

**SHARING VALUES
TO CREATE VALUE**



Corporate Social Responsibility

SUMMARY 2016

FERRERO

SHARING VALUES TO CREATE VALUE

Corporate Social Responsibility
SUMMARY OF THE 2016 REPORT

FERRERO



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WELCOME . . .

The complete version of the 2016 CSR report and this summary were drafted by the Ferrero Group's Institutional Affairs, Public Relations and Corporate Communications office (e-mail: csr@ferrero.com).

The complete version of the 2016 corporate social responsibility report, available online at www.ferrerocr.com, was edited in compliance with the "GRI Sustainability Reporting Standards" (2016) and the "Food Processing Sector Disclosures" (2014), both published by the Global Reporting Initiative (GRI), according to the option "Core".

The following points of reference are 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 complete version will be submitted to the GRI Content Index Service and will be subject to a limited assurance engagement performed by Deloitte & Touche S.p.A.

LETTER FROM THE CEO

The year 2016 marked the 70th anniversary of the Ferrero Group: 70 years of long-standing vision, continuous improvement and of an important value system, all built on our history and passion. This important milestone was a celebration of “the Ferrero way of doing things”, a modus operandi based on a love for things done “the right way”, a respect for and dedication to satisfying consumers’ needs, a continual dedication to quality and an extraordinary dose of creativity. These values are our roots. This is the DNA of our family business.

My father, Michele, had the courage to aspire and the vocation to believe. As an illuminated entrepreneur, he never stopped exploring new frontiers by fostering a “culture of doing”. The world will always belong to those who “do” and to those who are committed to the constant pursuit of excellence.

Again this year, our pursuit of excellence reaped the rewards. At the end of FY 2015/2016, the Ferrero Group’s consolidated Net Turnover amounted to €10.3 billion, up 8.2% from the previous year. Despite slow global economic growth, we were able to grow our business and consolidate our position on the market, retaining third place in the global ranking of top chocolate confectionary manufacturers. We have been able to grow by expanding our business and building a global brand portfolio with a long-term outlook.

In addition to our long-term strategies, we also need discipline and consistency in the short-term. The totality of our values, experiences and best practices make Ferrero a continual example of commercial ethics for our consumers. Our growth goes hand-in-hand with respect for People and the Planet, which is more important to Ferrero than its economic performance goals. Moreover, being a global group does not stop us from acting locally, and we continue to maintain a strong connection to the People and communities with whom we work.

With this Report, we renew our support for the United Nations Global Compact, the world’s largest corporate sustainability initiative.



Since 2011, we have supported the initiative and have played an active role in advancing the United Nations Sustainable Development Goals for the “Agenda 2030”. Finally, our actions are aimed at putting to practice the “Ferrero way of doing things”, such as sharing our values. These remain the same today as they were in the past, and thus create a shared value system for all of our stakeholders, from the People with whom we work, to the communities in which we operate.

July 2017

Giovanni Ferrero
Chief Executive Officer
Ferrero International

FERRERO'S SOCIAL RESPONSIBILITY



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

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

Michele Ferrero

For the Ferrero 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 it operates. These principles of social responsibility guided Ferrero's first steps 70 years ago in Alba and remain unchanged to this day.

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

The Ferrero Group's approach to sustainability is currently based on the company's 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 Ferrero, 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, the promotion of active lifestyles among youths and their families, all the way to its strong commitment to sustainable farming practices and safeguarding and protecting the environment.

We therefore confirm all of the commitments of our corporate social responsibility strategy which is currently divided into two main subject areas: **People and the Planet**.



PEOPLE

At Ferrero, customer focus isn't just a value, it's something we put into practice every day, based on a sense of responsibility that goes beyond commercial goals. This responsibility is made into reality through Ferrero's nutritional strategy, ongoing innovation, the quality and freshness of its products, food safety and responsible and transparent communication. In addition, Ferrero shows a constant interest in the lives of its current employees and former employees and people living in the communities in which it operates. This commitment is also demonstrated through the activities of the Ferrero Foundation and the Michele Ferrero Entrepreneurial Project, active in Africa and Asia. The 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" programme.

PLANET

Monitoring and improving the impact of its activities throughout the entire supply chain is a priority for the Ferrero Group, which it addresses by ensuring that its main raw materials are responsibly sourced. In addition, the Group is committed to production that respects the environment, by making use of the best technologies available, ensuring that the use of energy, materials and natural resources is efficient and by consuming water resources responsibly and reasonably. Acknowledging this responsibility, Ferrero is strongly committed to minimising its environmental impact, from raw materials to production plants and logistics, along the entire value chain.



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 (email: csr@ferrero.com).

FERRERO GROUP'S STAKEHOLDERS AND MATERIALITY ANALYSIS

In 2015, by applying the new G4 Sustainability Reporting Guidelines, **the Group updated the analysis of relevant sustainability topics** through an internal materiality process: specifically, the materiality analysis

aimed to identify and assess the importance of various sustainability topics that affect the Group's ability to create value and those considered relevant by its stakeholders.

