months
Middle Manager	7 Years, 2 Months	4 Years, 10 Months	5 Years, 6 Months
Senior Manager	0 Years, 0 Months	20 Years, 4 Months	20 Years, 4 Months
TURKEY: MANISA SINCE 2013			
Blue Collar	4 Years, 5 Months	3 Years, 6 Months	3 Years, 10 Months
Employee	3 Years, 3 Months	3 Years, 0 Months	3 Years, 1 Month
Middle Manager	5 Years, 5 Months	4 Years, 2 Months	4 Years, 6 Months
Senior Manager	5 Years, 4 Months	11 Years, 4 Months	9 Years, 4 Months
UNITED KINGDOM: ALFRETON SINCE 2015			
Blue Collar	2 Years, 1 Month	2 Years, 4 Months	2 Years, 2 Months
Employee	2 Years, 6 Months	2 Years, 6 Months	2 Years, 6 Months
Middle Manager	1 Year, 7 Months	2 Years, 2 Months	2 Years, 0 Months
Senior Manager	0 Years, 0 Months	3 Years, 0 Months	3 Years, 0 Months



GRI COMMUNITY

GRI Community members are GRI's core supporters. They are at the heart of the community shaping the future of sustainability and reporting, and empowering decision-making towards a more sustainable economy and world.





SDGs TABLE

SUSTAINABLE DEVELOPMENT GOALS

The following table links the Sustainable Development Goals (SDGs) to the relevant indicators and disclosures of the GRI Standards and Sector Disclosures contained in the Corporate Social Responsibility Report 2018.

The GRI Content Index is available in the section "Our CSR Reports" of our website www.ferrero.com

SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE	PAGE NUMBER	
 End poverty in all its forms everywhere	Access to land	GRI 413: Local Communities (2016)	413-2 Operations with significant actual and potential negative impacts on local communities	7, 20, 21-22, 76-81, 84-91, 92-118, 164	
	Availability of products and services for those on low incomes	GRI 203: Indirect Economic Impacts (2016)	203-2 Significant indirect economic impacts	17, 42, 76-83, 84-91, 92-97	
	Earnings, wages and benefits	GRI 202: Market Presence (2016)	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	216	
	Economic development in areas of high poverty	GRI 203: Indirect Economic Impacts (2016)	203-2 Significant indirect economic impacts	17, 42, 76-83, 84-91, 92-97	
 End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Access to land	GRI 413: Local Communities (2016)	413-2 Operations with significant actual and potential negative impacts on local communities	7, 20, 21-22, 76-81, 84-91, 92-118, 164	
	Changing the productivity of organizations, sectors, or the whole economy	GRI 203: Indirect Economic Impacts (2016)	203-2 Significant indirect economic impacts	17, 42, 76-83, 84-91, 92-97	
	Food safety	G4 Sector Disclosures: Food Processing	FP5	Percentage of production volume manufactured in sites certified by an independent third-party according to internationally recognized food safety management system standards	36-37
			FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	Not applicable, Ferrero doesn't raise, transport or process animals
	Genetic diversity of farmed and domesticated animals	G4 Sector Disclosures: Food Processing	FP9	Percentage and total of animals raised and/or processed, by species and breed type	Not applicable, Ferrero doesn't raise, transport or process animals
	Healthy and affordable food	G4 Sector Disclosures: Food Processing	FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	28-29
			FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives	Ferrero products contain fiber and micronutrients like vitamins and minerals, naturally present in the raw materials used, without artificial supplements
	Indigenous rights	GRI 411: Rights of Indigenous Peoples (2016)	411-1	Incidents of violations involving rights of indigenous peoples	No incidents of violations reported
	Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	17
		GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	17, 42, 76-83, 84-91, 92-97
Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	8-9, 122-125, 127, 144-145, 156-159, 167, 172-174	



