

CORPORATE SOCIAL RESPONSIBILITY  
REPORT 2008/2009

SHARING VALUES  
TO CREATE VALUE

**FERRERO**

## About this Corporate Social Responsibility Report

This report aims to illustrate the strategy of social responsibility and sustainability of the Ferrero Group and its related initiatives developed worldwide between 1 September 2008 and 31 August 2009. Other reports will follow annually. Starting from the objectives achieved and in view of those set for 2013/15, the issues dealt with in this first report were selected according to their level of importance for the Group, taking into account the opinions of the stakeholders with whom the fundamental principles of the Report were shared.

The report was edited by the CSR Coordination Office of the Ferrero Group (e-mail: [csr@ferrero.com](mailto:csr@ferrero.com), address: Chaussée de la Hulpe 187, 1170 Brussels), in conformity with the "Sustainability Reporting Guidelines" (G3) established in 2006 by the Global Reporting Initiative (GRI), supplemented with some parameters of the Food Processing Sector Supplement (draft dated 8.24.2009).

GRI application level (GRI/G3) of this report is C+.

Within the next two years, we aim to obtain a GRI application level of B+.

Independent auditing of this report was carried out by Deloitte, with particular attention to the company principles diffusion plan and the connected code of ethics (see chapter 1 and see pp. 98).

This report is also available on the Internet at: [www.ferrero.com](http://www.ferrero.com).







It all began 65 years ago in the little town of Alba in Piedmont.

There, the values and traditions of the Ferrero Group were formed; values that are still today at the very heart of a confectionery group which is one of the largest in the world, with a turnover of more than 6 billion euros and over 20,000 employees.

These values, more than statistics, are at the centre of Ferrero's social responsibility strategy: enduring values informing our relationships with consumers and the local communities, with our employees and their families, with commercial partners and institutions. It is these values which constitute the real legacy of our Group.

Our most important principle is our commitment to ensure the excellent quality of our products in order to respect and totally satisfy our consumers' needs: a goal achieved by applying each and every day our business philosophy, grounded in the values of social responsibility.

In order to ensure the long term sustainability of our production chain, we proudly continue to invest in product innovation, through our vigorous efforts in research and development. It has always been like this in Ferrero: our mission is to invent new and innovative products, rather than following marketing trends.

Left to right: Pietro, Michele, Maria Franca and Giovanni Ferrero

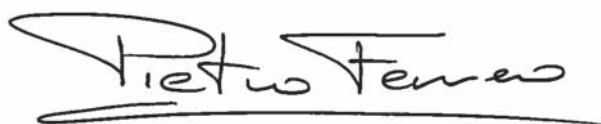
We are proud of the fact that the commitment to Ferrero entrepreneurial values goes hand in hand with our engagement of working for the benefit of the local communities and territories where we operate. This is accomplished worldwide, thanks to our employees constantly emulating Ferrero values in order to make them become concrete realities.

Respect for the environment, food safety issues, quality of life in countries where we operate and social issues have always been at the core of our activities.

One example of this approach is a special project, strongly supported by our father, Michele, called "Social Enterprise", aimed at improving the quality of life in some of the most depressed areas of the world. The first "Social Enterprises" have already been opened in India, South Africa and Cameroon. The aim is not only to create new employment and to help local people develop their skills; the aim is also to share part of the added value produced to support local projects on health and education, particularly for children.

Another example is the "Ferrero Foundation", whose numerous benevolent activities are guided by our mother, Maria Franca. This Foundation has a double purpose: firstly, it serves as a community resource for the company retirees – those who have worked continuously for the company for 25 years or more – offering them opportunities for social and cultural activities; and secondly, in close cooperation with the local communities, it aims at enriching the local artistic and cultural heritage by organising exhibitions, conferences, events, etc.

We wish to conclude with a special tribute to those who have most inspired our social responsibility principles: our mother, Maria Franca, and our father, Michele, who founded the Group and created the products you all know and, we hope, you all love.



**Pietro Ferrero**  
CEO Ferrero International



**Giovanni Ferrero**  
CEO Ferrero International

# INDEX

<b>About this Corporate Social Responsibility Report</b>	cover page
<b>Letter from the CEOs</b>	2
<b>Index</b>	4
<b>Introduction Discovering Ferrero</b>	7
The History of Ferrero	8
Ferrero around the World: Sweetness without Borders	10
Our Products	12
About us...	14
The Goals Reached...	16
... and Those To Be Reached by 2013/15	17
<b>Chapter 1 Vision, Principles and Structure of the Ferrero Group</b>	19
Company Values	20
Next Steps	22
The Corporate Governance of the Ferrero Group	23
<b>Chapter 2 Social Engagements and Relations with the Communities</b>	27
Piera, Pietro and Giovanni Ferrero Foundation	28
Social Activities of the Ferrero Foundation	29
The Cultural Activities of the Ferrero Foundation	30
Next Steps	31
<b>Chapter 3 Respect of Human Rights and Social Initiatives</b>	33
Ferrero's "Social Enterprises"	34
Work and Vocational Training	34
The Social Initiative - "United Kinder of the World"	35
Human Resources and Technology	35
Raw Materials and Products	36
The Launch of the "Social Enterprises" Programme	36
Next Steps	37
<b>Chapter 4 Human Resources at the Forefront</b>	39
Ferrero Staff at the Forefront	40
Industrial Relations	42
A Safe Working Environment	43
Training	45
Internal Communication	47
Next Steps	47
<b>Chapter 5 Nutritional Balance in a Healthy Lifestyle</b>	49
Ferrero Ingredients	50
The Importance of Breakfast	50
Participation in the European Platform	51
The Formulation of Products and the Right Portion Size	51

Food Awareness and Food Education	52
The Epode European Network (EEN)	52
Encouraging Physical Activity	53
Kinder + Sport	54
Let the Labels Speak	55
Responsible Advertising	56
Next Steps	57
<b>Chapter 6 The Taste of Quality</b>	<b>59</b>
Quality and Safety of the Production Process	60
Safety of Ingredients and the Production Process	60
Ferrero's Traceability System	61
Our Production Plants	62
Ingredients and University Research	63
Evaluating through Tasting	63
Next Steps	65
<b>Chapter 7 Excellence in Raw Materials: the Value of Responsible Choice</b>	<b>67</b>
Our Main Ingredients	68
From Cocoa Beans to Chocolate	68
Palm Oil	70
Sugar	71
Milk	71
Hazelnuts	72
Sustainability in the Supply of Raw Materials	73
Next Steps	73
<b>Chapter 8 The Value of Play, in Absolute Safety</b>	<b>75</b>
Ensuring the Safety of our Toys from the Design Phase	76
The MPG Code	77
Monitoring in Italy by the Italian Institute for Toy Safety	77
The Surprise Containers	78
Ethic and Environmental Issues	78
Next Steps	79
<b>Chapter 9 Naturally Ferrero</b>	<b>81</b>
Ferrero Engagement for Energy	82
Some Figures about the Respect for the Environment	87
An Integrated Supply Chain	88
The "5 R" Strategy for Our Packaging	89
Next Steps	91
GRI Indicators	92
Independent Auditing by Deloitte	98



CORPORATE SOCIAL RESPONSIBILITY



DISCOVERING  
FERRERO.

INTRODUCTION

# THE HISTORY OF FERRERO.

## Piedmont, Alba, 14<sup>th</sup> May 1946: the Ferrero Group is founded

By the end of that year, the number of employees were over 50. The pastry shop at via Rattazzi, in Alba, became too small, so the laboratories were moved to a bigger facility in Via Vivaro. That same year Pietro Ferrero invented the popular **Giandujot**.

## The 40's

Giovanni Ferrero organized the delivery and sale all around Italy of **Giandujot** which kept on growing. Pietro Ferrero invented a single portion of Pasta Gianduja, called **Cremino**, which became a great success. In March 1948 the factory production exceeded 300 tons. The factory continued to grow and took on more new workers.

**On 4<sup>th</sup> September 1948, a flood** isolated the factory, putting it in danger. The employees didn't abandon it. They all worked, with Pietro and Giovanni Ferrero, for 4 days and 4 nights. The factory was back to work at the end of the month.

Some months later, on 2<sup>nd</sup> March 1949, another sad event: Pietro Ferrero, the ingenious founder of the Group, died at 51. His brother, Giovanni, took the helm.

## The 50's: the Group's expansion within Italy

By 1950 Ferrero had developed its own, very efficient distribution network, opening several Ferrero depots throughout Italy and running a fleet of Ferrero delivery vans.

In 1954, Ferrero became a household name throughout Italy, incorporating the core values upon which the company became identified: the new Ferrero trademark, written in italics, in small letters, under the image of a crown, to pay homage to Alba, the "town of a hundred towers".

## 1956: The first factory abroad

Ferrero opened its first plant in Stadtallendorf, Germany. Work started with just one product, **Cremalba**, which proved to be a success in the German market. It was followed by **Mon Chéri**, which also had an extraordinary success.

## 1957: Michele Ferrero takes the lead

Giovanni Ferrero died in 1957. Michele Ferrero took the helm, renewing quickly the production plants, in order to boost production through increasingly sophisticated and efficient technologies and machinery.





## The 60's: The company expands throughout Europe

Ferrero France was opened in 1960, soon followed by Ferrero Belgium.

Within a few years, and thanks to an appropriate commercial network, Ferrero expanded throughout Europe to the Netherlands, Luxembourg, the UK, Austria, Denmark, Sweden and Switzerland. In 1964, new offices for Ferrero Italy were inaugurated in Pino Torinese.

**In 1964:** Michele Ferrero creates **Nutella**.

**In 1968,** Michele Ferrero launches **Kinder Chocolate**, a brand which will open the way to a series of products especially made for children: the "Kinder Division".

## The 70's and 80's

Ferrero USA was opened in 1969. In the following years, new Ferrero companies and factories were opened in Canada, Latin America, South East Asia and Australia. By the 1980's Ferrero was strategically placed in all five continents.

**1985:** in Southern Italy **two new plants** were opened to help people living in the areas devastated by the earthquake in Irpinia in 1980.

## The 90's

The 1990's saw the start of the development of the Eastern Europe markets. Ferrero companies started operating in Poland, Hungary and the Czech Republic, along with a new plant opening in Belsk, Poland.

**1994: a terrible flood.**

**In November**, a terrible flood, that killed many people in Piedmont, also damaged Alba's plant.

Due to the serious damage, production activity was interrupted but, as in 1948, the employees (included those whose houses were partially destroyed) decided to work with the Ferrero family, to rebuild "their" plant.

**In 1997**, the third generation took over the leadership of the company: Michele Ferrero's sons **Pietro and Giovanni**, after their long experience in the company, became **Chief Executive Officers** of Ferrero International, the Group's Holding, with 17 manufacturing plants for a total of 16,000 employees.

## The 2000's

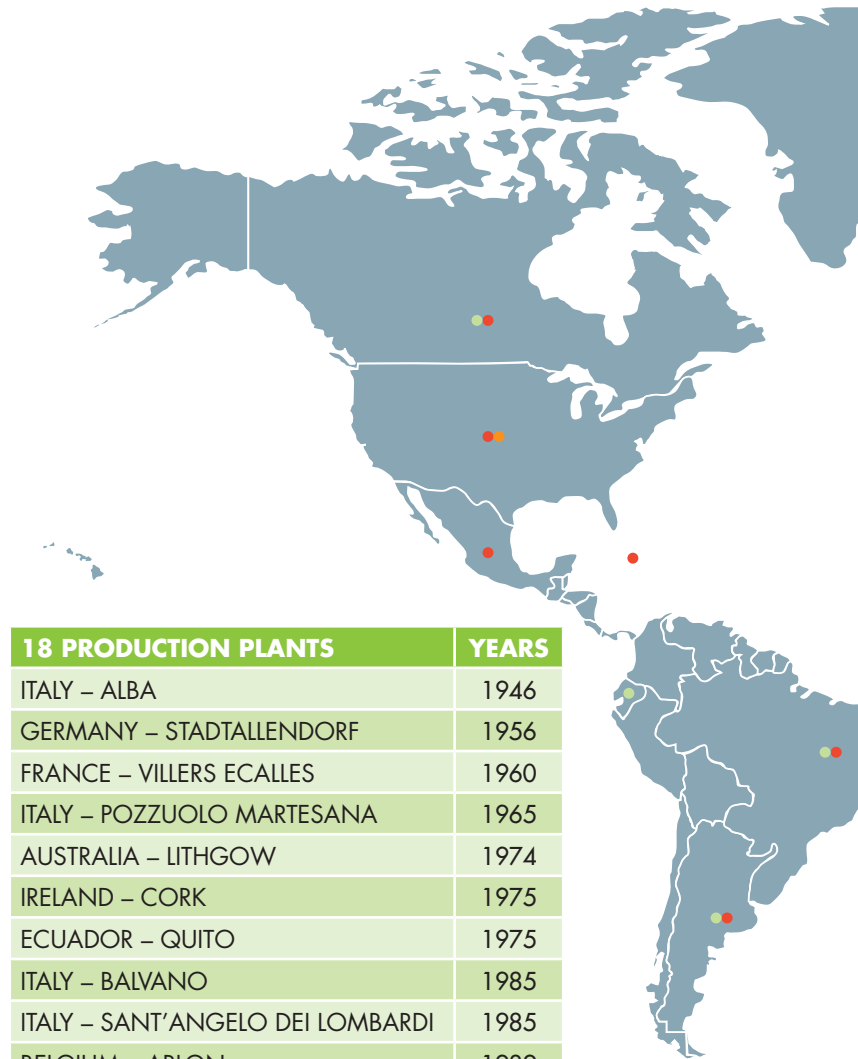
The start of the third millennium saw the strengthening of Ferrero's international approach. In 2004, **Nutella's** 40<sup>th</sup> anniversary and **Kinder Surprise's** 30<sup>th</sup> anniversary were celebrated.

**In 2006:** **Gran Soleil**, a brand new product was launched and the new plant in Branford, Canada, was opened.

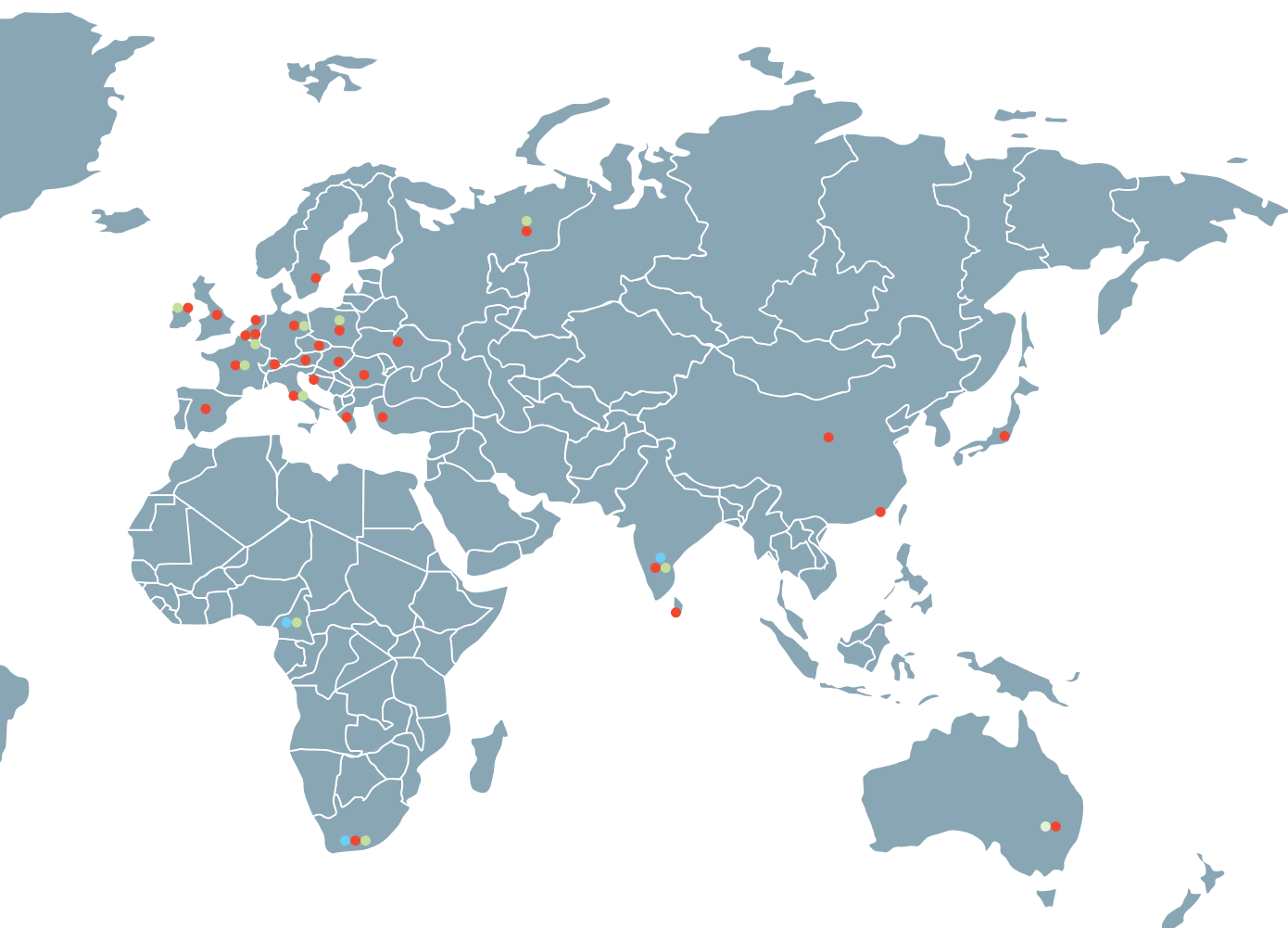
**In 2009, our history continues...** with more than 20,000 employees and with a turnover of more than 6 billion Euros. The Ferrero family continues to spread its enthusiasm within the Group, emphasizing the values of innovation and quality which ensured its success.