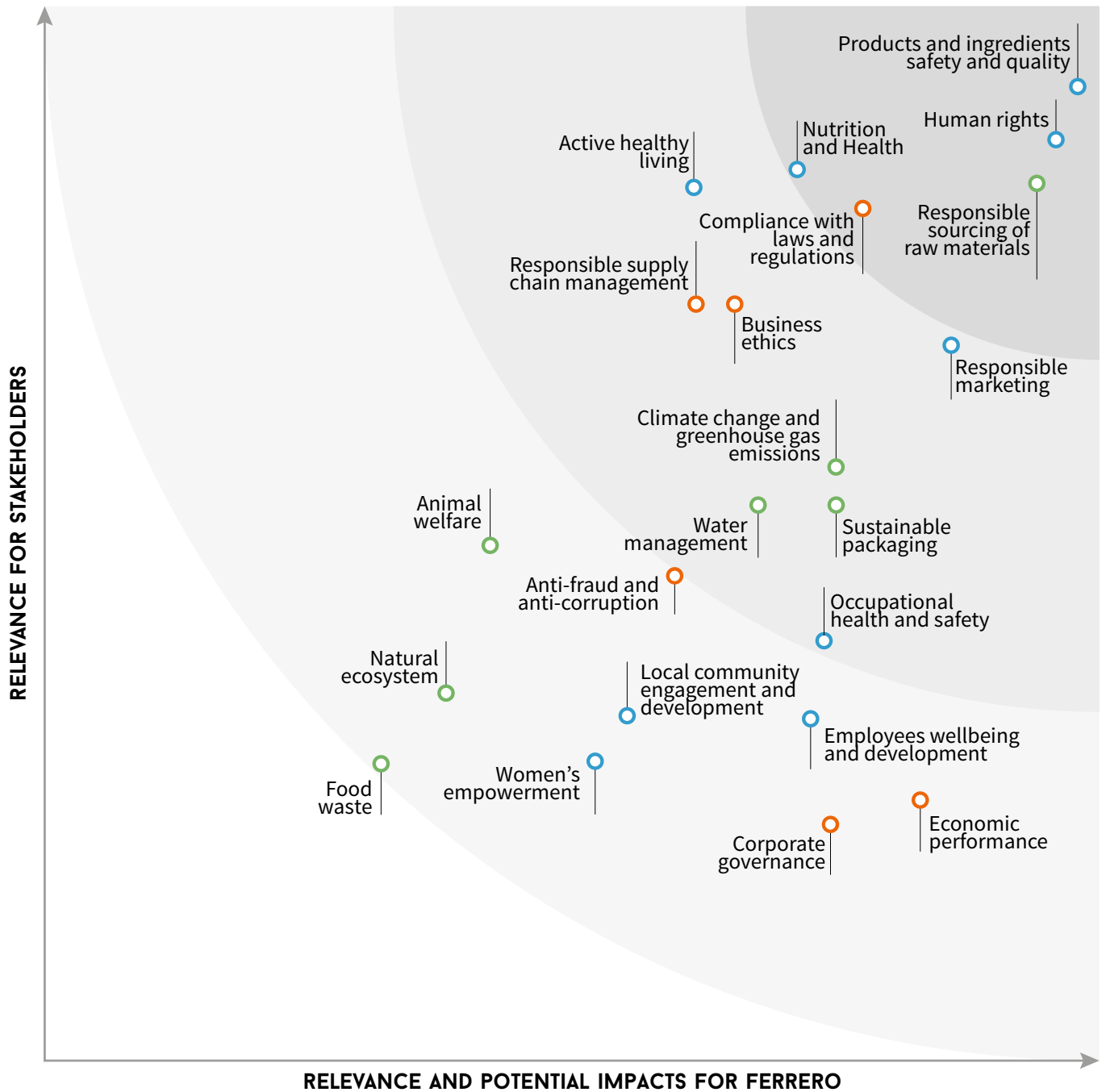
STAKEHOLDER MAPPING



For this CSR Report and its summary, **the updated mapping of internal and external stakeholders as well as the materiality analysis** carried out during the same year **has been confirmed.**











In regard to stakeholders involvement, the Ferrero Group actively participates in debates and in the working groups of trade and industry associations it belongs to. In addition, the Group has developed a structured dialogue with some NGOs that also work in CSR.

















MATERIALITY MATRIX



FERRERO GROUP'S GOALS FOR 2020

The Ferrero Group's approach to social responsibility is driven by solid values and **a constant commitment** to the creation of value. Such essential and unalterable commitments are fulfilled through **concrete goals, actions and results**.

SCOPE	DESCRIPTION	PROGRESS
	FSSC 22000 food safety certification for all Group production sites – excluding the plants of Michele Ferrero Entrepreneurial Project – including the new plant in China	Reached in January 2017 
	Enhance the activities of the Ferrero Foundation and of the Michele Ferrero Entrepreneurial Project	Reached and renewed 
	Promote internal initiatives to support a "culture of diversity"	Commitment renewed until 2018 
	Increase of 5% in women managerial positions (compared to 31 st August 2015)	By 2020 
	Ongoing support and expansion of our Kinder+Sport programme by extending it in 30 countries all over the world and moving 5 million children	By August 2018 
	100% cocoa certified as sustainable	By 2020 
	100% sustainable palm oil certified RSPO as segregated	Reached in December 2014 
	100% refined cane sugar from sustainable sources	By 2020 
	Implementation of the traceability plan for 100% of hazelnuts	By 2020 
	100% of eggs from barn hens with respect for animal welfare	Reached in September 2014 

SCOPE	DESCRIPTION	PROGRESS
	Self-produced electricity totalling 70% (instead of 75%) of electrical consumption of all European plants, of which 18% (instead of 25%) from renewable sources	Partially met in September 2014 
	Group ISO 50001 certification for the 17 production sites active in August 2014 – excluding the plants of Michele Ferrero Entrepreneurial Project – including power generation plants	By 2020 
	Implementation of a global action plan on energy , according to local needs of existing and future plants, aimed at reducing emissions	By 2020 
	40% reduction of CO₂ emissions from production activities (compared to 2007)	By 2020 
	30% reduction of greenhouse gas emissions (tonnes of CO _{2eq}) from transport and storage activities (compared to 2009)	By 2020 
	Use of packaging made from renewable sources (+10% compared to 2009)	By 2020 
	100% virgin cardboard¹ from certified sustainable supply chain	Reached in December 2014 
	100% of virgin paper² from certified sustainable supply chain	Extended to 2017 



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

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

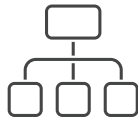
01

THE GROUP



1,830,193 t

AGRICULTURAL RAW MATERIALS AND
PACKAGING RAW MATERIALS USED¹



86 CONSOLIDATED COMPANIES
MANAGED UNDER FERRERO
INTERNATIONAL S.A.



1,265,950 t

TOTAL PRODUCTION



10,325,845
(€/000)