SDGs TABLE

CONTINUED

SDG	BUSINESS THEME	RELEVANT DISCLOSURE		DISCLOSURE	PAGE NUMBER	
 <p>Ensure healthy lives and promote well-being for all at all ages</p>	Access to medicines	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17, 42, 76-83, 84-91, 92-97	
	Air quality	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	182, 184, 186, 194, 202, 204	
			305-2	Energy indirect (Scope 2) GHG emissions	182, 184, 186, 194, 202, 204	
			305-3	Other indirect (Scope 3) GHG emissions	185, 202, 204	
			305-6	Emissions of ozone-depleting substances (ODS)	204	
			305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Ferrero doesn't produce other significant air emissions	
	Occupational health and safety	GRI 403: Occupational Health and Safety (2016)	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	206-207	
	Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	205	
306-2			Waste by type and disposal method	190-191, 192, 205		
Water quality	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination	182, 190-191, 205		
 <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	Employee training and education	GRI 404: Training and Education (2016)	404-1	Average hours of training per year per employee	64-67, 208-209	
 <p>Achieve gender equality and empower all women and girls</p>	Equal remuneration for women and men	GRI 202: Market Presence (2016)	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	216	
			GRI 405: Diversity and Equal Opportunity (2016)	405-2	Ratio of basic salary and remuneration of women to men	217-219
	Gender equality	GRI 401: Employment (2016)		401-1	New employee hires and employee turnover	213-214
			GRI 404: Training and Education (2016)	404-1	Average hours of training per year per employee	64-67, 208-209
				404-3	Percentage of employees receiving regular performance and career development reviews	68
	GRI 405: Diversity and Equal Opportunity (2016)	405-1	Diversity of governance bodies and employees	211-212		
		Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	17
	GRI 203: Indirect Economic Impacts (2016)			203-1	Infrastructure investments and services supported	17, 42, 76-83, 84-91, 92-97




SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE	PAGE NUMBER
 Achieve gender equality and empower all women and girls	Non-discrimination	GRI 406: Non-discrimination (2016)	406-1	Incidents of discrimination and corrective actions taken GRI Content Index
	Parental leave	GRI 401: Employment (2016)	401-3	Parental leave 221-222
	Gender equality	GRI 405: Diversity and Equal Opportunity (2016)	405-1	Diversity of governance bodies and employees 211-212
	Workplace violence and harassment	GRI 414: Supplier Social Assessment (2016)	414-1	New suppliers that were screened using social criteria 20, 21-22, 55-56, 129-130, 146-147, 166-167, 175-176
414-2			Negative social impacts in the supply chain and actions taken 20, 21-22, 55-56, 129-130, 146-147, 166-167, 175-176	
 Ensure availability and sustainable management of water and sanitation for all	Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills 205
	Sustainable water withdrawals	GRI 303: Water (2016)	303-1	Water withdrawal by source 182, 190, 205
	Waste	GRI 306: Effluents and Waste (2016)	306-2	Waste by type and disposal method 190-191, 192, 205
	Water efficiency	GRI 303: Water (2016)	303-3	Water recycled and reused 191
	Water quality	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination 182, 190-191, 205
	Water recycling and reuse	GRI 303: Water (2016)	303-3	Water recycled and reused 191
	Water-related ecosystems and biodiversity	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas 195
			304-2	Significant impacts of activities, products, and services on biodiversity 148-149, 152, 195
		GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination 182, 190-191, 205
		306-2	Waste by type and disposal method 190-191, 192, 205	
 Ensure access to affordable, reliable, sustainable and modern energy for all	Energy efficiency	GRI 302: Energy (2016)	302-1	Energy consumption within the organization 187, 203
			302-3	Energy intensity 188, 203
			302-4	Reduction of energy consumption 184, 188, 194
	Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed 17
			GRI 203: Indirect Economic Impacts (2016)	203-1
Renewable energy	GRI 302: Energy (2016)	302-1	Energy consumption within the organization 187, 203	