## FERRERO AROUND THE WORLD: SWEETNESS WITHOUT BORDERS.

34 Business Units	YEARS
GERMANY	1956
BELGIUM	1958
FRANCE	1960
ITALY	1964
UNITED KINGDOM	1966
SWITZERLAND	1966
SWEDEN	1968
AUSTRIA	1971
IRELAND	1975
THE NETHERLANDS	1980
SPAIN	1988
POLAND	1992
LUXEMBOURG	1993
HUNGARY	1994
CZECH REPUBLIC	1994
RUSSIA	1997
UKRAINE	2003
CROATIA	2003
GREECE	2005
ROMANIA	2006
UNITED STATES	1969
CANADA	1974
AUSTRALIA	1974
PUERTO RICO	1975
HONG KONG	1976
JAPAN	1978
ARGENTINA	1992
MEXICO	1992
BRAZIL	1994
SRI LANKA	2004
INDIA	2004
SOUTH AFRICA	2004
TURKEY	2005
CHINA	2006



18 PRODUCTION PLANTS	YEARS
ITALY – ALBA	1946
GERMANY – STADTALLENDORF	1956
FRANCE – VILLERS ECALLES	1960
ITALY – POZZUOLO MARTESANA	1965
AUSTRALIA – LITHGOW	1974
IRELAND – CORK	1975
ECUADOR – QUITO	1975
ITALY – BALVANO	1985
ITALY – SANT’ANGELO DEI LOMBARDI	1985
BELGIUM – ARLON	1989
POLAND – BELSK	1992
ARGENTINA – LA PASTORA	1992
BRAZIL – POCOS DE CALDAS	1994
CANADA – BRANTFORD	2006
CAMEROON - YAOUNDÉ	2006
INDIA - BARAMATI	2007
SOUTH AFRICA - JOHANNESBURG	2007
RUSSIA - VLADIMIR*	2009



REPACKAGING CENTRE	YEARS
UNITED STATES - Somerset	1969

SOCIAL ENTERPRISES	YEARS
CAMEROON - YAOUNDÉ	2004
SOUTH AFRICA - GAUTEN - JOHANNESBURG	2005
INDIA - BARAMATI (PUNE)	2007

\* In 2008 the new production plant in Russia (Vladimir) has been completed and opened. It has been operating since 2009

FRESHNESS AND INNOVATION  
HAVE ALWAYS BEEN THE KEYS  
OF OUR SUCCESS.



\* The years refer to the launch of the products on the Italian market

## AND MANY OTHERS...

### CREAMS

NUTELLA&GO!, NUTELLA SNACK & DRINK.

### SNACKS

HANUTA, KINDER BUENO WHITE, KINDER COUNTRY, KINDER MAXI, TRONKY, YOGURETTE.

### BAKERY PRODUCTS

BRIOSS, FIESTA, KINDER BRIOSS, KINDER COLAZIONE PIÙ, KINDER PAN E CIOC, YOGO BRIOSS.

### CHILLY

KINDER CHOCO FRESH, KINDER MAXI KING, KINDER PINGUÌ.

### EGGS

KINDER MAXI SURPRISE, KINDER SOFTY, NOGGY, SCHOKO-BONS.

### PRALINES

FERRERO KÜSSCHEN, FERRERO OPERA, GIOTTO.

### SOME FIGURES ABOUT OUR PRODUCTION...

FERRERO GROUP		
TOTAL PRODUCTS	2007-2008	2008-2009
quintals by product	9,782,500	9,817,700

FERRERO INTERNATIONAL		
NET TURNOVER	2007-2008	2008-2009
€/000	6,214,058	6,345,036

## ABOUT US...

### BEST REPUTATION AND RELIABILITY AWARD

The Reputation Institute in New York awarded Ferrero the first place as the company with the best overall reputation with the consumer public.  
2009

### CSR Initiative for Peace and Sport of the year Award

The non-governmental organization "Peace and Sport" ([www.peace-sport.org](http://www.peace-sport.org)) nominated Kinder + Sport as one of the three best CSR projects.  
2009

### Coolbrands Award for Leadership

The Tribute Event Coolbrands, which chooses the "coolest" brands in the Italian market, selected three Ferrero products: Estathé as leading tea drink, Ferrero Rocher as the most offered praline in the world, and Nutella as the most unique and inimitable spread.  
2009





## Goldener Zuckerhut

Ferrero Germany was awarded a special recognition ("Goldener Zuckerhut") for the second time, for being the industrial food company that most influenced the sector and contributed towards its long-term development.  
2009

## Brands Award for Gran Soleil

A jury of 20 experts from different disciplines awarded the first prize to Ferrero for its Gran Soleil, specifically "for having been able to create and maintain an innovative mix of excellence, with new Production technologies and a winning positioning in terms of taste and service."  
2007, 2008

## European Foundation for the Improvement of Living and Working Conditions

This Foundation conducted a study across different countries, sectors and companies, including Ferrero amongst the top companies implementing best practices with respect to employee relationships, while employed as well as after retirement.  
2006



\* Images are taken from Ferrero archive

## THE GOALS REACHED...

### **The Ferrero Company was officially founded in 1946**

In 1956 the first factory was built abroad.

In 2008, the Group had grown to become one of the largest confectionery company in the world; a result achieved by an ongoing focus on product quality, innovation, care for people, and respect for the environment.

### **2009, Reputation Award**

Ferrero received the most prestigious international award for company reputation, amongst 600 other global companies, being judged by consumers in 32 countries to be the most trusted company.

### **18 manufacturing plants and always new products**

Ten in Europe and eight in: Australia, Ecuador, Argentina, Brazil, Canada, Cameroon, India, and South Africa.

### **Over 20,000 employees**

The number of our human resources is growing every year worldwide.

### **Healthy lifestyles**

Our products are made in the right portions to be easily integrated into a balanced diet, while we also promote physical activity and exercise.

### **Respect for the environment**

Plant management meets energy-efficient and natural resource guidelines and aims to reduce environmental impacts.

### **Practical answers to the needs of people**

In 2009 Ferrero opened a daycare centre for up to 60 children of Ferrero employees, as well as local residents from Alba.

## ...AND THOSE TO BE REACHED BY 2013/2015

### For the people in Ferrero and the communities where we operate

Complete the internal plan of diffusion of the company values	(see Chapters 1 and 4)
Enhance the activities of the "Social Enterprises" and of the "Ferrero Foundation"	(see Chapters 3 and 2)

### For the full respect of the environment

Increasingly engaged on the environmental front we aim to:

Develop self-production energy capacity to cover the needs of all our manufacturing plants in Europe	(see Chapter 9)
Reduce CO <sub>2</sub> emissions from our production sites by at least 15% compared to 2007	(see Chapter 9)

### For the ethical sourcing of our raw materials

The quality and ethics of our raw materials are our selection criteria: our main aim is to source certified sustainable palm oil covering 100% of our supply needs by 2015	(see Chapter 7)
--	-----------------

### To promote a healthy lifestyle

Continue to support and expand "Kinder + Sport": our project designed to promote a healthy lifestyle through the spread of sports as an everyday practice, especially among children	(see Chapter 5)
--	-----------------

### For a responsible communication

We will, therefore, implement a global self-regulation policy concerning advertising directed to children by January 2012	(see Chapter 5)
---	-----------------



CORPORATE SOCIAL RESPONSIBILITY

THE RIGHT VALUES  
TO GO FORWARD.

## CHAPTER 1

VISION,  
PRINCIPLES AND  
GOVERNANCE  
OF THE FERRERO  
GROUP

## Passion for Excellence and Reliability.

Since the Group creation by Pietro Ferrero, in 1946, our mission has been the passion for excellence and reliability of our products. Pietro's son, Michele, has spread this mission at first in Europe and then, expanding the Group, in the rest of the world.

With these solid foundations, the Group has grown, thanks to the efforts of our staff who constantly pursue new business goals, without losing sight of the company's fundamental values.

This first Corporate Social Responsibility Report aims at confirming the Group's ethical vision, clearly expressing and diffusing our company principles in a transparent and coherent way. Such principles were originally put together and shared internally in 2004. They were then updated in 2009, in the form indicated below. They guide the conduct of all Ferrero employees in their everyday relations with consumers, communities, institutions and trading partners.

### IN THE WORDS OF MICHELE FERRERO:

"Ferrero has at its core a wealth of resources enabling the Group to overcome difficulties, while maintaining the path towards solid growth for the future. These resources come from the **power of its products and from the sense of belonging shared by all its employees.** (...) So, be confident, continue to give your best with the **loyalty, professionalism and dedication that have always characterized your work: unmistakable values that helped us to be successful in the past and will be a key element to go forward in the future.**"

(MICHELE FERRERO - new year message to the staff, December 2008)

## Company Values.

Ferrero is based on a family history, founded on the principles and values that we all share.

Here they are:

### LOYALTY AND TRUST

- Our constant attention towards consumers' needs is the foundation of our company policy, inspired by maximum transparency and excellence in quality. Our loyalty towards consumers and the trust they put in our products with their everyday purchases are at the core of the long-lasting relation that we enjoy with them.
- Our company practices are based on mutual trust between colleagues, full dedication and transparency towards the Group, as well as towards our stakeholders with whom we interact daily.

## RESPECT AND RESPONSIBILITY

- We support the protection of human dignity, as well as the absolute and unconditional respect of human rights, wherever the Ferrero Group companies operate.
- We support the abolition of the exploitation of child labour and of forced and coercive labour, within our sphere of influence and along the entire production chain, through specific legal means and close relations with local communities.
- Based on our respect of the principle of equality of treatment, we promote the professional and personal development of our human resources. This also contributes to reinforcing our strong ties with the local communities in the territories where we operate.
- We work to avoid any form of discrimination in our employment practices in all the companies of our Group, starting from the initial moment of hiring. The primary goal of our employment strategy is to establish long-lasting relations, inspired by the principles of professional growth and recognition of merit.
- We guarantee the freedom for our employees to belong to Trade Unions and we recognize the role of Unions in contractual matters.
- The protection of human health and the respect for the environment are at the core of our operational practices. We manage our facilities through the use of sustainable resources, such as water, energy, raw and other materials, including the use of renewable resources. We strive for a reduction of our environmental impact in all its forms, in particular by reducing emissions, eliminating wastes and correctly managing waste products.

## INTEGRITY AND SOBRIETY

- Our communications with consumers, including advertising, respect the values of human dignity, family and children, in line with our moral and ethical principles. They are based on proper use of our products and inspired by the promotion of a healthy lifestyle.
- Our advocacy practices towards International, national and local institutions are based on solid scientific knowledge and always inspired by intellectual and behavioral integrity, as well as transparency.

## PASSION FOR RESEARCH AND INNOVATION

- Our goal is to create unique products, developing innovative research and production processes and using our own technologies.
- We apply consolidated quality and traceability procedures, in order to preserve the organoleptic and nutritional characteristics of our raw materials.
- A fundamental element of our success is the accurate selection of highest quality raw materials, sourced in full respect of a strict ethical code concerning their origin, harvesting and manufacturing.
- In a global context of growing attention to themes such as nutrition and physical activity, we focus our research strategy and our production investments on the creation of high quality products, carefully developed in terms of their nutritional value and portioning, so that they can be integrated into a balanced diet, with particular attention to the needs of children and families.

WE IDENTIFY OURSELVES WITH THE MOTTO: **“WORK, CREATE, DONATE”**, CONCEIVED AND INTRODUCED BY MICHELE FERRERO. IN ESSENCE, WE FAVOUR THE “ETHICS OF DOING” OVER THE “PRACTICE OF APPEARING”.

This same philosophy has inspired, and still inspires:

- **the Ferrero Foundation**, devoted to maintaining the Group’s relations with its retirees through social and cultural programmes, as well as to strengthening ties with the local communities in which we operate;
- **the “Ferrero Social Enterprises”**, based on investments and use of the deriving resources to improve the living conditions of the communities of developing countries, with particular attention to children;
- **the whole Ferrero Group**, constantly engaged in social responsibility activities, as an integral part of our own way of being and of operating, since the very beginning.

Our company principles are in accordance with the relevant Conventions of the United Nations (in particular with the “Global Compact” and “Rights of the Child Conventions”), including the relevant Conventions of the International Labour and World Health Organisations.

These company principles are the basis of our **code of ethics, available on our website: [www.ferrero.com](http://www.ferrero.com)**

To report issues related to corporate social responsibility, we have enabled the following electronic mailbox, which can be used both from the inside, as well from the outside the company: [csr@ferrero.com](mailto:csr@ferrero.com).

The following chapters will show how our business strategy is informed by the Group’s principles, including through appropriate governance structures for CSR as described below.

## Next Steps

WE ARE CURRENTLY WORKING TO UPDATE OUR TOOLS AND INTERNAL PROCEDURES AIMED AT ALLOWING INTERNAL REPORTING ON VIOLATIONS OF OUR CODE OF ETHICS.

WE HAVE DEVELOPED A PLAN FOR SHARING THE NEW COMPANY PRINCIPLES AND CODE OF ETHICS WITH ALL OUR EMPLOYEES AND OUR MAIN EXTERNAL PARTNERS, TO BE CARRIED OUT BY 1<sup>ST</sup> SEMESTER 2010. EXTERNAL CERTIFICATION OF SUCH PLAN IS CARRIED OUT BY DELOITTE (SEE PAG. 98).



## The Corporate Governance of the Ferrero Group.

From 1946, the Group's governance has evolved over time, accompanying its global expansion characterized by: **the continuity of a family-owned business and the expansion into new markets, also through the creation of new production plants and the constant product innovation.**

At 31 August 2009, the Group is composed of about 70 companies under Ferrero International, a holding based in Luxembourg (Findel Business Centre, Route de Trèves L-2632), and established as a "société anonyme" under Luxembourg law. Ferrero International adopts a traditional model of corporate governance, in which the **Shareholders' meeting** and **Board of Directors (Board)** play a central role. The Chairman of the Board does not have an executive role. The Board also includes members not belonging to Ferrero family, among whom the Vice - President.