CONSOLIDATED NET TURNOVER

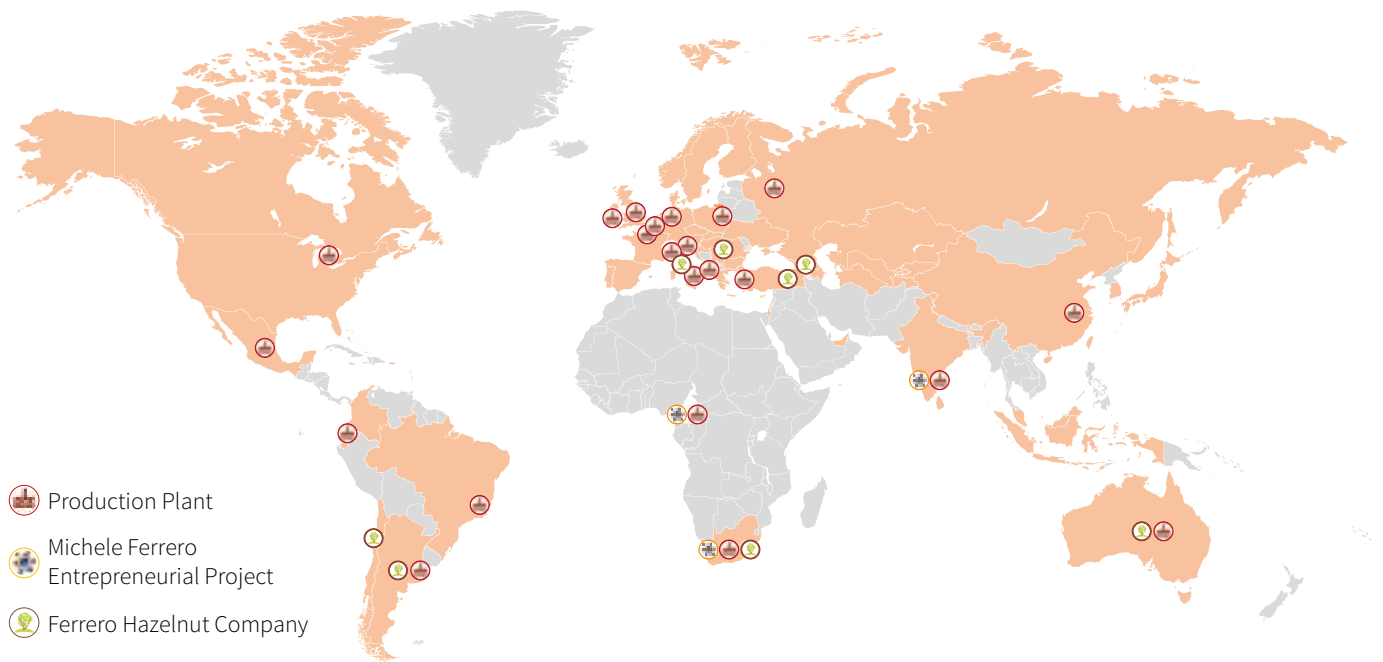
1ST FOOD COMPANY IN THE WORLD FOR
REPUTATION IN THE RANKING OF THE 100
BEST COMPANIES



17TH PLACE IN THE WORLDWIDE
RANKING OF THE 100 BEST
COMPANIES

1. The figure includes the volume of water used in the recipes of Ferrero products, raw materials for surprises and auxiliary materials for the production process.

SUMMARY



THE FERRERO GROUP IS PRESENT IN 55 COUNTRIES

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

22

MANUFACTURING PLANTS IN 5 CONTINENTS



6 AGRICULTURAL COMPANIES
8 MANUFACTURING PLANTS

170+

COUNTRIES IN WHICH THE PRODUCTS ARE PRESENT AND SOLD

MICHELE FERRERO ENTREPRENEURIAL PROJECT



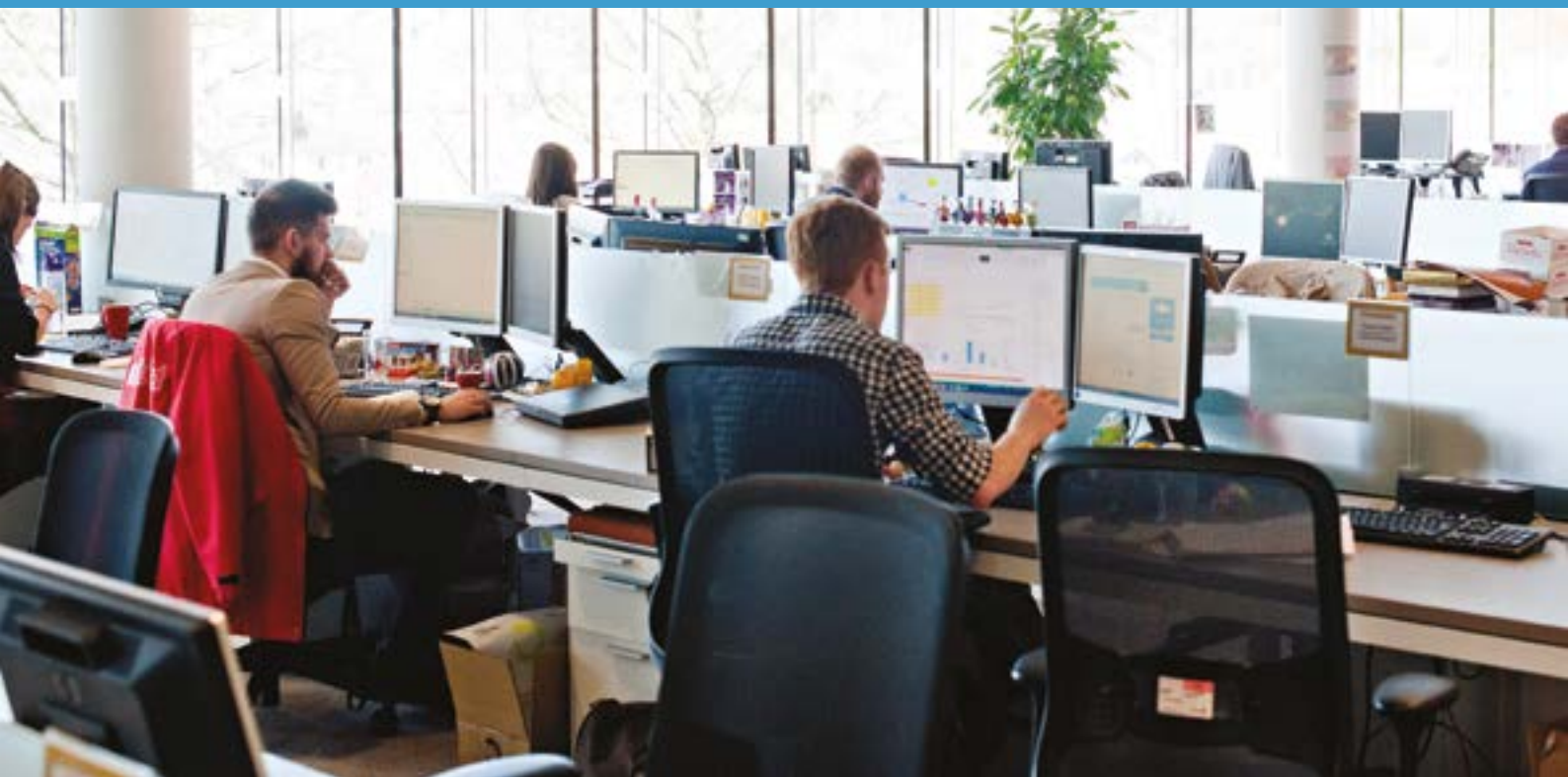
ACTIVE IN 3 COUNTRIES

Ferrero is part of numerous **European and international organisations and associations** that operate in line with the Group's guidelines and values, addressing key matters such as social, economic and environmental sustainability, transparency, food safety, and protection of the interests of the sector.