SDGs TABLE

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SDG	BUSINESS THEME	RELEVANT DISCLOSURE		DISCLOSURE	PAGE NUMBER
 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Abolition of child labor	GRI 408: Child Labor (2016)	408-1	Operations and suppliers at significant risk for incidents of child labor	20, 21-22, 55-56, 132-140, 147, 164-166
	Changing the productivity of organizations, sectors, or the whole economy	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17, 42, 76-83, 84-91, 92-97
	Diversity and equal opportunity	GRI 405: Diversity and Equal Opportunity (2016)	405-1	Diversity of governance bodies and employees	211-212
	Earnings, wages and benefits	GRI 202: Market Presence (2016)	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	216
	Economic performance	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	17
	Elimination of forced or compulsory labor	GRI 409: Forced or Compulsory Labor (2016)	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	20, 21-22, 55-56, 132-140, 147, 164-166
	Employee training and education	GRI 404: Training and Education (2016)	404-1	Average hours of training per year per employee	64-67, 208-209
			404-2	Programs for upgrading employee skills and transition assistance programs	64-67, 76-77
			404-3	Percentage of employees receiving regular performance and career development reviews	68
	Employment	GRI 102: General Disclosures (2016)	102-8	Information on employees and other workers	60-61, 210-212
		GRI 202: Market Presence (2016)	202-2	Proportion of senior management hired from the local community	219-220
		GRI 401: Employment (2016)	401-1	New employee hires and employee turnover	213-214
	Energy efficiency	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	187, 203
			302-3	Energy intensity	188, 203
			302-4	Reduction of energy consumption	184, 188, 194
	Equal remuneration for women and men	GRI 405: Diversity and Equal Opportunity (2016)	405-2	Ratio of basic salary and remuneration of women to men	216
	Freedom of association and collective bargaining	GRI 102: General Disclosures (2016)	102-41	Collective bargaining agreements	69
			GRI 407: Freedom of Association and Collective Bargaining (2016)	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
	Indirect impact on job creation	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17, 42, 76-83, 84-91, 92-97
	Jobs supported in the supply chain	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17, 42, 76-83, 84-91, 92-97
Labor practices in the supply chain	GRI 414: Supplier Social Assessment (2016)	414-1	New suppliers that were screened using social criteria	20, 21-22, 55-56, 129-130, 146-147, 166-167, 175-176	
		414-2	Negative social impacts in the supply chain and actions taken	20, 21-22, 55-56, 129-130, 146-147, 166-167, 175-176	
Labor/management relations	GRI 402: Labor Management Relations (2016)	402-1	Minimum notice periods regarding operational changes	GRI Content Index	
	G4 Sector Disclosures: Food Processing	FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	68	



SDG	BUSINESS THEME	RELEVANT DISCLOSURE		DISCLOSURE	PAGE NUMBER
<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	Materials efficiency	GRI 301: Materials (2016)	301-1	Materials used by weight or volume	12-13, 202, 205
			301-2	Recycled input materials used	12-13, 202, 205
	Non-discrimination	GRI 406: Non-discrimination (2016)	406-1	Incidents of discrimination and corrective actions taken	GRI Content Index
	Occupational health and safety	GRI 403: Occupational Health and Safety (2016)	403-1	Workers' representation in formal joint management-worker health and safety committees	68-69, 70
			403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	206-207
			403-4	Health and safety topics covered in formal agreements with trade unions	68-69, 70
	Parental leave	GRI 401: Employment (2016)	401-3	Parental leave	221-222
	Water efficiency	GRI 303: Water (2016)	303-3	Water recycled and reused	191
Youth employment	GRI 401: Employment (2016)	401-1	New employee hires and employee turnover	213-214	
<p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster</p>	Infrastructure investments	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	17
		GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	17, 42, 76-83, 84-91, 92-97
	Research and development	GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	17
<p>Reduce inequality within and among countries</p>	Economic development in areas of high poverty	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17, 42, 76-83, 84-91, 92-97
	Equal remuneration for women and men	GRI 405: Diversity and Equal Opportunity (2016)	405-2	Ratio of basic salary and remuneration of women to men	217-219
	Foreign direct investment	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17, 42, 76-83, 84-91, 92-97
<p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>	Infrastructure investments	GRI 203: Indirect Economic Impacts (2016)	203-1	Infrastructure investments and services supported	17, 42, 76-83, 84-91, 92-97



SDGs TABLE

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SDG	BUSINESS THEME	RELEVANT DISCLOSURE		DISCLOSURE	PAGE NUMBER
 <p>Ensure sustainable consumption and production patterns</p>	Air quality	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	182, 184, 186, 194, 202, 204
			305-2	Energy indirect (Scope 2) GHG emissions	182, 184, 186, 194, 202, 204
			305-3	Other indirect (Scope 3) GHG emissions	185, 202, 204
			305-6	Emissions of ozone-depleting substances (ODS)	204
			305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Ferrero doesn't produce other significant air emissions
	Energy efficiency	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	187, 203
			302-3	Energy intensity	188, 203
			302-4	Reduction of energy consumption	184, 188, 194
	Materials efficiency/recycling	GRI 301: Materials (2016)	301-1	Materials used by weight or volume	12-13, 202, 205
			301-2	Recycled input materials used	12-13, 202, 205
	Procurement practices	GRI 204: Procurement Practices (2016)	204-1	Proportion of spending on local suppliers	
	Product and service information and labeling	GRI 417: Marketing and Labeling (2016)	417-1	Requirements for product and service information and labeling	38-42
	Resource efficiency of products and services	GRI 301: Materials (2016)	301-3	Reclaimed products and their packaging materials	
	Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	205
	Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	8-9, 122-125, 127, 144-145, 156-159, 167, 172-174
	Transport	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	187, 203
			GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions
		305-2		Energy indirect (Scope 2) GHG emissions	182, 184, 186, 194, 202, 204
		305-3		Other indirect (Scope 3) GHG emissions	185, 202, 204
Waste	GRI 306: Effluents and Waste (2016)	306-2	Waste by type and disposal method	190-191, 192, 205	
Water efficiency	GRI 303: Water (2016)	303-3	Water recycled and reused	191	
Water quality	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination	182, 190-191, 205	




SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE	PAGE NUMBER	
<p>Take urgent action to combat climate change and its impacts</p>	Energy efficiency	GRI 302: Energy (2016)	302-1	Energy consumption within the organization	187, 203
			302-3	Energy intensity	188, 203
			302-4	Reduction of energy consumption	184, 188, 194
	GHG emissions	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	182, 184, 186, 192, 202, 204
			305-2	Energy indirect (Scope 2) GHG emissions	182, 184, 186, 192, 202, 204
			305-3	Other indirect (Scope 3) GHG emissions	185, 202, 204
			305-4	GHG emissions intensity	185-186, 204
			305-5	Reduction of GHG emissions	185-186
305-6			Emissions of ozone-depleting substances (ODS)	204	
Risks and opportunities due to climate change	GRI 201: Economic Performance (2016)	201-2	Financial implications and other risks and opportunities due to climate change	14-15, 17, 68, 87	
<p>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>	Marine biodiversity	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	195
			304-2	Significant impacts of activities, products, and services on biodiversity	148-149, 152, 195
	Ocean acidification	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	182, 184, 186, 194, 202, 204
			305-2	Energy indirect (Scope 2) GHG emissions	182, 184, 186, 194, 202, 204
			305-3	Other indirect (Scope 3) GHG emissions	185, 202, 204
			305-4	GHG emissions intensity	185-186, 204
			305-5	Reduction of GHG emissions	185-186
	Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	205
	Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	8-9, 122-125, 127, 144-145, 156-159, 167, 172-174
	Water discharge to oceans	GRI 306: Effluents and Waste (2016)	306-1	Water discharge by quality and destination	182, 190-191, 205




SDGs TABLE

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SDG	BUSINESS THEME	RELEVANT DISCLOSURE		DISCLOSURE	PAGE NUMBER
 <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>	Deforestation	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	8-9, 122-125, 127, 144-145, 156-159, 167, 172-174
	Forest degradation	GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	182, 184, 186, 194, 202, 204
			305-2	Energy indirect (Scope 2) GHG emissions	182, 184, 186, 194, 202, 204
			305-3	Other indirect (Scope 3) GHG emissions	185, 202, 204
			305-4	GHG emissions intensity	185-186, 204
			305-5	Reduction of GHG emissions	185-186
			305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Ferrero doesn't produce other significant air emissions
	Genetic diversity of farmed and domesticated animals	G4 Sector Disclosures: Food Processing	FP9	Percentage and total of animals raised and/or processed, by species and breed type	Not applicable, Ferrero doesn't raise, transport or process animals
	Mountain ecosystems	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	195
			304-2	Significant impacts of activities, products, and services on biodiversity	148-149, 152, 195
	Natural habitat degradation	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	195
			304-2	Significant impacts of activities, products, and services on biodiversity	148-149, 152, 195
	Spills	GRI 306: Effluents and Waste (2016)	306-3	Significant spills	
Sustainable sourcing	G4 Sector Disclosures: Food Processing	FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	8-9, 122-125, 127, 144-145, 156-159, 167, 172-174	
Terrestrial and inland freshwater ecosystems	GRI 304: Biodiversity (2016)	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	195	
		304-2	Significant impacts of activities, products, and services on biodiversity	148-149, 152, 195	