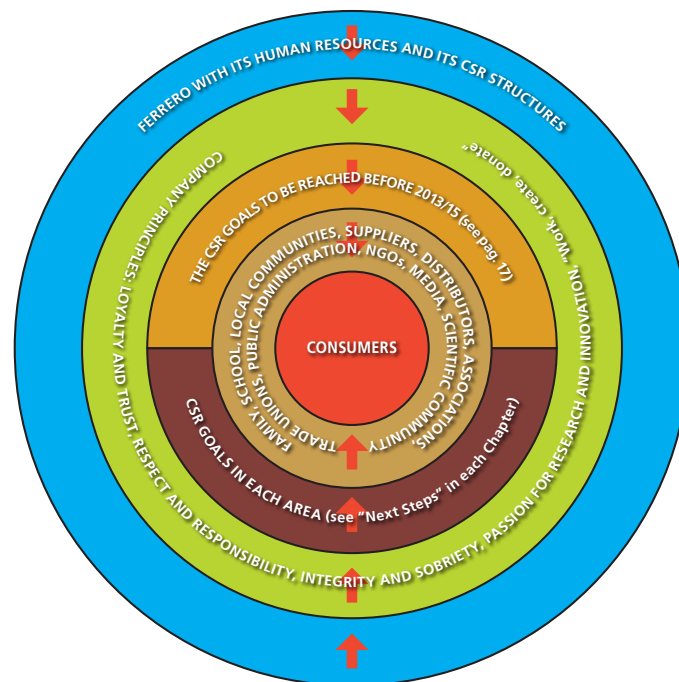
The **Board** avails itself of the work carried out by the management committees. Moreover, the Board has established a network of audit committees, active at Group level as at local level by main controlled companies, made up of a majority of external highly qualified professionals.

The above mentioned audit committees have an advisory and a recommendation role towards the Board on the internal controls' system. Thanks to the support of the audit committees, the Board defines the guidelines to strengthen the effectiveness of internal control system, also on the basis of constant reference to international best-practices.

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

The **Careers and Remuneration Committee** determines the general remuneration policy of the top managers of the Ferrero Group, as well as their career plans. In addition, this committee makes proposals and recommendations concerning the relationships with employees and it develops proposals to appoint the top managers of the Group's companies.

The definition and management of the **Group's Corporate Social Responsibility policy** is entrusted to two specific committees, coordinated by the Vice-President: **the CSR Steering Committee and the CSR Operational Team.**



The CSR Steering Committee is composed of directors and senior managers and is responsible for setting the course and the guidelines of the Group's CSR policy and activities, while the CSR Operational Team has the primary task of managing and implementing such policy and actions, in cooperation with the CSR Teams established at local level. The CSR Coordination Office is based in Brussels (e-mail: [csr@ferrero.com](mailto:csr@ferrero.com)).

Through the above CSR Committees, **the most relevant social responsibility topics for the Group were examined and selected**, on the basis of the company principles and values, and with the involvement of our main stakeholders. This process has enabled us to further refine our perception of the internal and external relevance and understanding of the external impact of CSR topics concerned. This work is, of course, still in progress and it will continue, particularly by extending our "hearing initiatives" with selected categories of external stakeholders. We are particularly proud to point out that all our internal reflections confirmed a constant factor: **consumer trust** constitutes our ultimate goal and the guiding principle of all the actions undertaken by the Group. Another priority that emerged was the **centrality of human resources management** within the Group. Our main external stakeholders emerged to be: families, schools, local communities where we operate, our network of suppliers and distributors, associations, trade unions, public administrations, NGOs, media and the scientific community.

#### MAIN ASSOCIATIONS WHERE FERRERO IS ACTIVE AT INTERNATIONAL AND EUROPEAN LEVEL

**AEF** - Advertising Education Forum, not-for-profit organization providing information on the regulation of advertising at international level, with particular attention to children ([www.aeforum.org](http://www.aeforum.org)).

**AIM** - European Brands Association, bringing together the main EU Brand Industries ([www.aim.be](http://www.aim.be)).

**CAOBISCO** - European Association of Chocolate, Biscuit & Confectionery Industries, representing around 2000 chocolate, confectionery and biscuit companies in the EU ([www.caobisco.com](http://www.caobisco.com)).

**CIAA** - European Federation of Food & Drink Industries, representing and promoting the interests of the food & beverages companies in the EU ([www.ciaa.be](http://www.ciaa.be)).

**EUFIC** - European Food Information Council, not-for-profit organization supported by food & beverage companies and by the European Commission, providing information and conducting research on food safety and quality ([www.eufic.org](http://www.eufic.org)).

**IFBA** - International Food & Beverage Alliance, composed by the leading food and beverage global companies sharing the common the goal of promoting a balanced diet and healthy lifestyles for consumers ([www.ifballiance.org](http://www.ifballiance.org)).

**TIE** - Toy Industries Europe, association representing the interests of toy manufacturers in the European Union ([www.tietoy.org](http://www.tietoy.org)).

**WFA** - World Federation of Advertisers, global organization representing national advertising associations and advertising companies ([www.wfanet.org](http://www.wfanet.org)).

The list of associations to which Ferrero participates at national level, is available through each local Ferrero website.

Regarding the organization of the production chain, the Ferrero Group manages directly all core processes, including:

- product research and development, production processes and techniques;
- design of equipment and machinery of strategic importance (around 50%);
- production and processing activities.

In addition, specific “vertical integration” initiatives are currently under way, such as, in particular:

- the development of an agricultural production chain of hazelnuts, with the aim of meeting at least part of the demand with our own plantations (see Chapter 7);
- the development of energy production and commercialization activities aimed at covering at least part of the needs of the Group’s facilities by investing in high efficiency plants and renewable energy (see Chapter 9).

The following activities are managed through outsourcing:

- special packaging for promotions, for about 25-30% of the Group’s production volumes;
- some commercial and/or distribution activities concerning specific products in certain countries, for a share of about 10-15%;
- some administrative and accounting services.





CORPORATE SOCIAL RESPONSIBILITY

PICTURE:  
Ferrero retired employees.  
Picture by Bruno Murialdo

WORK, CREATE, DONATE.

## CHAPTER 2

SOCIAL  
ENGAGEMENTS  
AND RELATIONS  
WITH THE  
COMMUNITIES



## Piera, Pietro and Giovanni Ferrero Foundation: A FOUNDATION FOR MAN AND CULTURE.

Ferrero has earned the trust of consumers around the world with unparalleled products while building, at the same time, an internal context based on principles and values handed down from generation to generation. It has managed to blend an entrepreneurial spirit with a strong sense of cohesion, by creating genuine, deep bonds between members of the Ferrero family and the entire staff.

In this spirit, in 1983 the Ferrero family set up an entity called “Opera Sociale”, originally intended to welcome the retired employees of the Group, so to continue their sense of belonging.

In 1991, the “Opera Sociale” evolved into the the Ferrero Foundation thanks to “Cavaliere del Lavoro” Michele Ferrero, who named it after his parents and his uncle, founders of the Ferrero confectionery industry.

“I WISH THAT THE PEOPLE, WHO HAVE HELPED ME DEVELOPING INNOVATIVE PRODUCTS FOR CONSUMERS, TO BE ABLE TO ENJOY A PHYSICAL SPACE AND FINANCIAL AND HUMAN RESOURCES TO CONTINUE LEARNING NEW THINGS, THE FRUITS OF WHICH ARE DONATED THE COMMUNITY.”

With these words, Michele Ferrero gave birth to the concept that still guides the activities of the Ferrero Foundation: Working to create new things, to give to others.

Since then, “**Work, Create, Donate**” are the guiding values of the Ferrero Foundation, as well as of the entire Group. The aim of this expression is to highlight the sense of origin: to honour work, to cultivate creativity and ideas and encourage a humanitarian mission. The Foundation, **headed by its indefatigable President, Mrs. Maria Franca Ferrero**, has gradually expanded its horizons to become today a reference centre in the fields of social, philanthropic, cultural and artistic issues, extending its influence from Piedmont throughout Italy, and even beyond national borders. In accordance with the ethical principles of the Ferrero family, the Foundation constitutes a model for the rest of the Group. Based on the Italian experience, Ferrero France and Ferrero Germany are already undertaking similar initiatives for their retired employees and children.

The social engagement of the Ferrero Foundation was officially recognized on 14<sup>th</sup> December 2005, when Mrs. Maria Franca Ferrero was awarded a Gold Medal by the Italian President of the Republic, Carlo Azeglio Ciampi, to honour the merits in the fields of school, culture, science and art. This medal was intended to reward twenty years of cultural and social activities carried out by the Foundation.

The Ferrero Foundation has two main branches of activity: social initiatives and cultural initiatives.

## Social Activities of the Ferrero Foundation.

The Foundation's mission revolves around Ferrero's retired employees, with their heritage of experience, wisdom, values and humanity. The Foundation offers them the opportunity to continue along a path of personal growth, during their retirement years, by promoting the use of its structures and resources.

The opportunities given by the Foundation to the retirees in the areas of physical activity, culture and personal relations deliver results directly contributing to the growth of the individuals and of their the local communities. The Foundations offers many opportunities to be active in the health, medical, social and cultural fields, allowing retirees to continue to develop their capabilities, for themselves as well a for others.

There are dozens of activity groups, such as laboratories for tailoring, ceramics, photography, painting, embroidery, etc. In one of these groups, grandchildren teach their grandparents the secrets of the internet!

The retirees also provide support and cooperation to the cultural projects of the Foundation, which have increased over the years, such as helping to put together the different exhibitions and managing the bookshop.

Between 2003 and 2004, a great effort was devoted to train volunteers for patients and elderly people. In this spirit, the Foundation also helped building a new surgery room in the National Cancer Institute of the G. Pascale Foundation in Naples.

Those who attend the Foundation, in addition to practicing regular physical activity aimed at preventing diseases, also benefit of high level health assistance.

A collaboration network has been established between the Foundation and several medical specialized centres, such as: the Foundation for Macular Degeneration in Genoa, the Institute for Research and Treatment of Cancer of Candiolo, the European Institute of Oncology in Milan, the National Institute for the Study and Treatment of Cancers in Naples.

A partnership has also been established with the "Child Movement" Foundation managed by Professor Maria Rita Parsi, thanks to which a specific code of conduct (called "the Alba Charter") has been developed in order to promote a responsible use of new media by children.

Another new reality, developed thanks to the Foundation, is the **Company Nursery**, operational since the Autumn 2009. It accommodates sixty children, aged between three months and three years. Most of them are children of Ferrero employees, but the Nursery is also open to other families belonging to the municipality of Alba.

The nursery's layout, at the forefront of architectural design, is deeply connected to its specific pedagogical project: the different areas, in fact, are designed in order to create a continuous laboratory, where children can experiment different relations and "challenges" (see Chapter 4).

## The Cultural Activities of the Ferrero Foundation.

The cultural commitment of the Ferrero Foundation is developed through the creation and implementation of different projects - from arts to science - including the organization of conventions, conferences, exhibitions, concerts and seminars.

Some of the cultural events organized by the Foundation have brought personalities of great importance for the history of Alba and Piedmont to the attention of the public. The Foundation works in partnership with International entities and Universities, nationally as well as regionally.

The Piedmont Region has always been a key partner for the cultural initiatives of the Foundation. Since 2008, thanks to the exhibition "Chocolate, from Maya to the twentieth century", this link has become even stronger.

Since 1996, the Foundation has hosted public personalities such as the Iranian 2003 Nobel Peace Prize winner Shirin Ebadi; Monsignor Gianfranco Ravasi; sociologist Luciano Gallino; writer Vincenzo Cerami; founder of "Slow Food", Carlo Petrini; sociologist and secretary general of Censis, Giuseppe De Rita; Rector Major of the Salesians, Pascual Chávez Villanueva; Ferrari Formula 1 team members Jean Todt and Rubens Barrichello; French philosopher Edgar Morin; entrepreneur Marina Salamon; journalists Mario Calabresi, Giorgio Forattini, Piero Angela, Folco Quilici and Gian Paolo Ormezzano; art critic Philippe Daverio; climatologist Luca Mercalli; philosopher Umberto Galimberti and many others.

In the field of art history the Foundation activities range from the fifteenth century to modern times. The Renaissance painter Macrino d'Alba and other painters working in the local area, have been the subject of extensive exhibitions and published work. The Foundation has dedicated much of its attention to a number of leading figures from Alba's cultural heritage. Among them are Roberto Longhi, internationally renowned art historian; Beppe Fenoglio, one of Italy's greatest twentieth century writers; and Pinot Gallizio, an eclectic experimentalist and one of the founders of the "Situationist International" movement. The Foundation hosts the Beppe Fenoglio Archive which, for over a decade, has concentrated its efforts on collecting bio-bibliographical material about this author. A Pertinace è stata dedicata una giornata di studi e, nella piazza già dedicata all'imperatore romano, è stato collocato un busto in bronzo che lo raffigura, replica dell'originale conservato ai Musei Vaticani.

Historic studies and research have also focused on the ancient Roman Emperor Publius Helvius Pertinax, who was born in Alba and lived in the second century AD. A one day seminar was specifically devoted to Pertinax, while a replica of a bronze bust of the Emperor was placed in the Alba square named after him. The original is kept at the Vatican Museums.

Another initiative was dedicated to sixteenth-century jurist Pietrino Belli, the forefather of international and humanitarian law, who wrote the "De Re Militari et Bello Tractatus" in 1563. Thanks to the Foundation, the book was translated into Italian and French; the two versions were publicly presented, respectively, at the Accademia dei Lincei in Rome and at the European Parliament in Brussels.



Ferrero Foundation, Alba, Piedmont. Picture of Alberto Piovano



The Foundation also gives scholarships and research grants to institutions and individuals, in order to help them improve the quality of life, especially for children. Recently, such awards were given to children of employees of the Group: 25 scholarships in Italy, 5 in France and 5 in Germany.

In cooperation with the Foundation, the University of Turin set up a [secondary level post-graduate Master of Science and Technology in Food and Human Nutrition](#), entitled to Michele Ferrero. Its purpose is to train specialists with scientific knowledge in technology, medicinal biology and chemistry, in order to facilitate their access to food industrial sector, with a wider and more complete approach to new and reformulated food products.

Each year the Foundation hosts the *"Alba International Film Festival - Cinema and the search for the spirit"*, an event dedicated to films aimed at exploring the different dimensions of human spirituality.

The Foundation supports musical initiatives with *"Italy & USA - Alba Music Festival"*, as well as with the *"Unione Musicale"* in Turin, and the *"Stefano Tempia"* Academy.

More detailed information on the activities carried out by the Ferrero Foundation is available on line at: [www.fondazioneferrero.it](http://www.fondazioneferrero.it).

## Next Steps

WITH THE AIM OF FURTHER DEVELOPING ITS FOCUS ON ELDERLY PEOPLE, THE FERRERO FOUNDATION ACTIVITIES ARE DESIGNED AROUND THE NEW NEEDS OF THE ELDERLY, IN A CONSTANTLY EVOLVING SOCIAL CONTEST.

WE WILL CONTINUE TO IDENTIFY HIGHLY SIGNIFICANT TOPICS FOR LOCAL COMMUNITIES, BUT ALSO AT NATIONAL LEVEL, THROUGH INITIATIVES DIRECTLY CARRIED OUT BY THE FOUNDATION, AS WELL AS BY SUPPORTING THE WORK OF OTHER INSTITUTIONS (E.G.: RESEARCH DOCTORATES, MEDICO-SCIENTIFIC RESEARCHES, SCHOLARSHIPS, MASTERS, ETC.).

MORE IN DETAILS, THE CULTURAL PROJECTS OF THE FOUNDATION WILL REACH A MORE NATIONAL DIMENSION AND VALUE, AIMING TO BECOME IMPORTANT POINTS OF REFERENCE FOR FURTHER ANALYSIS AND STUDIES.