Since 2011 the Ferrero Group has been implementing the ABCDE Plan (A Business Code Dialogue Engagement), aimed at sharing the Group's Code of Business Conduct with all stakeholders in the value chain. The code is based on the Ferrero principles and complies with the Group's Code of Ethics.

02

PEOPLE



40,351¹

FERRERO COLLABORATORS AS OF 31/08/2016



2,700+

COLLABORATORS INVOLVED IN THE
MICHELE FERRERO ENTREPRENEURIAL
PROJECT AS OF 31/08/2016



113

NATIONALITIES
REPRESENTED AMONG
THE EMPLOYEES



3,500+

RETIRED EMPLOYEES AND
PARTNERS SERVED BY THE
FERRERO FOUNDATION



**4.4
MILLION**

CHILDREN MOVED WITH
KINDER+SPORT²

1. This also includes Ferrero's external collaborators, among which temporary workers, sales representatives, training internships and other forms of direct collaboration, with the exception of service contracts.

2. Number of children actively participating in the programmes/events sponsored by Kinder+Sport.

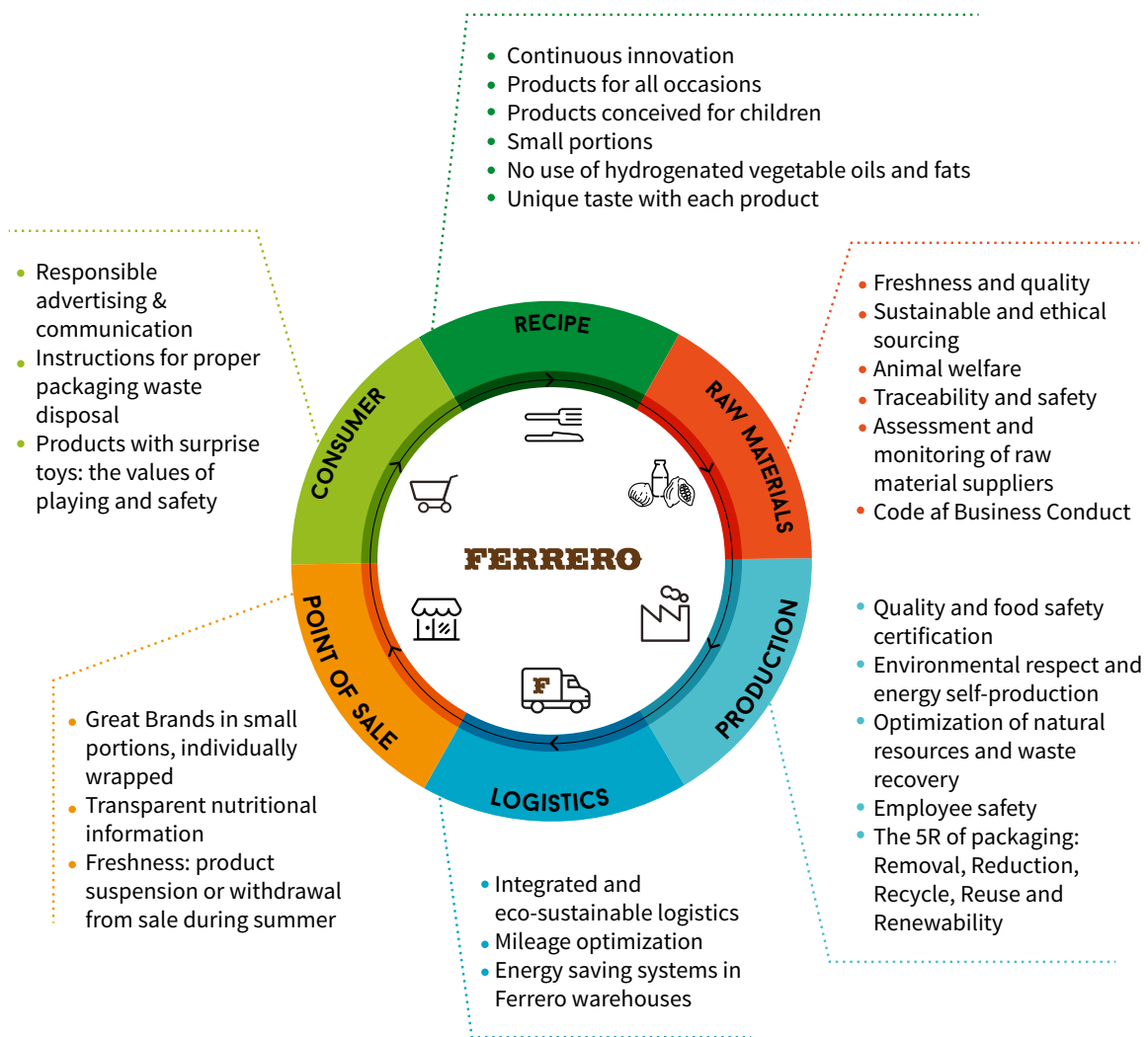
The Ferrero Group’s inception and growth, generation after generation, has been possible thanks to the unconditional **passion of people** who are and have been part of the Group and to the continued faith of our consumers in our products.

Ferrero’s commitment to People is recognized in the **value chain of its products**, which is a true and real path of responsibility and sustainability, from the formulation

of nutritionally balanced recipes to the selection of raw materials, all the way to correct communication towards consumers and their little ones.

People are a **unique added value** for the Ferrero Group and have always been a focal point in the Group’s strategy; this same attention is implemented concretely through a series of initiatives and actions that involve different fields.

THE VALUE CHAIN OF OUR PRODUCTS: A PATH OF RESPONSIBILITY



OUR CONSUMERS

Ferrero wanted to translate its **passion and engagement for satisfying Consumers** into action, putting them at the centre of its daily activities.



>95%

OF VOLUMES OF FERRERO PRODUCTS HAVE SERVING SIZES

<150 kcal

NUTRITION

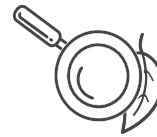
Ferrero developed a strategy that can be considered unique, as it is based on a particular type of confectionery product. This type of product is characterised by quality raw ingredients that not only contribute to the provision of energy through their natural composition, but also to the type and quantity of micronutrients that are essential for health.