SDG	BUSINESS THEME	RELEVANT DISCLOSURE	DISCLOSURE	PAGE NUMBER	
 <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	Abolition of child labor	GRI 408: Child Labor (2016)	408-1	Operations and suppliers at significant risk for incidents of child labor	20, 21-22, 55-56, 132-140, 147, 164-166
	Anti-corruption	GRI 205: Anti-corruption (2016)	205-2	Communication and training about anti-corruption policies and procedures	GRI Content Index
			205-3	Confirmed incidents of corruption and actions taken	GRI Content Index
		GRI 415: Public Policy (2016)	415-1	Political contributions	Ferrero does not allow behaviors that offer, promise, ask or deliver an undue pecuniary benefit or otherwise, to public officials and/or officers and/or members of their families and/or commercial partners, with the intention to bribe, directly or indirectly. Ferrero does not allow contributions to political parties and/or candidates for public office
	Compliance with laws and regulations	GRI 307: Environmental Compliance (2016)	307-1	Non-compliance a regolamenti e leggi in materia ambientale	GRI Content Index
		GRI 206: Anti-competitive Behavior (2016)	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI Content Index
		GRI 419: Socioeconomic Compliance (2016)	419-1	Non-compliance with laws and regulations in the social and economic area	GRI Content Index
		GRI 416: Customer Health and Safety (2016)	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	GRI Content Index
		GRI 417: Marketing and Labeling (2016)	417-1	Requirements for product and service information and labeling	38-42
			417-2	Incidents of non-compliance concerning product and service information and labeling	GRI Content Index
GRI 418: Customer Privacy (2016)		418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI Content Index	
GRI 419: Socioeconomic Compliance (2016)	419-1	Non-compliance with laws and regulations in the social and economic area	GRI Content Index		



SDGs TABLE

CONTINUED

SDG	BUSINESS THEME	RELEVANT DISCLOSURE		DISCLOSURE	PAGE NUMBER
 <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	Ethical and lawful behavior	GRI 102: General Disclosures (2016)	102-16	Values, principles, standards, and norms of behavior	www.ferrero.com/social-responsibility/code-of-business-conduct/standards-and-principles www.ferrero.com/social-responsibility/code-of-ethics/a-renewed-commitment
	Non-discrimination	GRI 406: Non-discrimination (2016)	406-1	Incidents of discrimination and corrective actions taken	GRI Content Index
	Protection of privacy	GRI 418: Customer Privacy (2016)	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI Content Index
	Workplace violence and harassment	GRI 414: Supplier Social Assessment (2016)	414-1	New suppliers that were screened using social criteria	20, 21-22, 55-56, 129-130, 146-147, 166-167, 175-176
414-2			Negative social impacts in the supply chain and actions taken	20, 21-22, 55-56, 129-130, 146-147, 166-167, 175-176	
 <p>Strengthen the means of implementation and revitalize the global partnership for sustainable development</p>	Foreign direct investment	GRI 203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	17, 42, 76-83, 84-91, 92-97



ASSURANCE LETTER



Independent Limited Assurance Report on the disclosures in the Corporate Social Responsibility 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 Corporate Social Responsibility Report of Ferrero International S.A. (hereinafter "the Company"), for the period from 1 September 2017 to 31 August 2018 (hereinafter the "CSR Report").

Understanding the reporting and measurement methodologies

The CSR 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.

Board of Directors' responsibilities for the Corporate Social Responsibility Report

The Board of Directors of the Company is responsible for the preparation and presentation of the CSR Report in accordance with the GRI-Criteria.

This responsibility of the 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 is responsible for such internal controls as they have considered necessary to enable the preparation of a CSR Report that is free from material misstatement whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) as adopted for Luxembourg by the CSSF 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.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518



ASSURANCE LETTER

CONTINUED



Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a limited assurance conclusion on the disclosures in the CSR Report based on the assurance engagement we have performed.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) and as adopted for Luxembourg by the Institut des Réviseurs d'Entreprises. This standard requires that we plan and perform the assurance engagement to obtain a limited assurance that the disclosures in the Company's CSR Report for the period from 1 September 2017 to 31 August 2018 has been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

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 on external sources of information or expert opinions, referred to in the CSR 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 CSR 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 CSR Report;
- Identified the likely risks of material misstatement of the CSR Report under consideration of the GRI-Criteria;
- Analysed the compliance and the internal consistency of the qualitative information disclosed in the CSR Report in relation to the GRI-Criteria;
- Analysis of relevant underlying supporting information supporting the key disclosures in the CSR Report;
- Compared the selected financial data and disclosures in CSR Report with corresponding data in the consolidated financial statements and in the group management report for year ending 31 August 2018;



- Evaluated the presentation of the disclosures in the CSR 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 Company's CSR Report for the period from 1 September 2017 to 31 August 2018 has not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 30 September 2019

Mervyn R. Martins
Partner

FERRERO



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