**IN SEPTEMBER 2008, AN "OPERA SOCIALE" WAS ESTABLISHED IN GERMANY, WHERE THE CULTURAL AND SOCIAL ACTIVITIES FOR FERRERO'S RETIRED EMPLOYEES ARE GROWING (E.G.: CULTURAL EVENTS AND EXHIBITIONS, NUMEROUS INITIATIVES OF SOLIDARITY AND VOLUNTARY SERVICE, PROMOTION OF PHYSICAL ACTIVITY).**

**WE FORESEE THAT IN 2010 MORE THAN 350 PEOPLE WILL BENEFIT FROM THESE ACTIVITIES OF THE GERMAN "OPERA SOCIALE".**



SUPPORTING PEOPLE  
TO BUILD A BETTER WORLD.

## CHAPTER 3

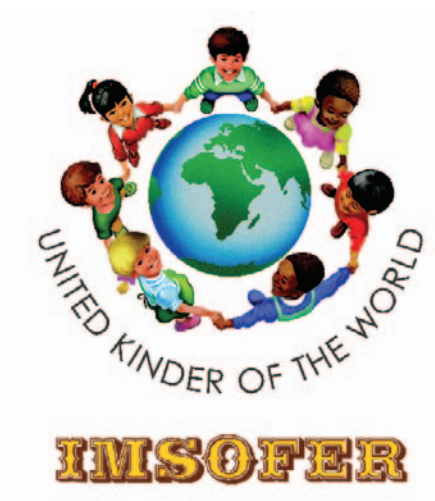
RESPECT OF  
HUMAN RIGHTS  
AND SOCIAL  
INITIATIVES

## Ferrero's "Social Enterprises".

Ferrero's "Social Enterprises" aim at deepening the company's commitment to enhancing the living conditions and the development of the populations in some among the poorest areas of the world. Ethical principles and an entrepreneurial vision constitute the basis from which these "Social Enterprises" derive their financial resources to continue increasing their work.

The mission of the "Social Enterprises" includes three closely connected guiding principles:

- **TO CREATE JOBS**, BY TRAINING AND TEACHING PEOPLE A TRADE, IN ORDER TO CREATE THE NECESSARY CONDITIONS FOR GENUINE SUSTAINABLE DEVELOPMENT;
- **TO PRODUCE FERRERO PRODUCTS**, BEARING IN MIND THE CLIMATIC CONDITIONS AND THE NEEDS OF LOCAL POPULATIONS;
- TO SUPPORT LOCAL INITIATIVES AIMED AT PROTECTING THE HEALTH AND THE EDUCATIONAL AND SOCIAL GROWTH OF CHILDREN AND YOUNG PEOPLE, THROUGH **ECONOMIC RESOURCES COMMENSURATED WITH THE VOLUMES PRODUCED LOCALLY.**



## Work and Vocational Training.

Besides providing workers with an opportunity to earn an income that allows them to support themselves and their families, the "Social Enterprises" also:

- PROVIDE WORKERS WITH A RENEWED SENSE OF DIGNITY AND, ABOVE ALL, MAKE THEM AWARE THAT THEY ARE PROTAGONIST OF THEIR OWN FATE;
- PROVIDE TECHNICAL AND PROFESSIONAL TRAINING;
- CONTRIBUTE TO THE GENERAL WORK CULTURE, BY SERVING AS A SOURCE OF PROGRESS AND CIVIL DEVELOPMENT.

In addition, Ferrero's production sites encourage activities involving local businesses and generating more jobs, triggering a positive spiral of economic development and well-being for the community as a whole.

## The Social Initiative – “United Kinder of the World”.

Once fully operational, the activities of the “Social Enterprises” will actively contribute to local initiatives aimed at improving the living conditions of children and young people, **by allocating part of the resources generated locally to such initiatives.**

For example, even though the “Social Enterprises” activities remain limited in scope during the start-up phase, they already provided a certain amount of financial support to two significant initiatives in Africa:

- **CAMEROON:** expansion of the paediatric department of the St. Martin De Porres Hospital in Yaoundé;
- **SOUTH AFRICA:** “Love Matters” project, including a series of weekly workshops, designed to encourage young people to adopt a healthy, active lifestyle focusing on health and AIDS-prevention in particular.

Under the banner of “United Kinder of the World”, the ultimate objective of the “Social Enterprises” is to enhance the health and development of children and young people.

## Human Resources and Technology.

Employees and workers of “Social Enterprises” are selected and recruited locally, in collaboration with local vocational schools.

Based on their responsibilities and in accordance with the Ferrero Group training programme, tailored to each specific context and culture, all employees take part to technical, vocational and managerial training courses, either locally or in Italy.

The technology used by the “Social Enterprises” in their production centres is:

- Innovative and automated for all the product’s food components, **in order to ensure that the same quality of products as those manufactured throughout the rest of the world;**
- Manual for what concerns packaging and assembly of Kinder Joy and Kinder Surprise Eggs and related activities; this enables us to employ **the maximum possible number of local skilled workers**, while maintaining Ferrero’s extremely high quality standards.



## Raw Materials and Products.

The “Social Enterprises” makes use of raw materials which **meet the Ferrero Group’s quality standards.**

The products selected for the start-up phase of the “Social Enterprises” programme are those in the Ferrero range that best meet the requirements of the countries in which they are to be produced. This is why the Kinder range, notably Kinder Joy and Kinder Schoko-Bons Crispy, were selected. Recently, the “Social Enterprises” also started to produce Tic Tac. These products are manufactured to meet the same standards applied by all Ferrero plants, namely:

- Use only quality raw materials, all carefully selected;
- Not using any colourings or preservatives;
- Using natural leavening.

## The Launch of the “Social Enterprises” Programme.

### CAMEROON

In June 2004, a “Kinder Joy” production centre started operating in Yaoundé. This centre is also being used to study experimental products and local raw materials. Ninety people are currently employed there.

### SOUTH AFRICA

In August 2006, production of “Kinder Joy” eggs started in Walkerville (Gauteng – Johannesburg). At present, 185 people are employed there and the site has also been equipped to manufacture Tic Tac.

### INDIA

The construction of the Baramati (Pune) plant started in August 2007. At present, 650 people are employed there, with a possible increase to 1,000 employees by the end of 2013. In addition to producing “Kinder Joy” eggs, the Baramati plant also started to manufacture Tic Tac.

## Next Steps

OUR COMMITMENTS AIMED AT ENSURING THE SUSTAINABILITY OF THE FERRERO "SOCIAL ENTERPRISES" BY 2013, ARE THE FOLLOWING:

- COMPLETION OF THE NEW PLANT IN INDIA, CREATING **1,000 JOBS OVERALL**;
- LAUNCH OF THE **CULTURAL AND PROFESSIONAL INTEGRATION PROGRAMME** FOR OUR EMPLOYEES (THE FIRST SESSION IN SOUTH AFRICA IS SCHEDULED FOR 2010/11);
- IMPLEMENTATION OF **THREE SOCIAL DEVELOPMENT PROJECTS** PER YEAR IN SOUTH AFRICA, CAMEROON AND INDIA, RELATING TO HEALTH AND CHILDREN'S EDUCATION;
- FEASIBILITY STUDY OF A SOCIAL OR INDUSTRIAL DEVELOPMENT INITIATIVE FOR THE BENEFIT OF THE POPULATIONS OF **OTHER DEPRESSED AREAS** OF THE WORLD.







IMPROVING SKILLS  
AND ENHANCING  
PROFESSIONALISM.

CHAPTER 4

HUMAN  
RESOURCES AT  
THE FOREFRONT

## Ferrero Staff at the Forefront.

Ferrero's real legacy is constituted by our company principles and by the employees who apply them everyday. For this reason, their personal and professional development is a key factor to the growth of the company.

The company takes care of staff by creating a positive working environment which helps developing people's abilities and skills, in an atmosphere of respect for differences and on the basis of an equitable and merit-based remuneration policy. In this spirit, we have established an internal sharing plan of the principles of the Group and of the code of ethics (see Chapter 1).

On 31<sup>st</sup> August 2009:

- the Group's average staff size is equal to 21,555 people, 9,486 of whom are women (44%) and 12,069 of whom are men (56%), versus the 21,625 people reported on 31 August 2008;
- 83% of Ferrero staff is based in Europe.

Further related details can be found below:

Number of Employees	08/31/09
Workers	12,993 (60%)
Employees	6,067 (28%)
Executives and Officers	1,724 (8%)
Managers	771 (4%)
Total	21,555

Type of Contract	08/31/09
Indefinite contracts	17,460 (81%)
Fixed-term contracts	4,095 (including seasonal workers 11%, interns 1% and fixed-term contractors 7%)
Total	21,555

source: internal data

### INITIATIVES FOR EMPLOYEES

In the majority of the Group's offices, initiatives are in place to serve the employees. For example, for many years, in Italy and Germany, certain social services have been available to support families during times of difficulty (medical visits, charitable donations), to make pension arrangements and to organise various types of social activities (summer camps, parties for the elderly and Christmas parties for children).

Various other initiatives, which originated in France and Italy, have also been introduced, in efforts to enhance a work-life balance (crèche, nursery, caretakers for domestic services, employee support groups) which are complemented by services designed to facilitate "part-time" work and to make special allowances for workers with small children.

### A CRÈCHE FOR OUR CHILDREN (See Chapter 2, Ferrero Foundation)

Right in front of the Alba plant is a crèche which can accommodate **60 children** aged between **three months and three years old**.

Since September 2009, the crèche has welcomed the children of Ferrero's staff members from the district of Alba. The structure, which is architecturally avant-garde, has been conceived so as to incorporate safe spaces, which are well cared for, and where children can move freely and yet rest, play and have fun.

The spaces are organised in different ways. They are divided up by category and each is distinctive, thanks to the choice of furnishings, colours and materials, all of which are designed to send out important signals to the children about the various paths they can take and the explorations open to them. Special care is reserved for the outdoor areas, which are critical to enabling a child to live a rich, healthy life, while moving freely and being exposed to nature. There is also room in the educational plan for the family to be involved; parents and former Ferrero staff, in particular, who have the opportunity to participate in selected educational activities.

**The building was designed to be as environmentally sustainable as possible.** In fact, special attention was paid to thermal insulation, the use of environmentally sustainable materials, keeping energy usage low, controlling summer sunlight within the building and natural ventilation methods. The energy required to operate and manage the complex is partly self-produced using renewable sources.

The structure is simply referred to as **"the nest"** and it serves as an appealing location for children's development, well-being and learning as it can offer valuable support to families in terms of their children's education and care. The nursery helps improve the quality of life of employees with young children and offers development opportunities to working mothers. It is also embedded in the local area, **providing a quota of jobs specifically for families in the municipality of Alba.**

Since a large investment was required to build the nursery, **the Ferrero Foundation took responsibility for the management** of the project and bore the majority of the nursery's operational costs in order to make the fees to be paid by employees more accessible and in any case at rates that vary according to each nuclear family's income. **Each year the Ferrero Foundation will absorb any economic deficits.**

### INTERNATIONAL MOBILITY

The Group's international expansion has been fostered by people who have contributed to its growth by taking on jobs abroad and bringing Ferrero's culture and values to other countries. Appropriate compensation is offered in such cases, serving to help the expatriate and his or her family live in and adapt to a country that is not their country of origin.

### COLLABORATION WITH EXTERNAL ORGANIZATIONS

For the past five years, Ferrero has been collaborating with Intercultura, an international voluntary association committed to encouraging intercultural exchanges. In this context, scholarships offered to employees' children have increased annually, going to deserving students from the main countries in which Ferrero operates (Italy, Germany, and France).

## INDUSTRIAL RELATIONS.

Ferrero acknowledges the crucial role of trade unions and bodies that represent workers and it maintains relationships with them on the basis of mutual recognition and constructive dialogue.

Companies in the Group adhere to national collective bargaining agreements, which, when possible, are integrated into the company's overall bargaining agreements. In any event, the local management team will guarantee an adequate level of protection for all the Group's workers, based on international standards as well as the guidelines and policies of the core management team. Each worker is free to choose whether to register with the Trade Unions or to become a member, and does so in line with local norms and practices. Likewise, Ferrero recognises the role of elected bodies – in relevant cases – preferring to actively involve them in the process of identifying the best solutions for all parties, in line with production requirements and market demand.

Specifically, Ferrero's industrial relations model has gradually developed into **a system founded upon dialogue and confrontation**, with the objectives of resolving problems effectively and of respecting people's roles and responsibilities.

**This is in line with the company's traditional positive, low-conflict environment.**

Our **negotiation model is based on dialogue**, and, on various levels, it is founded on the use of practical tools that can respond efficiently to external challenges, while keeping human resources in the foreground.

Certainly the most remarkable achievement of the "Ferrero industrial relations model" is that it provides the organisational tools and the working flexibility necessary to meet the company's business requirements and still face competition from other businesses, while at the same time ensuring the fair treatment of the company's workers..

In particular, in order to manage production and distribution areas at the best, an appropriate mix of employment contracts (full-time and part-time indefinite contracts and seasonal contracts) was put in place, as well as innovative, flexible rota systems, which, with their inevitable specificities, are prevalent at all Group facilities.

The very low level of conflict and **the total absence, to date, of work stoppages or hostile demonstrations against the company**, should be highlighted. These problems remained limited to national-level or national sector strikes. On the other hand, the Group's constant positive evolution cannot be overlooked. It was never needed to slow down production or to manage personnel redundancy.

At the same time, the rate of conflict related to claims or individual disagreements has been minimal.

### THE EWC – EUROPEAN WORKS COUNCIL

Ferrero's European Works Council is founded upon the ideals of dialogue and development of all of the Group's resources, as well as respect for local differences and particularities. The EWC was founded in 1996 and is based on the need to create an exchange forum for all Ferrero's trade union representatives in Europe, as well as a forum in which the business and its workers can exchange information and the best practices of individual countries by developing a comparative system that encompasses and values all local peculiarities.

Above all, the goal of an organisation like this, which serves to unite workers, their local representatives and the company's international management team, is to create continuity and to summarize all of the industrial relations practices of the various companies that belong to the Group, so as to spread all of Ferrero's ideals and values.

Today, the EWC encompasses approximately 75% of the Group's workers from across the globe and nearly all of those in Europe. Besides offering information and consultancy services, the EWC provides a privileged space for joint training activities (for representatives of workers and management). It helps to facilitate certain types of exchanges on the main subjects of the industrial relations agenda at international and local levels.

## A SAFE WORKING ENVIRONMENT.

The safeguarding and promotion of health and safety in the workplace is a priority for the Ferrero Group in all its operations and in every country in which it operates. We are committed to offering safe working conditions by developing a preventative approach designed to avoid accidents and occupation-related illnesses, thus keeping health and safety risks to a minimum. Each company has specific structures that manage all aspects of health and safety, in line with the different legal provisions of the various countries in which we operate, and which demand that management meet its obligations to some general principles of company policy:

- **health and safety at work**, respect for the principles of ergonomics and prevention of any risks **are closely integrated into our operations** and they are not considered a trivial matter;
- health and safety at work has always been a priority for the Ferrero Group, **from the conception and design of its plants to machinery to work environments;**
- Ferrero makes constant efforts to **monitor potential risks** and we take immediate action to remove them or at least reduce them to a minimum;
- Ferrero workers at all levels of the organisation are asked to use their personal skills and qualities to **help keep risks to a minimum**, improve working conditions and spread a culture of safety;
- each company manager is **specifically responsible for helping to encourage staff to respect the rules and behave responsibly**. He or she should intervene to correct or report any cases of non-compliance, based on his/her assigned duties;
- **information and training on the subject of safety at work** are a key objective, e.g. qualifications and professional development throughout the employees' working life;
- **operating procedures** should be adopted by each business in order to deal quickly and effectively with potentially risky situations, dangers or emergencies that could occur.