The small portions and the recipes of Ferrero products help consumers to adopt nutritional approaches based on different eating episodes throughout the day, supported by the adoption of clear and exhaustive nutritional labels. The Group also contributes to **promoting good eating habits** through a strong commitment to scientific research.

QUALITY AND FRESHNESS

Ferrero's business model has been shaped to **guarantee the maximum quality and freshness of products** along the entire value chain and to avoid waste of any kind. Since its establishment, Ferrero has placed maximum attention on the selection of raw materials and ingredients.

It is in fact their quality and freshness that determines the particular organoleptic characteristics of the products. The excellence of the products and their safety are guaranteed by a system of internal procedures verified by means of integrated and systematic inspections by the Central Quality Management in the plants and along the logistic chain, in addition to a high innovation level.



>600,700

CHECKS AND ANALYSIS ON RAW MATERIALS

>1,400,000

CHECKS CARRIED OUT ON PACKAGING, SEMIFINISHED PRODUCTS AND FINISHED PRODUCTS



IN EUROPE FERRERO DOES NOT ADVERTISE ANY FOOD PRODUCTS TO CHILDREN UNDER THE AGE OF

12

RESPONSIBLE COMMUNICATION

For the Ferrero Group, social responsibility means also adopting a series of **self-regulation systems, in particular in relation to nutritional labelling and advertising**. These commitments are constantly **monitored by external third-party organisations**, which confirm high compliance rates.

The Group is committed to best serve the consumer's interest in receiving truthful and accurate communications, in order **to help consumers to adopt the most appropriate nutritional and life style choices**.

KINDER SURPRISE COMPANY

For over 40 years, Ferrero's KINDER® products have been contributing to the **happy growth of children of all ages** generating daily moments of intense emotion. Throughout this time the creation process of the surprises has evolved, while maintaining the same commitment to create safe and innovative products and striving to improve all the time.

The Kinder Surprise Company (KSC) is a division of the Ferrero Group dedicated to developing and creating small KINDER® toys, whose features and playability of the surprises need to be developed and optimized specifically for the miniature size of the KINDER® world.

65



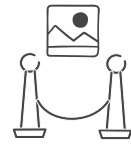
TESTS REGARDING SAFETY AND QUALITY OF TOYS COMPARED TO THE 38 TESTS REQUIRED BY INTERNATIONAL REGULATIONS

THE FERRERO FOUNDATION



Established in 1983 as a Social Enterprise by Michele Ferrero and under the direction of its tireless president, Maria Franca Ferrero, the Foundation aims principally to **improve the quality of life of the retired employees, encouraging the development of social relations, commitment and knowledge.**

The Foundation is active in social, philanthropic, cultural and artistic fields, aimed principally at Ferrero's former employees, who have retired from the company, and at children, through numerous social and cultural projects, social-sanitary services, a nursery, and university collaborations. Based on the Ferrero Foundation's model, and inspired by its motto "Work, Create, Donate", two "Opera Sociale" have been created in Germany and France.



>90,000

VISITS TO THE
FUTURBALLA EXHIBIT



1,112

MEDICAL EXAMINATIONS
PROVIDED TO FERRERO'S
RETIRED EMPLOYEES
AND THEIR SPOUSES

FERRERO WOMEN AND MEN

As of 31st August 2016, the number of the Group's employees is 32,990, plus 13 from the Fondazione Piera, Pietro e Giovanni Ferrero and 7,348 external collaborators³, **for a total of 40,351**, representing 113 different nationalities.

The Ferrero Group confirms **the increase of the extra-European presence (37.3%) and the relevance of female employment (44.2%)**. Moreover, Ferrero is committed to sustaining and safeguarding the security and the health of its employees, its contractors, its visitors and those who are part of its influential sphere, and invests in professional training as well as institutional and managerial training for its employees: for this purpose, it operates the Ferrero Learning Lab - through the 4 Learning Pillars - and numerous initiatives at its local offices.



44.2%

WOMEN



564,038

TRAINING HOURS IN THE
FERRERO UNIVERSITY

3. This number includes Ferrero's external collaborators, such as temporary workers, sales representatives, training internships and other forms of direct collaboration, with the exception of service contracts.

MICHELE FERRERO ENTREPRENEURIAL PROJECT



Cameroon (Yaoundé)



South Africa (Walkerville/Midvaal Gauteng)



India (Baramati/Pune, Maharashtra)

The entrepreneurial and philanthropic spirit, which has characterised the Ferrero Group since its inception, has been the inspiring source of the Ferrero Social Enterprises, conceived and launched almost ten years ago by Michele Ferrero, first in Cameroon and subsequently in South Africa and in India. This project includes commercial enterprises to all effects: their goal, therefore, is to earn profits. Nonetheless, **they act according to a “social” spirit** because they aim to **create jobs** in the least developed areas of emerging countries. Moreover, they

implement **projects and initiatives of a social and humanitarian nature**, aimed at safeguarding the health and educational and social development of children and young adults in those countries.

The Ferrero Social Enterprises were renamed **“Progetto Imprenditoriale Michele Ferrero”** (Michele Ferrero Entrepreneurial Project), in memory of “Cavaliere del Lavoro” Michele Ferrero, who passionately encouraged and supported every step of their development.

MICHELE FERRERO ENTREPRENEURIAL PROJECT

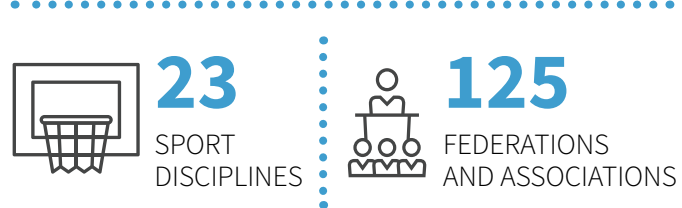
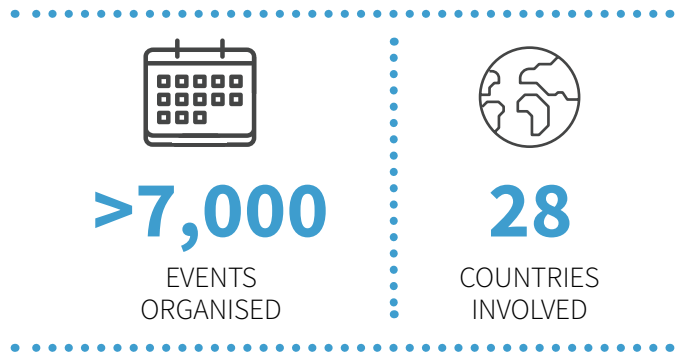


KINDER+SPORT



Promoting the quality of life and active lifestyles are leading the Group's missions, and Kinder+Sport is

a dedicated programme which has been running for more than 10 years: it promotes **the practice of sport** and aims to **spread the joy of moving to children worldwide**, inspiring them to adopt active habits from an early age. It is a path that currently **runs through 28 countries**, which gave life to the “Manifesto Joy of Moving”, presented at Expo Milano 2015. The results show **considerable progress, coherent with the project's long-term objectives** (set for 2017/2018): to cite a few, Kinder+Sport in FY 2015/2016 moved 4.4 million children, through 23 different sports, involving 125 sports federations and associations.



03

PLANET



100%

SUSTAINABLE PALM OIL
CERTIFIED RSPO AS SEGREGATED
SINCE JANUARY 2015



95%

RECOVERED WASTE



39%

RENEWABLE MATERIALS
IN PACKAGING



~18%

SELF PRODUCTION POWER FROM
RENEWABLE SOURCES

SUMMARY

The respect and protection of the Planet is one of the fundamental pillars of Ferrero's corporate social responsibility: for this reason, we aim to combine a strong motivation for growth with **great care for sustainability**.



F-ACTS - Ferrero Agricultural Commitment to Sustainability

is the programme which represents the Ferrero Group's commitment to **procuring raw materials from sustainable supply chains**. The main objective is to improve the conditions of the rural areas and the local communities, as well as the respect for the environment, through projects and partnerships, the adoption of standards and certifications and institutional and collective commitments.

This commitment translates into a series of responsible choices, aimed at both the sustainable supply of raw materials as well as the reduction of the environmental impact of our production activities, through **two main projects**:



Launched in FY 2013/2014, the **FER-Way project - Ferrero Environmental Responsibility Way** - develops a long-term approach, for a **more effective management of environmental sustainability**.

The Group is firmly convinced that the transition to a circular economy is the only way to ensure a sustainable and respectful economic growth.

The FER-Way project is based on four actions: Measure, Planning, Educate and Collaborate.

FERRERO'S SUSTAINABLE AGRICULTURAL PRACTICES

To implement its ambitions for sustainable agricultural supply chains, Ferrero has launched the **Ferrero Farming Values (FFVs)** programmes for its key raw ingredients, **within the F-ACTS framework**.

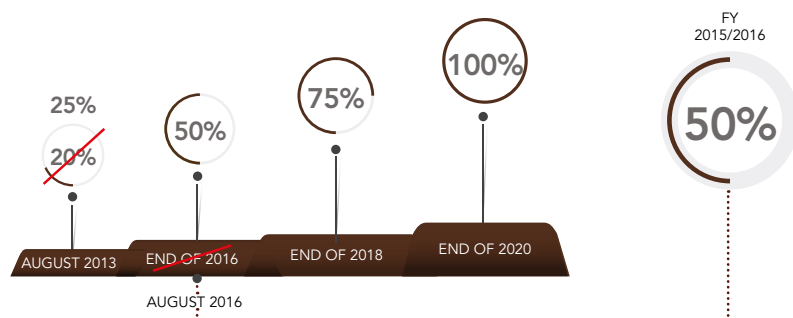


COCOA



One of Ferrero's key commitments towards building a sustainable agricultural supply chain is to source 100% certified cocoa beans by end of 2020. In FY 2015/2016, Ferrero consumed more than 120,000 tonnes of cocoa beans, of which **50% was certified as sustainable cocoa, anticipating the milestone for the end of 2016**.

Ferrero constantly collaborates with non-profit and farmer organizations to address agricultural, social, environmental and business issues in cocoa farming and supports ongoing local projects to combat child labour and enable training to the farmers.





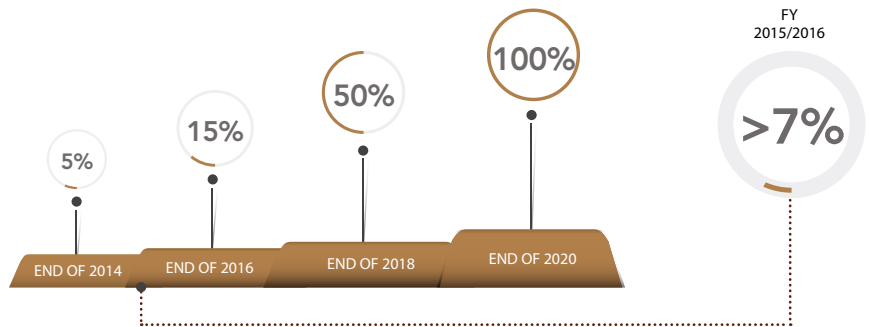
HAZELNUTS



In FY 2015/2016, the Group achieved **full traceability for more than 7% of its hazelnut supplies**.

Traceability is essential to ensure the quality standards of production and products.

Turkey produces around 75% of the world's hazelnuts annually. In this country, Ferrero remains one of the largest players and, for this reason, in 2012, the Group decided to start and develop **the Ferrero Farming Turkey (FFT) programme** with local and international partners. Ferrero works closely with its Turkish hazelnut suppliers on high quality and safety standards as well as a number of ethical, social and environmental issues. Furthermore in FY 2015/2016 **the Group continued to support and participate in the extended Public-Private partnership with Caobisco** (Association of Chocolate, Biscuit & Confectionary Industries of Europe) **and the ILO** (International Labour Organization) in Turkey for a project named "Integrated Model for the Elimination of Worst Forms of Child Labour (WFCL) in Seasonal Agriculture in Hazelnut Harvesting in Turkey".



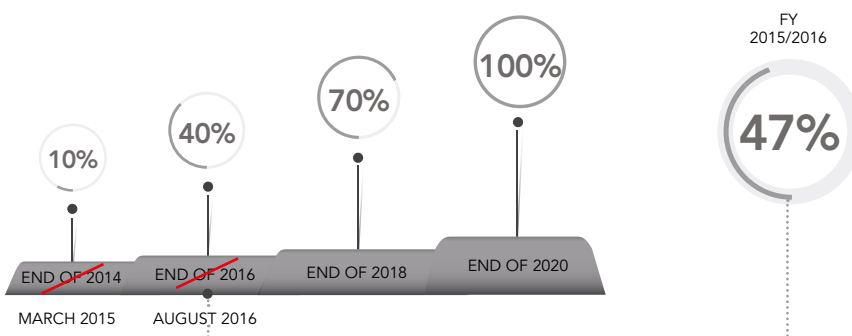
In FY 2015/2016, the total volume of sugar purchased by Ferrero could be broken down into approximately 1/4 refined cane sugar and 3/4 beet sugar.