Each production centre has a **health service with its own specialised staff that provides preventative treatment, consultations and first aid**. Periodic, preventative check-ups are carried out at such facilities, as well as first aid, should any accidents occur.

As in previous years, in 2008/2009 **significant training initiatives were carried out at all levels of the organisation on issues relating to health, safety and hygiene at work**. Particular emphasis was placed on the importance of taking preventative steps when planning systems and equipment, organising work effectively, and making the most of each employee's role and responsibilities in order to promote a positive culture of participation.

Indeed, a culture of participation, in which safety is a crucial component of the way each activity is conducted, is a necessary prerequisite for any practical, efficient, risk-prevention initiative.

IN 2007, FERRERO FRANCE LAUNCHED AN INFORMATION-SHARING SYSTEM WHICH ENGAGES ALL OF ITS WORKERS. THE SYSTEM IS CALLED "FERRERO ENSEMBLE JUSTEMENT" ("FERRERO - RIGHTLY UNITED"). IT INVOLVES OPEN, COLLECTIVE BRAINSTORMING WITH ALL FERRERO FRANCE EMPLOYEES AND HAS HELPED SHAPE A POLICY OF RESPONSIBILITY WHICH TAKES COLLEAGUES' EXPECTATIONS AND SUGGESTIONS INTO ACCOUNT. THE SYSTEM IS ALSO BASED ON THE PREMISE THAT A PROJECT LIKE THIS SHOULD BE BUILT FOR ALL THOSE WHO MIGHT HAVE TO IMPLEMENT IT. USING FERRERO FRANCE'S HISTORY, VALUES AND MISSION AS A FOUNDATION, THE STAFF ASKED THEMSELVES HOW THEY COULD BE FULLY ACCOUNTABLE TO THEIR CO-WORKERS, IN EXTERNAL RELATIONS, IN ECONOMIC RELATIONS, TO CONSUMERS, TO CIVIL SOCIETY AND, OF COURSE, THE ENVIRONMENT.

FROM THIS COLLECTIVE BRAINSTORMING PROCESS, THE "FERRERO FRANCE MANAGEMENT COMMITTEE" HAS ESTABLISHED PRECISE COMMITMENTS THAT GUIDE THE PROJECTS THAT ARE NOW UNDERWAY. THESE COMMITMENTS HAVE BEEN DIVIDED INTO VERY CONCRETE ACTION PLANS, DESIGNED TO BEST HELP ACHIEVE THE ORIGINAL OBJECTIVES.

TO MAINTAIN THE PROJECT'S ORIGINAL CHARACTER, FOUR INTERNAL COMMITTEES WERE ALSO CREATED, MADE UP OF STAFF VOLUNTEERING, WHO WERE ASKED TO CONTINUE BRAINSTORMING TOGETHER AND TO MAKE CONCRETE SUGGESTIONS ON A VARIETY OF ISSUES: DIVERSITY, FLEXIBILITY, AWARENESS OF ENVIRONMENTALLY FRIENDLY ACTIONS, OR THE IMPLEMENTATION OF A SOLIDARITY POLICY BY THE COMPANY.



## TRAINING.

The Ferrero Group has always been committed to identifying training activities that facilitate the full development of individual skills, guarantee support for the achievement of business goals and simultaneously motivate people. Via the “**Learning Lab**”, Ferrero has defined a development path that supports individuals’ professional and personal growth through a process of continuous training.

By offering training courses to the Group and conducting effective teamwork with the Director of Human Resources, the “**Ferrero Learning Lab**” encourages people to acquire professional and behavioural skills and to learn various management methods. In 2005, this Group training centre also launched its own internal Corporate University, the mission of which is to “help employees understand and spread the company’s values and goals, as well as to accept necessary change in order to guarantee its competitiveness and the Group’s future.” (From Michele Ferrero’s speech to the management team, June 2000).

The Ferrero Learning Lab focuses on the following areas:

- definition of the Group’s internal **human resources evaluation** and development systems;
- coordination of two types of **training programmes at the Corporate University**: institutional and training sessions on managerial and professional skills;
- **on demand’ training** on local issues, which might become “pilot” projects of interest to the Group (the Executive MBA Russia programme, for example, the first round of which is designed for 26 Ferrero Russia staff and the second for 30 more);
- **internal communications**.

Purely as an example, the following table provides some data on in-house management training sessions (for management, supervisors and officers) that were organised at the Group level.

Year	Number Session	Number Participants	Types of Training Exercises
2006-2007	58	965	20
2007-2008	91	1,433	21
2008-2009	100	1,500	23

source: internal data

The coexistence of different cultures adds value to the Group. People management policies take cultural differences into account and training programmes help management implement its adjustment strategy. Specifically, the Group is addressing the **issue of “Diversity Management”** by integrating staff from different cultural or ethnic groups, as well as people from different generational groups. There are good “intercultural diversity” practices, in Asia for example, which help raise awareness while enhancing participants’ understanding of the added value of integrating different cultural models into the company. We tailor our training courses to local situations.

The Group also collaborates with **leading universities in various countries**, (for example in Italy: the Polytechnic of Turin, Bocconi University, Catholic University of Milan, San Raffaele Institute, Milan) and Management Training Schools (e.g. ESCP-Europe).

## Examples of Ferrero Group Training Exercises

### “UNDERSTANDING FERRERO”

The excellence of Ferrero products stems not only from its application of avant-garde business and technology criteria, but also from its unique “entrepreneurial philosophy”.

“Understanding Ferrero” is a training programme for the Group’s young graduate recruits. Since 2006, “Understanding Ferrero” has welcomed 210 young people from different companies belonging to the Group. This enables the participants to reinforce the Group’s culture, along with its values, business model and modus operandi for seven weeks, in order to improve their own internal efficiency and effectiveness and their collaboration with affiliated businesses.

### X Generation

The “X Generation” programme responds to a demand for continued investment in resources and training of a group of professionals who could, in the future, be capable of positively shaping the key roles of the Information Technology Department.

The goal is to offer participants from different countries the opportunity to develop their talents while improving their technical and managerial skills in such a way that they become valuable resources and continue to grow professionally within Ferrero Group.

### Nutritional Principles

Since 2006, the Ferrero Learning Lab has organised a workshop entitled “Nutritional Principles” in many of the countries in which the Ferrero Group operates. The workshop aims to raise awareness of the nutritional values of our products. To this end, we provide Ferrero employees, even those who are not members of the Technical Management team, with a grounding in the basic scientific and technical facts behind these nutritional principles, including new areas of research.

The workshop also aims to continue to raise internal awareness of consumers’ life-style changes and the impact of such changes. To date, 562 Ferrero employees, from almost all the countries in which Ferrero operates, have participated in these workshops.

“Principles of Nutrition” is part of the “School Products” programme, put together for all staff, in collaboration with Soremartec\*. Its focus is:

- the “library of products”: i.e. external sources on our raw materials and products;
- the variety of courses created by staff members on nutritional issues, internal tasting sessions, our principles regarding the raw materials we use and our marketing principles.

### TECHNICAL TRAINING

All Ferrero Group establishments have technical training programmes that are designed for workers and are in line with the various production plans.

In 2008 the “Ferrero Learning Lab” drafted a complete map of this type of training programme and of the Group’s knowledge and skills. In order to make it possible for everyone to access and to share this knowledge and know how

\* Soremartec stands for Société de Recherches Techniques et de Marketing and it belongs to the Ferrero Group



tools, this map has stocked a BOOKSHOP with 110 training courses. For example, at the Stadtallendorf plant (Germany), a group of colleagues involved in maintenance work came from the plants in Alba, Balvano and Sant'Angelo (Italy), Cork (Ireland), Vladimir (Russia) and, of course, Stadtallendorf, and participated in a 6-day training course in which they could compare notes on methodologies and tools on the subject of maintenance. The resulting exchange of experiences and of key practices is now helping factory personnel to learn about all aspects of Ferrero's production systems.

After the first trial in Germany, which focused on maintenance, many of the courses in the library were used to train new employees in Vladimir (Russia), prior to the launch of the Ferrero product line at this new site.

### INTERNAL COMMUNICATION.

"[my.ferrero.com](http://my.ferrero.com)" is the company's main internal communications tool. It is the Group's portal and allows information to be shared. At present approximately 5,000 people access it.

In recent years Ferrero has invested in the implementation of a Group Intranet site inside of which various local portals collect information from different business areas, and at times from geographically distant places as well.

The various companies belonging to the Group also promote activities which seek to encourage communication and information-sharing among people. In many countries, for example, various means of communications are used (House Organs, local portals, blogs, climate analyses) in order to inform people of Group events and those of the local organisation.

## Next Steps

### OUR GOALS FOR 2013 INCLUDE:

- EXECUTION OF "INTERNAL CLIMATE" ANALYSIS PROJECTS AIMED AT IDENTIFYING THE NECESSARY IMPROVEMENT MEASURES (2010-2012);
- DEVELOPMENT OF TRAINING ACTIVITIES ON HEALTH AND SAFETY AT WORK IN THE CONTEXT OF THE EUROPEAN WORKS COUNCIL (EWC) AND LAUNCH OF LOCAL INITIATIVES IN COLLABORATION WITH VARIOUS TRADE UNIONS;
- LAUNCH OF SPECIFIC TRAINING PROJECTS SUPPORTING PLANS FOR PERSONAL AND CAREER DEVELOPMENT, MOBILITY AND UPDATING OF SKILLS; THIS WILL BE POSSIBLE ALSO THROUGH THE ELABORATION OF STATISTICAL DATA ON TECHNICAL AND MANAGERIAL TRAINING FOR INDIVIDUAL COUNTRIES AND THROUGH AN AD HOC INFORMATION SYSTEM AT GROUP LEVEL.



OUR RECIPE  
TO LIVE IN HARMONY.

## CHAPTER 5

NUTRITIONAL  
BALANCE IN A  
HEALTHY LIFESTYLE

## Ferrero Ingredients: a Balanced Diet and a Healthy Lifestyle.

At Ferrero we have always been aware of the nutritional importance of our products and watchful about responsible consumption.

Therefore, our research policy and investments are focused on creating high quality products, carefully assessed in terms of nutritional value and portion size, so as to ensure that they can be easily integrated into a balanced diet, with particular attention to children and families.

But we have done more than that.

We believe that maintaining and encouraging a healthy lifestyle is critical, starting with good eating habits and continuing with a balanced diet and regular physical activity.

We have, therefore, engaged in the following activities:

- studies and research aimed at guaranteeing product freshness and quality;
- careful assessment of the products' nutritional values, suggesting different food combinations on that basis;
- promotion of a healthy lifestyle, by supporting research projects and training programmes encouraging young consumers to practice the most appropriate sports disciplines;
- ensuring the provision of accurate information and responsible communications.

## The Importance of Breakfast.

Skipping breakfast is a bad habit\*, unfortunately becoming increasingly common, not only among adults, but also among children and adolescents. There are several reasons for this, such as not having much of an appetite when you wake up and the hectic pace of modern life.

The importance of breakfast as part of a healthy, balanced diet, has been **confirmed by numerous scientific studies** highlighting the nutritional value of the first meal of the day, also in terms of physical well-being and concentration at school and at work. Our research has demonstrated that the release of sugars in Nutella is slow and gradual, allowing us to promote breakfast habits with a positive impact on the sense of satiety, as well as on the levels concentration and attention. The low glycemic index of bread and Nutella can, in fact, provide a flexible and balanced combination of foods, made even more pleasant by the taste of Nutella. We have therefore engaged in promoting the value of breakfast, suggesting combinations of Nutella with other foods: preparing a slice of bread and Nutella does not take long and its nutritional value allows for a cup of milk and a piece of fruit too, thereby ensuring the energy levels and nutrients necessary to start the day well.

**Allocating time for breakfast also means sharing it with your loved ones.**

### SCIENTIFIC STUDIES ON BREAKFAST

**"Breakfast: a good habit, not a repetitive custom".**

**Journal of international medical research. 2008, 36: pag 613-624**

**"A consensus document on the role of breakfast in the attainment and maintenance of health and wellness".**

**ACTA BIOMED. 2009, 80: pag 166-171**



\* It is estimated that about 30% of the population "skips breakfast" (The Boston Public Schools Universal Breakfast Program, Final Evaluation Report 2000, Massachusetts General Hospital)

## Participation in the European Platform.

In 2005, the Directorate General for Health and Consumers of the European Commission launched the **“European Platform on Diet, Physical Activity and Health”**, aimed at coordinating the different voluntary commitments made by various partners in order to address the increase in obesity and the growing numbers of overweight people, especially children, in Europe. Thirty-two industrial associations, consumer associations and research organisations participate to this Platform.

Ferrero actively contributes to the objectives of the Platform, via the following commitments:

- **formulation and appropriate portion sizes of our products,**
- **accurate nutritional information and consumer education regarding nutrition,**
- **promotion of physical activity and sports,**
- **responsible advertising and media literacy.**

## The Formulation of Products and the Right Portion Size.

Since 1976, Ferrero has offered products in the Kinder range in individually wrapped portions weighing between 12.5 and 43 grams.

Our studies have shown that **portion control**, while maintaining high standards of taste and quality, **provides genuine help** to parents in managing their children’s diets.

**Ferrero products do not contain hydrogenated fats and, as a result, they do not contain trans-fatty acids (TFAs),** produced during this process.



## Food Awareness and Food Education through the Involvement of Local Communities.

**EPODE** (French acronym that stands for “together we prevent childhood obesity” - [www.epode.fr](http://www.epode.fr)) is a long-term project, based on a private-public partnership, that began in 2004. It involves municipalities, families, teachers, sports instructors, restaurants, etc., in food education programmes and the promotion of physical activity.

The main objectives are:

- health promotion,
- prevention of childhood obesity,
- sharing of best practices,
- development of partnerships with other stakeholders.



In addition to specific programmes already launched in 4 European countries (France, Belgium, Spain, Greece), Ferrero also supports the “EPODE European Network” (EEN), 50% of which is funded by the European Union and 50% by private partners.

### The Epode European Network (EEN) has the following objectives:

- IDENTIFICATION AND COMMUNICATION OF THE GUIDELINES AND BEST PRACTICES IDENTIFIED BY THE FOUR UNIVERSITIES INVOLVED;
- COMMUNICATION AND AWARENESS-RAISING AT INSTITUTIONAL LEVEL;
- IDENTIFICATION OF WORKING GROUPS AIMED AT DEVELOPING THE PROGRAMME IN DIFFERENT CITIES AND REGIONS OF THE COUNTRIES INVOLVED;
- DISSEMINATION OF THE EPODE PROGRAMME IN OTHER EUROPEAN COUNTRIES.

COUNTRY	PROGRAMME	CITIES AND PERSONS INVOLVED	WEBSITE	YEAR	FERRERO CONTRIBUTION
 France	EPODE	226 cities activated for 1 million people involved	<a href="http://www.epode.fr">www.epode.fr</a>	2006/11	500,000€
 Belgium	VIASANO	15 cities activated for 300,000 people involved	<a href="http://www.viasano.be">www.viasano.be</a>	2007/11	400,000€
 Spain	THAO	38 cities activated for more 10,000 people involved	<a href="http://www.thaoweb.com">www.thaoweb.com</a>	2008/11	300,000€
 Greece	PAIDEIATROFI	5 cities	<a href="http://www.paideiatrofi.org">www.paideiatrofi.org</a>	2009/11	150,000€
 European Union	EUROPEAN EPODE NETWORK	4 Member States	<a href="http://www.epode-european-network.com">www.epode-european-network.com</a>	2007/10	450,000€

**Ferrero total investment 2006-2011 (Network support included) 1,800,000€**

## Encouraging Physical Activity.

A healthy lifestyle depends on many factors: healthy eating, a balanced diet and regular physical activity. Through collaborative agreements with international sports federations, institutions, as well as with food industry and non-governmental associations, Ferrero helps to raise the citizens' awareness on the importance of physical activity to achieve a healthy lifestyle, with particular attention to young children and adolescents.