Ferrero has maintained and committed to strong trust-based relations with numerous agricultural cooperatives and sugar producers, **to ensure 100% non-GMO sugar sourcing**. In FY 2015/2016 **the Group certified 47% of its cane sugar, exceeding its initial milestone of 40% set for the end of 2016**.

Since 2010, the Ferrero Group has been a member of "Bonsucro-Better Sugar Cane Initiative", a worldwide recognised organization that 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 labour standards, legal compliance.

CANE SUGAR





PALM FRUIT OIL



SINCE
JANUARY 2015



The Ferrero Group has been working towards a responsible supply of palm oil since 2005, at which time the Group strategy involved investing in the Roundtable on Sustainable Palm Oil (RSPO) certification.

Since January 2015, **Ferrero has been using only 100% sustainable palm oil certified RSPO as segregated.**

The Group's commitment continues by optimising traceability and ensuring respect for the planet, employees and the local communities, also through the Ferrero Palm Oil Charter and the partnership with TFT.

Thanks to the ongoing commitment and to the collaboration with suppliers, in September 2014 **the Group reached the goal of 100% of eggs from barn hens for all the European Union plants**, in line with its objective. Ferrero is committed to developing a cage-free egg sourcing strategy also in Turkey and Mexico, where cage-free egg supplies are not usual practice, in order to reach the goal of 100% of eggs sourced from cage-free hens **on a global level.**



SINCE
SEPTEMBER 2014



For EU plants

EGGS



MILK



Over the years, Ferrero has developed and nurtured long-term relationships with milk producers whom are carefully selected locally.

Ferrero sources its milk directly from its 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, Ferrero is able to create **a streamlined system of traceability**, which goes beyond legislation (including 100% traceability of dairy farms), to provide a clear picture of the path from farm to product. In 2015, Ferrero implemented the "Milk Quality Project" (M.Q.P.) for 14 strategic suppliers in different geographic areas (from Italy to Turkey, from Scandinavia to India), representing more than 98% of the milk supplied to the Ferrero plants in Europe.

HCo - FERRERO HAZELNUT COMPANY



Ferrero now operates along the entire hazelnut supply chain, from the field to the industrial processing phases, to the sale to companies working with semi-finished products, achieving, in practice, **a totally integrated food supply chain model.**

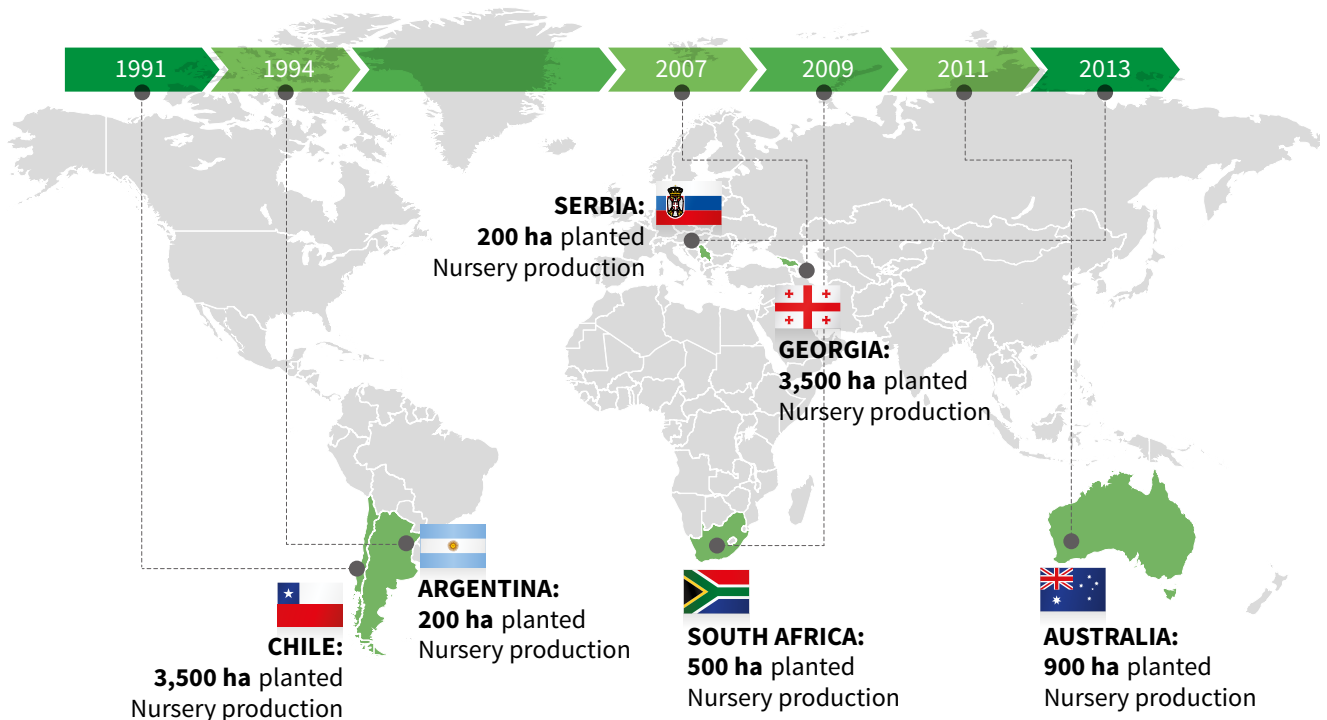
At the end of 2014, this integrated management led to the birth of the **Ferrero Hazelnut Company (HCo)**, with the aim of bringing together all actors operating within the hazelnut supply chain under a single organisation: from the cultivation of farms, the development of hazelnut cultivation strategies by farmers, agronomic research

and development, to sourcing, industrial transformation and the sale of products and semi-finished products containing hazelnuts.

As of 31st August 2016, over 4,000 workers¹ were collaborating within the Ferrero Hazelnut Company (HCo), distributed among six Ferrero farms (in Chile, Argentina, Georgia, South Africa, Australia and Serbia), eight processing plants (located in Italy, Chile and Turkey) and five Business units (Luxembourg, Italy, Turkey, France and the United Kingdom).