These activities are carried out in line with the objectives of the European Platform for Diet, Physical Activity and Health and with the principles of the "Charter on Brands for Health and Well-being", signed by Ferrero and over 50 other European companies and associations of consumer goods producers belonging to AIM (European Brands Association).



## Kinder + Sport.

The Kinder + Sport project was developed by Ferrero to promote a healthy lifestyle by encouraging sports to be practiced daily, especially by children.

**Since 2007, “Kinder + Sport” has involved more than six million children worldwide in activities deloped in 17 countries.** Its main purpose is to help children practice sports, by organising tournaments, supporting sports associations and sport activities in schools. Kinder + Sport also established collaboration agreements with national and international sports Associations and Federations, as well as with local sports centres and national Olympic committees, in order to encourage the organization of sporting events in collaboration with schools and local institutions. In 2008, a specific agreement was signed with the International Sports Federation, allowig sports federations from 38 countries to be involved in promoting sport in schools.

Below is some data concerning the Kinder + Sport activities carried out in 2009:

- 15 European countries (+ Israel) involved;
- more than six million children involved;
- more than 5,000 sets of sports equipment installed in schools and sports clubs;
- approximately 350 sporting events promoted all over Europe;
- 19 sports champions promoting sporting events and healthy lifestyles;
- sponsorship of over 20 national sports federations;
- sponsorship of 2 Olympic Committees (CONI in Italy and DOSB in Germany);
- over 500,000 visitors for the Kinder + Sport website;
- total Ferrero investment per year: 12 million Euros.

In order to measure the medium- and long-term impact (5 years) of the Kinder + Sport mini-volleyball project on the school children involved, a particularly relevant research project was undertaken in 2008/2009, in collaboration with the Institute of Sports Medicine of Turin and together with the Italian Volleyball Federation (FIPAV), the Ministry of Education, CONI and local institutions. **The total investment made by Ferrero to carry out this research will be 250,000 Euros between 2009 and 2013.**

In 2009, the non-governmental organization “Peace and Sport” ([www.peace-sport.org](http://www.peace-sport.org)) nominated Kinder + Sport as one of the three best CSR projects (CSR Initiative for Peace and Sport of the Year Award).

**Our future challenge is to further develop and extend this project, so as to encompass European and developing countries, also via the Ferrero Social Enterprises, involving a greater number of children and further geographical areas and cultures.**

A comment from the blogosphere [HTTP://EVVIVA.KINDERPIUSPORT.IT/FRONT\\_POSTS/BCOMMENTS/](http://EVVIVA.KINDERPIUSPORT.IT/FRONT_POSTS/BCOMMENTS/)

**blog**

“When I train and I go out on the sports-field, I always think about sport and its importance. It is everything to me: passion, heart, sacrifice, determination and unity. You fight, you sweat, but this is rewarded by unforgettable moments that you experience as a member of a team, always seeking to work together to overcome seemingly insurmountable obstacles, giving everything to achieve the common objectives, despite all the difficulties”.



## Let the Labels Speak.

The labels on our products enable us to offer simple, clear nutritional information, so as to ensure transparency, awareness and serenity to our consumers. For some time now, nutritional information for relating to energy, protein, carbohydrates and fats has been provided for many product and information on the GDA% (\*) of energy per portion is also included in our labels. **Our commitment to providing accurate nutritional information is the natural extension of the long term Kinder and Ferrero's quality and accountability policy, which we intend to further strengthen.** In fact, in 2009, Ferrero has undertaken to change the nutritional labels of its Kinder and Nutella products marketed in the European Union countries, in line with the recommendations of the CIAA (Confederation of the European Food & Drink Industries).

The "Energy logo" now features on the **front of pack**, indicating the energy value per portion in absolute terms as well as in percentages with respect to the daily requirements. The **back of the pack indicates the values per portion** of energy, proteins, carbohydrates (including sugars), fats (including saturated fats), fibre and sodium, as well as the % GDA per serving of energy sugar, fat, saturated fat and sodium.

Per piece  
  
 GDA\*

### KINDER CHOCOLATE

NUTRITION INFORMATION			
TYPICAL VALUES	PER 100g	PER PIECE 12,5g	%GDA* PER PIECE
ENERGY kcal / kJ	561 / 2341	70 / 292	4
PROTEIN g	8,7	1,1	2
CARBOHYDRATE g	53,5	6,7	2
of which sugars g	53	6,6	7
FAT g	34,7	4,3	6
of which saturates g	22,5	2,8	14
FIBRE g	1	0,1	0
SODIUM mg	0,123	0,015	1
VITAMIN B2 (RIBOFLAVIN) mg	0,45 (28% RDA**)	0,05 (3% RDA**)	
VITAMIN B12 µg	0,80 (80% RDA **)	0,1 (10% RDA**)	
CALCIUM mg	309 (38% RDA **)	38 (4% RDA**)	
PHOSPHORUS mg	245 (30% RDA**)	30 (3% RDA**)	

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

\*\*RDA: Recommended Daily Allowances.

\*Guideline Daily Amounts

## Responsible Advertising.

Responsible commercial communications can help consumers to make appropriate purchasing choices about food products, as well as to better understand the role of nutrition and physical activity in order to achieve a healthy and balanced lifestyle. We are convinced that advertising is an important tool, which is why we are “self-regulating” in order to protect the consumer from false or misleading advertisements.

As a Group, we apply the “Framework for Responsible Food and Beverage Communications”, adopted by the International Chamber of Commerce (ICC), as well as the respective regional and national self-regulatory codes developed at national or regional level on that basis.

We are also active members of the World Federation of Advertisers (WFA) and of the International Food and Beverage Alliance (IFBA).

[AS AN IFBA MEMBER, FERRERO HAS COMMITTED TO IMPLEMENT THE “IFBA GLOBAL POLICY ON ADVERTISING AND MARKETING TO CHILDREN” \(ON TV, PRESS, AND INTERNET\) BY JANUARY 2012.](#)

The compliance of our advertisements with the applicable self-regulatory codes is verified independently each year by the European Advertising Standards Authority (EASA).

In 2008, EASA monitored 73 of our advertisements in eight countries, twelve of which were found to be non-compliant due to “formal” issues (semantic and graphic), which were resolved immediately.

Up to 31<sup>st</sup> August 2009 EASA monitored 56 of our advertisements in eight countries and they were all found to be in compliance with the applicable self-regulatory codes.

Ferrero has always believed in **the crucial role played by parents in educating their children to a balanced and a healthy lifestyle**: in fact, our communications are addressed primarily to parents, who have the greatest influence on their children’s “healthy growth”.

For this reason, **we have self-regulated our advertisements primarily directed to children via television, print and Internet, as well as in elementary schools, by signing the “EU Pledge” (<http://eu-pledge.eu/>), covering the 27 member states of the European Union.**

In 2009, we signed self-regulation agreements similar to the EU Pledge in Canada, Brazil and Australia.

Therefore, we support the **“Media Smart” educational programme**, aimed at developing children’s critical approach towards television programmes, helping them to understand the difference between editorial content and advertising.



THE INSTITUTE OF PRACTITIONERS IN ADVERTISING AWARDED NUTELLA’S ENGLISH ADVERT A PRIZE FOR THE STRENGTH AND EFFECTIVENESS OF ITS PRODUCT PLACEMENT (2009).

The “Media Smart” programme is active in the following countries:

**Belgium** - [www.raadvoordereclame.be](http://www.raadvoordereclame.be)

**Finland** - [www.mediasmart.fi](http://www.mediasmart.fi)

**Germany** - [www.mediasmart.de](http://www.mediasmart.de)

**Hungary** - [www.mediatudor.hu](http://www.mediatudor.hu)

**The Netherlands** - [www.mediarakkers.nl](http://www.mediarakkers.nl)

**Portugal** - [www.mediasmart.com](http://www.mediasmart.com)

**Sweden** - [www.mediasmart.se](http://www.mediasmart.se)

**The United Kingdom** - [www.mediasmart.org.uk](http://www.mediasmart.org.uk)

We are also active members of the **Advertising Education Forum** ([www.aeforum.org](http://www.aeforum.org)), a not-for-profit and neutral organization offering a comprehensive information database on advertisements directed to children and related issues. Anyone who wishes to do so is free to contact AEF in order to conduct academic or scientific research on the relationship between advertising and children.

## Next Steps

IN 2010, NEW NUTRITIONAL LABELS FOR KINDER AND NUTELLA PRODUCTS, BASED ON THE “GUIDELINES DAILY AMOUNT” (GDA) CONCEPT, WILL BE ON THE MARKET IN THE 27 EU COUNTRIES, ALSO DISPLAYING THE “ENERGY LOGO” ON THE FRONT OF PACK.

ALSO IN 2010, WE WILL SIGN THE “SELF-REGULATORY PLEDGE” ON ADVERTISING TO CHILDREN IN MEXICO.

FROM 1<sup>ST</sup> JANUARY 2010, WE WILL BECOME “FULL MEMBERS” OF THE INTERNATIONAL FOOD AND BEVERAGE ALLIANCE (IFBA), SIGNING THE RELATED FIVE COMMITMENTS.

BY 2013, WE ALSO ENVISAGE:

- **THE EXTENSION OF THE KINDER + SPORT PROGRAMME TO MORE EUROPEAN AS WELL AS NON-EUROPEAN COUNTRIES, INCLUDING SOME DEVELOPING COUNTRIES, IN COLLABORATION WITH THE FERRERO SOCIAL ENTERPRISES;**
- **THE EXTENSION OF THE EPODE PROGRAMME TO MORE EUROPEAN COUNTRIES;**
- **THE EXTENSION OF THE NEW NUTRITIONAL GDA LABELLING FOR KINDER AND NUTELLA, ALSO TO SOME NON-EUROPEAN COUNTRIES.**



CORPORATE SOCIAL RESPONSIBILITY

THE SINCERITY OF  
OUR ENTHUSIASM STANDS  
THE TEST OF TIME.

CHAPTER 6

THE TASTE  
OF QUALITY

**FERRERO.**

## Quality and Safety of the Production Process.

The “known bag” (in Italian: “Il sacco conosciuto”) is our way to define the quality and safety of the raw materials arriving at our plants. **In the financial year 2007/2008, the total of raw materials used amounted to 860,000 tons, which grew to 925,000 tons in 2008/2009.**

The “known bag” definition identifies the way in which we trace all our supplies from their place of origin, be that packed or unpacked raw materials, ensuring quality and safety of Ferrero products all along the production chain, in line with the provisions of the EU White Paper on Food Safety of 12 January 2000.

A specific internal protocol sets out the frequency of checks and organoleptic, chemical, physical and microbiological analyses to be carried out on samples taken directly from our premises.

In order to strengthen the centralised management of the quality assurance process, we operate according to our own global system, applying common criteria with a view to achieving maximum integration.

Upstream of our internal quality assessment chain, we also carry out checks and audits at our suppliers’ premises, verifying the corresponding analyses against the materials they supply us with.

ANALYSES - Annual average (source: internal data)			
	RAW MATERIALS	PACKAGING	TOTAL
CHECK-IN AMOUNTS	420,000	250,000	670,000

## Safety of Ingredients and of the Production Process.

At Ferrero, industrial and food safety is guaranteed by a constantly revised and updated system of internal procedures, as well as by certificates awarded by external, independent bodies.

Major investments in research and development are made by **the Group, continuously striving to improve our industrial process in order to guarantee maximum consumer satisfaction.** For example, in the financial year 2008/2009, the personnel operating in the European Ferrero production plants attended 10,393 hours of training sessions concerning hygiene and food safety.

Our suppliers are selected on the basis of specific “raw material properties sheets”, which define the chemical, physical, microbiological and organoleptic parameters of the raw material in question, which the suppliers must sign for acceptance.

We also use “finished product specifications” which, in addition to the analytical parameters defined above, describe the properties of the product (composition, weight, appearance, etc.), as well as the test methods and frequency of production-line checks.

## Ferrero's Traceability System.

The traceability system, applied across all our plants, allows foodstuffs to be traced at every stage of production, thanks to:

- **an identification code;**
- **a batch code;**
- **the supplier mark;**
- **the destination phase.**

Here is a brief summary of the different stages of this process:

### ACCEPTANCE

#### MANAGING RECEPTION OF RAW MATERIALS AND PACKAGING

Logging and identification of the incoming materials using the corresponding codes.

Sampling of the goods and acceptance analysis, in compliance with the "raw materials properties sheets" and in accordance with a strict pre-established scheme.

Start of operations only after authorisation by the "quality control internal department".



### PRODUCTION

#### UNIQUE IDENTIFICATION OF EACH FINISHED PRODUCT

The various production phases allow us to identify each finished product using a unique code which brings together all the relevant information (manufacturing batch, time of production, expiry date, product code, parcel number, weight). Naturally, all the different stages of production are subject to specific checks by the relevant personnel, in order to verify compliance with the given specifications.



### DISTRIBUTION

#### MANAGEMENT OF THE FINISHED PRODUCT FROM THE FACTORY TO THE CLIENT

The unique code can be used to trace the product in the distribution warehouses and from there the end customer (large and small retail outlets) can also be identified. Effective collaboration between the various company departments involved enables us to precisely define our safety guidelines, procedures, training and regular audits.

## Our Production Plants.

Additional guarantee for our production standards is the certification system, with which we monitor our production units to ensure that they remain up-to-date on any developments. Naturally, all Group production plants implement an HACCP (Hazard Analysis Critical Control Points) plan, which is now mandatory in the European Union.

The table below shows the current certification status of our production plants (source: internal data)

Production plants	ISO 9002:1994 from	ISO 9001:2000 from	ISO 9001:2000 of the European Group from	ISO 22000	ISO 17025 from	IFS* from
Alba (Italy)	1999	2003	2005		2006	2007
Arlon (Belgium)	1996	2003	2005			2006
Balvano (Italy)	1996	2004	2005			
Belsk (Poland)	2001	2003	2005			2006
Branford (Canada)		foreseen in 2009/2010				
Cork (Ireland)	1994	2004	2005			
La Pastora (Argentina)	2000	2003		2008		
Lithgow (Australia)	1999	2003				
Pocos de Caldas (Brazil)	1999	2002		2007		
Pozzuolo (Italy)	1998	2002	2005			
Quito (Ecuador)	1999	2000				
S. Angelo dei Lombardi (Italy)	1999	2004	2005			
Stadtallendorf (Germany)	1994	2003	2005		2007	2006
Villers Ecalles (France)	1997	2003	2005	foreseen in 2009/2010		

Careful assessment of raw materials and the use of safe and innovative production processes allows us not to use **additives, preservatives, or genetically modified organisms**. The **colouring** agents used to produce certain types of Tic-Tac have been subject to specific studies, the results of which have shown that they pose no health risks to children. In any case, our objective is to develop natural colouring agents in order to replace the synthetic ones.

In addition to respecting applicable regulations and HACCP\*\* plans, we have implemented strict internal systems and procedures in order to safeguard our consumers and our employees from any **healthcare issue** associated with allergens and **gluten intolerance**. Where requested, we have obtained third-party certification (for example, certification from FACE for Nutella in Spain).

We use **flavourings** only in small quantities and in compliance with Regulation (EC) 1334/2008 (entering into force in 2011), respecting the methods and levels established by the applicable norms (Directive 88/388/EEC; Legislative Decree No. 107/1992). Flavourings are also subject to severe checks and controls, through organoleptic, structural (gas chromatography) and chemical-physical analyses. Obviously, we do not use flavourings classified as at risk according to Regulation (EC) 1907/2006.

\* IFS: International Food Standards

\*\* HACCP considers the presence of gluten as presence of an allergen



#### FERRERO PRODUCTS FRESHNESS POLICY

The Ferrero's business model was created in order to always guarantee product freshness, while at the same time eliminating waste as much as possible. We follow the life cycle of our products up until the moment when they are consumed, including the impact of packaging.