The Group's new role through the Ferrero Hazelnut Company led to a redefinition and a widening of its scope of action: while previously the Group acted only at a procurement level, today, thanks to the HCo, it has both acquired a considerable know how in processing the raw ingredient and become one of the world's major players in the hazelnut sector.

FERRERO FARMS DEVELOPMENT



1. This number includes Ferrero's external collaborators, such as temporary workers, trainee internships and other forms of direct collaboration, with the exception of service contracts.

MINIMISING ENVIRONMENTAL IMPACT

Since FY 2013/2014, with the launch of the **FER-Way** project, aimed at the correct management of environmental sustainability, the Group has been paying particular attention to the **measurement of the impact of its products' entire supply chains.**

The project is based on the Life Cycle Thinking (LCT) approach, which considers the different stages of a product's life and their main impacts on the environment, also evaluating those not under the direct control of the Group, and is articulated in 4 different areas.



Moreover Ferrero, through its FER-Way environmental responsibility project, supports and promotes the development of a **circular economy**, an economy planned to self-regenerate, which is replacing the traditional linear consumption model.

For this purpose, the Group started rethinking the management of some of its many resources, specifically food ingredients, energy and packaging materials, as "cycles" rather than as conventional linear supply chains.



FERRERO4FUTURE (FERRERO FOR FUTURE)

In the context of the FER-Way project, the **Ferrero4Future** Framework was created: four areas of action upon which the Ferrero Group is working to launch itself towards a more sustainable future.



1. EFFICIENT RESOURCE USE

Resources are a precious asset for Ferrero, and it's **important to use them responsibly**. Resources such as water, energy and packaging materials are available only in limited quantities. For such reason Ferrero is working to reduce their use along the production chain of its products.

2. EMISSIONS

The Group wants to grow as a business with low emissions, for this reason, in order to reduce its impact, it **measures and manages its Carbon Footprint**, aiming at technological innovation and collaboration and focusing not only on the impact of its business but also on the impact of the entire value chain.



3. WASTE MANAGEMENT



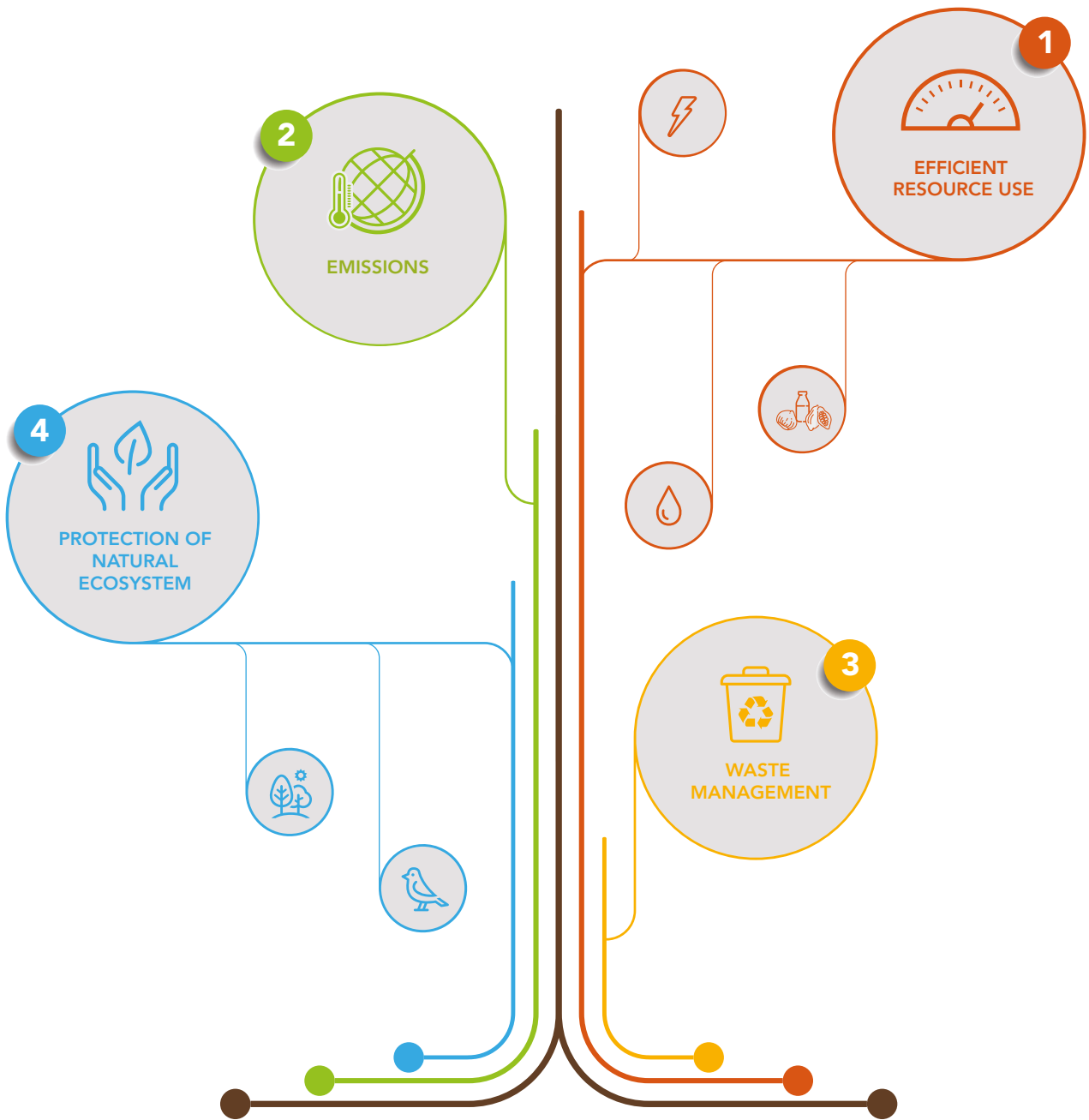
In line with the Group's policy for the **general reduction of waste and the better management of the production chain**, and in keeping with the views of the European Union in favour of increasing the quantity of recovered waste, the two main intervention areas of the Group's production plants on the issue of waste concern a reduction in waste production in absolute terms and the recovery index, equal to 95%.

4. PROTECTION OF NATURAL ECOSYSTEM

The business of the Ferrero Group, as part of the global ecosystem, can generate impacts through its direct activities or along the supply chain. It is very important, once the ecosystem elements involved are identified, to **actively conserve them**. In particular, for a food company like Ferrero, **biodiversity, deforestation and use of the soil are certainly key aspects**.



THE FERRERO4FUTURE FRAMEWORK



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