**We constantly monitor our retailers, collecting (at market prices) any Ferrero product not meeting the best standards in terms of touch, appearance and smell, even if the expiration date has not yet been reached.** This occurs especially in areas with hot climates, as in the summer, when certain productions are suspended.

Our stock management constantly favours product freshness, rather than increasing the product volumes delivered to retailers. Our consumer should always be able to find fresh ferrero products in the store shelves!

## Ingredients and University Research.

Ferrero has always considered research to be an essential factor in guaranteeing the quality and freshness of its own products. Ferrero's research projects and studies are carried out in collaboration with ten major European Universities in five different countries: Germany, Italy, Poland, Spain, The Netherlands. They are overseen by a committee of international scholars and experts.

The main areas of research carried out relate to:

- the contents and effects of the nutrients contained in raw materials;
- the effects of specific nutrients (fats, antioxidants, minerals, fibre...);
- the evaluation of new ingredients;
- product safety, especially for products consumed by children;
- product portioning and the definition of best performance in terms of flavour and satiety;
- profiles for new products to be marketed over the next years.

## Evaluating through Tasting.

To ensure that our products comply with Ferrero's high taste standards, in addition to traditional laboratory tests, we also carry out specific sensory analyses, which we call "taste tests", aimed at fully assessing the appearance, scent and taste of the product.

Such analyses include the following activities:

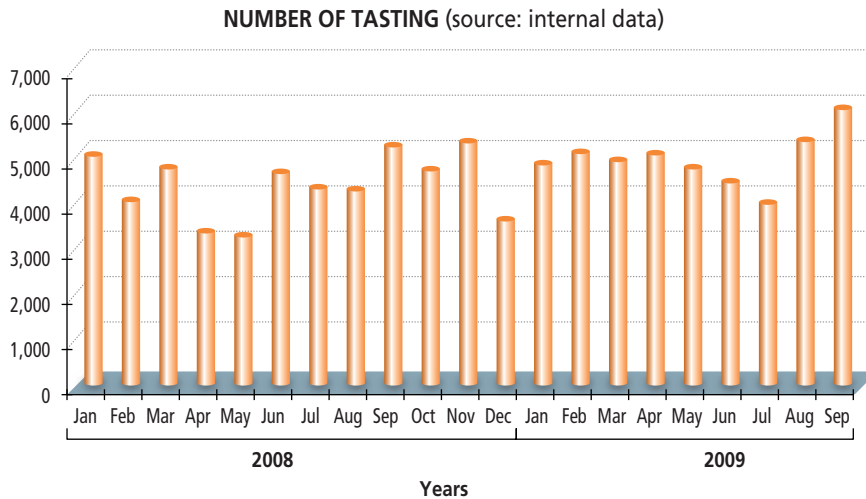
- tasting of raw materials, at acceptance stage;
- production line tasting of finished and semi-finished products, at production stage;
- "management" taste tests;
- "spider web" tests.

Throughout the whole group, over 400,000 taste tests are carried out annually, at a monthly rate of 33,900 tests, using a panel of 1,700 tasters. "Management" taste tests are carried out on a weekly basis by production unit managers, with the primary aim to promote a "tasting culture" within the Group.

A number of rules apply to these tests:

- every day, a minimum number of different tasters (calculated on the basis of the the factory size) taste at least one product;
- the test results are sent weekly to the "quality operations internal department".

The results of the "management" taste tests are collected into the so called "dashboard", describing the overall progress in terms of product quality.



Number of tasting from January 2008 to September 2009

**MONTHLY AVERAGE OF "MANAGEMENT TASTE TESTS" IN KINDER SURPRISE AND FERRERO ROCHER PRODUCTION PLANTS**



**KINDER SURPRISE**

n° of factories	5
monthly tastings average	509



**FERRERO ROCHER**

n° of factories	4
monthly tastings average	286

The **“spider web”** test takes into account 8 different factors and is carried out once a fortnight by a group of internal experts. It aims to build an “in-depth sensory profile”, to be used in place of the usual evaluations of “excellent”, “good” and “fair”. The results of the taste tests are displayed in a diagram shaped like a spider web, linking up the points corresponding to the evaluation factors, based on the average results of the taste tests carried out.



*Spider Web sensory profile of standard Nutella*

The spider web test has now been consolidated across several products (Nutella, Rocher, Kinder Egg , Kinder Delice) and is being developed for others (Raffaello, Kinder Chocolate, Kinder Bueno). In the long term, around 510 analyses are planned per year, involving an average of 10 tasters per factory.

## Next Steps

TO BE REACHED BY 2013:

- THE NEW, COMPUTERISED QUALITY CONTROL SYSTEM, AIMED AT OBTAINING MAXIMUM INTEGRATION OF THE GROUP'S DATA, WILL BE EXTENDED TO OTHER EUROPEAN PLANTS.
- A SPECIFIC AUDIT AND CONTROL SYSTEM WILL ALSO BE DEVELOPED AT GLOBAL LEVEL FOR OUR SUPPLIERS OF RAW MATERIALS AND PACKAGING. PARTICULAR ATTENTION WILL BE PAID TO THE FOLLOWING ISSUES: PRESENCE OF GM PRODUCTS, HACCP PLAN, PRESENCE OF ALLERGENS AND “PEANUT FREE” MARK.

REGARDING PLANT CERTIFICATIONS, WE INTEND TO OBTAIN THE FOLLOWING:

- ISO 22000 CERTIFICATION, AT EUROPEAN PLANTS;
- ISO 9001:2008 AT ALL PLANTS.



CORPORATE SOCIAL RESPONSIBILITY

ALL OF OUR PRODUCTS SPEAK  
ABOUT SUSTAINABILITY AND  
DIGNITY.

## CHAPTER 7

EXCELLENCE IN  
RAW MATERIALS:  
THE VALUE OF  
RESPONSIBLE  
CHOICES

## Our Main Ingredients.

We have always selected and used the best ingredients with the utmost care, in order to always guarantee the quality and freshness of our products. The origin as well as sourcing approach are the fundamental parameters we apply in selecting the raw materials we use.

## From Cocoa Beans to Chocolate.

Ferrero grinds and processes cocoa beans at its own facilities, where our master “chocolatiers” develop specific blends for the various product applications. We only purchase main crop cocoa and top qualities, such as the famous “*Arriba*” beans. Our supplies mainly come from the tropical belt of Western Africa, such as the Ivory Coast - which is the world’s top producer - and from Ghana.

**We have established long-term relationships with our suppliers, because we are convinced that this is the best way to generate certainty, growth and, therefore, well-being at local level.** Proper working conditions for farmers and attention to the environment are the base to help achieve a sustainable cocoa economy.

**All of this is done, however, without ever losing sight of quality standards.**

OUR LONG TERM OBJECTIVE IS, OBVIOUSLY, THAT 100% OF OUR COCOA SUPPLY SHOULD BE SUSTAINABLE, AND AT THE SAME TIME, MEET THE QUALITY REQUIREMENTS NECESSARY FOR OUR PRODUCTS AND BE CERTIFIED OR EXTERNALLY VERIFIED. HOWEVER, IN ORDER TO REACH THIS OBJECTIVE, GIVEN THE EXTREME COMPLEXITY OF THE COCOA SUPPLY CHAIN (WITH OVER A MILLION AND A HALF INDIVIDUAL FARMS, COUNTLESS INTERMEDIARIES AND DIFFICULT LOGISTICS), WE STRONGLY BELIEVE IN FOLLOWING A COLLECTIVE AND INDUSTRYWIDE APPROACH, AIMED AT ENCOURAGING THE SUSTAINABILITY OF THE COCOA SUPPLY CHAIN, IN CLOSE COLLABORATION WITH HOST COUNTRIES.

We are, therefore, active members of the following **collective initiatives**:

- the **International Cocoa Initiative (ICI [www.cocoainitiative.org](http://www.cocoainitiative.org))**, established in 2002 in partnership with other confectionary organizations, Trade Associations and NGOs to monitor and support the efforts made to eliminate the worst forms of child labour and forced labour in the production of cocoa and its derivated products, through consumer awareness and education programmes;
- the **World Cocoa Foundation (WCF [www.worldcocoafoundation.org](http://www.worldcocoafoundation.org))**, established in 2000 by companies involved in the cocoa and chocolate industries around the world, with the objective of improving the well-being of the communities cultivating cocoa, with particular attention to farmers’ income, education, the development of local communities and respect for the environment, through partnerships with non-governmental organizations and institutions.



We are also signatories of the “**Harkin-Engel Protocol**”, established in 2001, thanks to which the **first-ever global process-certification system** aimed at providing an accurate, statistically based understanding of the incidence of the worst forms of child labour (as defined by ILO Convention No. 182) was developed. Since **July 2008**, at least **50%** of cocoa coming from **Ghana and Ivory Coast** is certified under this system.

In addition to participating to the above collective initiatives, Ferrero is also directly involved in a series of **private partnership projects**, aimed at providing assistance and permanent training to cocoa farmers. This is done mainly by providing premiums for product quality, often reinvested in cocoa-producing countries with the objective of continually improving the quality and development of the local economies.

Here below are a some examples of such privat partnership projects.

In the **Ivory Coast**, in partnership with **Touton** (internationally renowned cocoa trader, [www.touton.fr](http://www.touton.fr)), we started two different ethical/environmental certification projects for cocoa beans. The certification foresees the implementation, the development and the respect of several environmental, social and economic indicators (ecosystems’ preservation, wild fauna protection, water sources preservation, ground and waste management and preservation, policy of social management, respect of workers’ health and security, fair treatment and good work conditions, training on control systems and audit).

The first project focuses on the plantations of the **Société Agricole de l’Ouest (SAO** – part of the Touton group since 1998), for which an external certification by **Rainforest Alliance** ([www.rainforest-alliance.org](http://www.rainforest-alliance.org)) will be obtained at the beginning of 2010.

The aim of the second project is to regroup many small farmers in a single purchasing centre. **For this project, an external certification is foreseen during 2010.**



PROJECT	CULTIVATED SURFACE AREA	PURCHASES 08/09	PURCHASES 09/10
SAO	600 ha	300 tons	400 tons
PURCHASING CENTRE	600 ha	0 tons	300 tons

(source: internal data)

In **Ghana** we are engaged in cocoa traceability projects in partnership with **Source Trust** ([www.sourcetrust.org](http://www.sourcetrust.org)), a non profit organization promoting the sustainability and the traceability of farming practices in order to improve the living conditions of farmers and their communities, in line with the UN’s objectives for the new Millennium. Since 2007, apart from buying traceable cocoa, Ferrero is directly engaged in supporting local communities to improve their living conditions. In particular, **we invest in structural projects in favour of the local communities where we operate**, such as building water wells in different villages where the inhabitants were obliged to walk several kilometres to have access to water. We foresee further investments in water wells during 2010.

	2007/08	2008/09	2009/10
Cacao (tons)	500	3,000	5,000



In **Ecuador**, since 1998, we have built a direct relationship with local cocoa farmers, guaranteeing them an equitable price (90% of the FOB – “Free on board” price), with an extra bonus for the quality of cocoa beans. This is done through a partnership with the **Maquita Cushunchic Como Hermanos** (“Let’s give each other a hand like brothers”) **Foundation**. **MCCH** is Ferrero’s biggest supplier of cocoa beans (1,600 tons in 2008 and 2,400 tons in 2009) and it operates in 6 provinces with almost 10,000 associates (of which 2,500 associates in the cocoa sector). Over time, the bonus offered to farmers through MCCH for a better quality of cocoa beans has generated economic as well as social benefits.



	2007	2008	2009
% FOB price direct to producers	89%	90%	91%

(source: internal data)

## Palm Oil.

Ferrero has developed a tailor-made technique of **palm oil** fractionation, which allows the organoleptic qualities of the product to remain intact, while at the same time increasing creamyness and avoiding the use of hydrogenated fats.

We do not source any palm oil from Indonesia, where extensive deforestation is taking place, but rather from Malaysia (almost exclusively from Malacca) and Papua New Guinea. Since 2005, Ferrero is an active member of the **Round Table on Sustainable Palm Oil** ([www.rsपो.org](http://www.rsपो.org)), organization representing consumer goods manufacturers, palm oil processors, traders and and retailers, as well as banks, investors and environmental, nature conservation and social NGOs.

The RSPO’s two main objectives are:

- a moratorium on any further deforestation due to palm oil cultivation;
- developing reliable systems of traceability and certification.

Satisfaction for for the fact that Ferrero signed up to these commitments was expressed in July of 2008, **in the framework of their “Deforestation zero” campaign**, aimed at halting the distruction rainforests in the South-East of Asia due to the expansion of palm oil cultivation.

Starting from 2011, **25%** of our total supply of palm oil will be **certified as sustainable**, according to the RSPO criteria, thanks to a specific agreement being signed in 2009 with *New Britain Palm Oil Limited* (NBPOL, [www.nbpol.com.pg](http://www.nbpol.com.pg)).

**OUR TARGET FOR 2015 IS TO OBTAIN 100% OF OUR TOTAL SUPPLY OF PALM OIL CERTIFIED AS SUSTAINABLE.**



## Sugar.

For decades now, we have worked with agricultural cooperatives and producers, for the most part European, whose statutes and rights are recognized at Community level.

Recent EU agreements in support of developing countries have facilitated supplies from third- countries, while respecting product sustainability issues.

In order to identify and select qualified producers able to guarantee and demonstrate the respect of the minimum required working conditions necessary for the quality of our products, a targeted research is being carried out throughout various regions of the world.

In 2010, we will become members of the **"Better Sugar Cane Initiative"**, composed of all the participants to the sugar supply chain, with the common aim of guarantee the principles of social responsibility.

FERRERO ONLY USES QUALITY 100% ARABICA COFFEE, THE MOST SOUGHT-AFTER IN TERMS OF AROMA AND DELICACY OF VARIETY (CULTIVAR). WE ALSO LAUNCHED A SPECIFIC RESEARCH PROJECT AIMED AT ASSESSING THE IMPACT OF **COFFEE** ON THE CONCENTRATION LEVELS OF CONSUMERS.

## Milk.

Our milk is purchased from carefully selected and extremely reliable suppliers, established in milk-producing areas and able to guarantee the ideal freshness, necessary to obtain excellent quality products, particularly delicate and valuable for children. Over time, the long-term relationships we have established with our suppliers allow us to implement mutual development and growth programmes, thereby developing a short and sustainable supply chain.

Over the next few years, we will continue to support the **"integrated supply chain"**, approach, aimed at creating loyalty throughout the entire supply chain, from the breeder to the producer of semi-finished products (whole and skim milk powder and anhydrous butter), by paying them appropriate prices, free of speculation. This will be possible in particular through specific agreements with certain suppliers (among which **In.al.pi** and **Mittelbe GmbH**) which will allow us to increase the quantity of locally sourced raw materials, closer to our production facilities.

By 2015, we aim to cover 25% of our supply with powdered milk and anhydrous butter originating from our "integrated supply chain".

Countries of origin of the milk used by our plants:

PLANTS IN EUROPE

from European Union

QUITO (ECUADOR)

from Ecuador/Argentina/Colombia

LA PASTORA (ARGENTINA)

from Argentina/Uruguay

BRANTFORD (CANADA)

from Canada and the U.S.A.

POCOS DE CALDAS (BRAZIL)

from Brazil

LITHGOW (AUSTRALIA)

from Australia



**FERRERO.**

## Hazelnuts.

Ferrero is one of the world's largest hazelnut users and it selects only the best varieties, **mainly from Northern Italy and Turkey**. In order to preserve the high quality of our hazelnuts, **unique roasting processes and technologies have been developed** in order to allow the aroma and the flavour of this essential ingredient to be developed to the fullest degree. In order to minimize the risks associated with hazelnut supply, in 2006 Ferrero created "**Hazelnut Business Development**" (HBD), with the objective of **establishing long-term partnerships with producers and implementing development projects with local governments, financial institutions and private investors**.

HBD develops its strategy by identifying and purchasing land where hazelnuts can be cultivated and processed through its own techniques and resources, but also by supporting third-party operators intending to independently develop cultivation projects, in particular by selling them different varieties of selected hazelnut plants at cost prices and by providing them with technical and agronomical consulting support via a team of experts known as *Coriltech*.

Moreover, HBD implemented long-term partnerships with some of the world's most important scientific institutions, with the goal of becoming a centre of excellence for all research activities, (including, for example, the cultivation of new hazelnut varieties resistant to external factors, the acceleration of the production process, more efficient cultivation systems, etc.).

**AgriChile was established in 1996:** with approximately 4,500 hectares of cultivated land and about 3,000 different varieties (*cultivars*) from the Mediterranean. It has been fully operational since 2003. In just a few years, more than 150 independent producers have purchased plants from Ferrero and given life to their own plantations, developing 5,000 hectares of cultivated land.

**AgriGeorgia:** was established following research carried out by HBD's scientific team in the Black Sea. The 500 hectares originally cultivated with high quality local varieties in 2007 are expected to increase to 2,000 hectares in 2010, to be cultivated directly by AgriGeorgia on a company owned total surface area of more than 4,000 hectares.

The most recent project is **AgriSudafrica**, established in 2008 with the objective of developing the cultivation of hazelnuts through cooperative projects with the local government and local investors.

For 2013, our objective is that of increasing the supply of hazelnuts originating from **Chile, Georgia and South Africa**. In Georgia, we expect to launch our first **carbon credits** project, as foreseen by the Kyoto Protocol.



## Sustainability in the Supply of Raw Materials.

FERRERO HAS ALWAYS PREFERRED TO ESTABLISH DIRECT RELATIONSHIPS WITH PRODUCERS AND/OR SUPPLIERS OF ITS RAW MATERIALS, BUILDING COMMERCIAL PARTNERSHIPS BASED ON DIALOGUE AND TRANSPARENCY.

### In addition to the quality requirements our raw materials, we ask our suppliers:

- to comply with adequate working and salary conditions , as established by applicable international labour laws and regulations;
- not to discriminate their own employees on the basis of race, nationality, sex and/or religion;
- not to use children or non-consenting prisoners as their workforce to carry out their activities.

To this end, a standard clause is inserted in our contracts, in order to ensure that all of the goods purchased from our suppliers have been obtained and transformed in full respect of all applicable laws, regulations and local rules, in addition to the requirements established by applicable international conventions (ILO and UN Conventions, and the Declaration of Human Rights).

### We also support our suppliers:

- through specific commercial agreements, such as **long-term contracts** that contribute to ensure a more stable income for farmers;
- supplying, where necessary, **training and assistance** to guarantee the highest quality of agricultural products;
- through a **transparent price policy**, serving as a point of reference for agricultural producers to choose their buyers;
- offering **quality bonuses**, to encourage farmers to achieve and maintain high quality standards;
- supporting an **economically vital agricultural production system, that is, also socially acceptable and respectful of the environment, while encouraging sustainable agricultural practices.**

## Next Steps

- REGARDING COCOA, WE AIM TO OBTAIN AN EXTERNAL CERTIFICATION FOR OUR ONGOING COCOA PROJECTS IN IVORY COAST BY **2010**;
- REGARDING PALM OIL, 100% OF OUR SUPPLY WILL BE CERTIFIED AS SUSTAINABLE BY **2015**;
- REGARDING SUGAR, WE WILL BECOME MEMBERS OF THE "BETTER SUGAR CANE INITIATIVE" IN **2010**;
- REGARDING MILK, WE WILL CONTINUE TO SUPPORT OUR "INTEGRATED SUPPLY CHAIN" PROJECT, WITH THE AIM OF COVERING 25% OF OUR SUPPLY BY **2015**;
- REGARDING HAZELNUTS FROM GEORGIA, WE EXPECT TO LAUNCH OUR FIRST CARBON CREDITS PROJECT, AS FORESEEN BY THE KYOTO PROTOCOL, BY **2013**.



IMAGINE, DISCOVER,  
GROW... PLAY.

## CHAPTER 8

THE VALUE OF PLAY,  
IN ABSOLUTE SAFETY

## Ensuring the Safety of our Toys from the Design Phase.

The same care we put into ensuring the quality and safety of our food products also goes into designing and producing our toys, mostly intended for sale with our surprise eggs.

A specific "Toy Safety Department" has been in place at Ferrero for for 20 years now, with the precise aim of ensuring the strictest criteria in terms of safety.

A specific "**Safety Code**" is applied to all Kinder toys by **Magic Production Group (MPG)**, the Ferrero company responsible for our entire toys range. This includes ad hoc Guidelines, as well as a connected approval process.

Ferrero toys are designed with specific properties, including:

- reducing as much as possible the number of parts, especially small parts;
- avoiding the use of spherical, ellipsoidal or ovoid parts;
- preferring the use of irregular shapes and moulded joint parts, with non-smooth surfaces;
- avoiding of the use of the chocolate-like coloured plastic parts.

In 2009, the "MPG Safety Code" was extended to also cover the promotions carried out by Group companies with all kinds of toys or premiums.



## THE MPG CODE

In addition to complying with EU Directive 87/357/EEC, as well as with the more recent Directive 2009/48/EC on toy safety, the MPG Code applies the following standards:

- European toy safety standards (EN 71);
- draft amendments to the above standards, in order to anticipate compliance of Kinder toys to future standards;
- particularly strict chemical requirements, also including applicable standards derived from other relevant categories (e.g. safety standards for cosmetic products);
- applicable environmental standards;
- a series of voluntary requirements, more stringent than those laid down by EU standard EN 71 (for example, regarding the maximum migration limits for heavy metals).

The application of our strict MPG Code allowed us to never have had to recall any of our toy products due to safety reasons. In fact, from the entry into force of the Toy Safety Directive in 1988 and thanks our Code, **33 billion Kinder toys were placed in the world markets in absolute safety.**

In some cases, we have also taken preventive measures, modifying or withdrawing certain projects. For example:

- toys including PVC: not produced already since 1990;
- toys with suction cups: not produced (with a few rare exceptions) since 2004;
- toys with magnets: not produced since 2007 (well before the restrictions implemented in the USA and the EU);
- toys resembling food products: not produced already for some time now (and if they are part of other toys, they must be firmly attached and unmistakable as foods in terms of their dimensions and colour).

In addition to safety checks on our toys, we also carry out annual inspections on the premises of our European suppliers and packaging companies, in order to check their level of hygiene, health and safety, on the basis of specific tests. Moreover, our Asian suppliers are monitored by a Group representative present at the production plant 5-6 days per week.

Lastly, Ferrero charges external certification bodies to audit at least once a year the application of the "Ferrero Quality System", as well as of collecting product sample from the markets, as well as from the Ferrero warehouses, in order to check the consistency of of Kinder toys quality.

## Monitoring in Italy by the Italian Institute for Toy Safety.

At the request of the Ferrero Group, the **Italian Institute for Toy Safety** (IISG – *Istituto Italiano Sicurezza Giocattoli*) checks each Kinder toy for compliance with the "MPG Safety Code".

To this end, samples of different Kinder toys are collected regularly by IISG from the Ferrero warehouse, in order to carry out a series of tests set out in the MPG Code itself. In addition, the "misuse and abuse tests" foreseen by ISO standard 8214 are also carried out. They simulate the behaviour patterns adopted by children while playing (drop test, twist test, traction and compression tests).

Samples are selected in such a way as to ensure that all materials and suppliers are tested over the course of the year.



EACH MONTH, AROUND 30 NEW IDEAS FOR KINDER TOYS ARE CONCEIVED (A NEW ONE EVERY DAY!). OUT OF THESE, A FERRERO GROUP "SAFETY COMMITTEE", MADE UP OF MARKETING, TECHNICAL, LEGAL AND MEDICAL EXPERTS, CHOOSES 140 TOYS EACH YEAR, ON THE BASIS OF SAFETY, QUALITY, "PLAYABILITY" AND ORIGINALITY CRITERIA.

ON TOP OF THAT, ALL KINDER TOYS ARE PRE-CHECKED BY EIGHT DIFFERENT EUROPEAN SAFETY BODIES, CERTIFYING THEIR HIGH SAFETY.

USEFUL INFORMATION FOR THE CONSUMER IS CLEARLY AND VISIBLY DISPLAYED ON THE PRODUCT PACKAGING.

## The Surprise Containers.

Toys destined to **Kinder Surprise**, eggs, one of our products containing surprises, are marketed in a container fully conforming to European and international standards concerning plastic materials coming into contact with foodstuffs. These containers totally separate the edible part (chocolate egg) from the the inedible part (toy) of the product, guaranteeing maximum hygiene and safety levels.

Furthermore, the two halves of this container are **hinged together, so as to ensure increased safety**, in full compliance with the provisions of the new Toy Safety Directive (2009/48/EC).

The quality and safety of the container are subject to continuous checks by a Team of international medical specialists.



In **Kinder Joy**, the edible and inedible parts are also completely separated, in order to guarantee maximum hygiene and safety at any time of year and in any climate. The two halves, one containing the edible part and the other one containing the toy, are hermetically sealed thanks to a technologically-innovative packaging, produced using multi-layer, thermoformed materials. Naturally, these materials are also compliant with European and international standards concerning plastic materials coming into contact with foodstuffs.

## Ethic and Environmental Issues.

The Ferrero Group also applies a specific "Code of Conduct" regarding all ethical and environmental aspects of its toy production, making it binding for the manufacturers concerned.

This is defined as the: "**Ferrero Ethical Social and Environmental Requirements for Suppliers of Kinder Toys**" and it follows the most up-to-date ethical codes currently applied in this field. In 2008, the Group decided to entrust the task of monitoring the progress made in the implementation of this Code to an external body: the **SGS Group**, world leader in



certification. SGS was, therefore, asked to set up and carry out a specific audit programme, aimed at assessing the compliance of Ferrero toy manufacturers with the principles and requirements set out in the "Code of Conduct".

As a result, SGS developed a programme to monitor the progress of the implementation of the Code structured across the following main phases:

- a "check-list" verification tool;
- conformity checks for each toy production centre, producing a report on the outcome;
- a programme of corrective actions;
- the final audits.

The checks carried out by SGS at 31 August 2009 covered virtually all production centres used by Ferrero and established that:

- the level of compliance with the provisions of the "Code of Conduct" is high;
- no "non-conformity" situations were found with regard to:
  - human freedom and fundamental rights;
  - child labour;
- no violations were detected concerning local environmental norms and regulations;
- residual intervention areas to ensure full implementation of local labour regulations were identified;
- the improvement interventions necessary to guarantee full implementation of the Ferrero "Code of Conduct" by toy suppliers can be easily carried out and will be closely monitored.

#### KINDER ART – AN EGG ON DISPLAY AT THE "TRIENNIAL EXHIBITION" IN MILAN

Three generations of children have loved Kinder Eggs and became part of the Kinder Surprise "army of collectors" around the globe. It is, therefore, not so unusual for some of them, who grew up to become artists, to remember the eggs also in their artwork. The artwork of 21 artists, from Italy as well as from abroad, is displayed at a special venue dedicated by the "Triennale Bovisa" exhibition, in November 2009 in Milan, aimed at celebrating the extra-special relationship between fantasy, childhood, play and artistic creation.



## Next Steps

IN COLLABORATION WITH SGS, WE WILL CONTINUE TO CARRY OUT ALL THE NECESSARY CHECKS AND AUDITS ON OUR TOY PRODUCTION FACILITIES, AS WELL AS ON OUR SUPPLIERS, IN ORDER TO ENSURE THE FULL IMPLEMENTATION OF THE FERRERO "CODE OF CONDUCT", IN PARTICULAR CONCERNING ETHICAL AND ENVIRONMENTAL ASPECTS.



CORPORATE SOCIAL RESPONSIBILITY

IT'S OUR LOVE FOR NATURE  
THAT TELLS US WHAT TO DO.

CHAPTER 9

NATURALLY  
FERRERO

**FERRERO.**

## Naturally Ferrero.

The Ferrero Group **is continuously involved in improving its industrial processes in order to make them more eco-friendly**, through an efficient use of energy, materials and natural resources, by decreasing environmental impact, waste and refuse, as well as by using renewable sources of energy, whenever possible.

Additional impulse to this commitment was provided by establishing **specific structures within the Group, dedicated exclusively to energy and environment issues.** These internal units already started operating specifically in those countries where investments in independent energy-producing facilities were made: Italy, Germany, Belgium and Poland.

### THE FERRERO GROUP'S COMMITMENT IN THE FIELD OF ENERGY INCLUDES THE IMPLEMENTATION OF THE FOLLOWING ACTIONS:

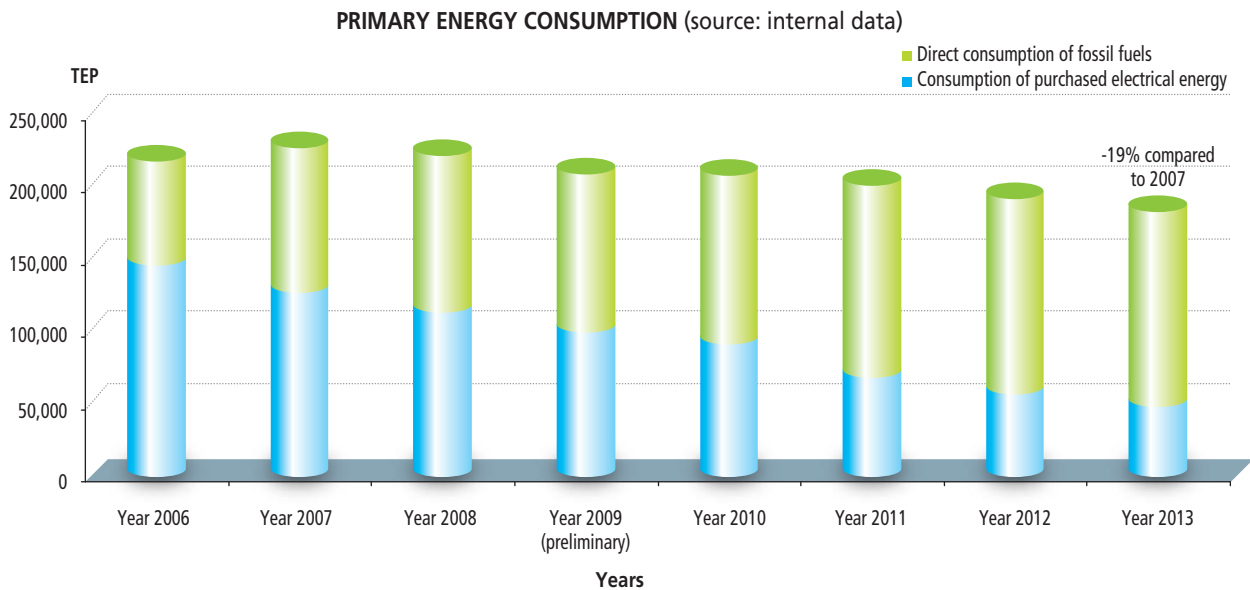
#### 1. DECREASED CONSUMPTION AND A RATIONAL USE OF ENERGY.

Decrease in energy consumption is implemented via a series of actions, many of which already ongoing.

All newly installed electric engines are high-efficiency models. A campaign to progressively replace previously installed electric engines is being implemented. Other actions include the installation of inverters, where regulation of fluid capacity (air and water) is necessary, thermal recovery systems, high-efficiency illumination through the use of the latest generation lamps and the adoption of "intelligent" lighting control systems.

**A second, yet no less important, method of decreasing energy consumption is represented by joint production of electrical and thermal energy through high efficiency co-generation plants.**

The following table shows the annual energy consumption performances of our manufacturing sites, alongside the **objectives set by Ferrero to decrease energy consumption by 2013 (19-20%, compared to 2007 data).**



IN ITALY, FERRERO IS ONE OF THE COMPANIES TO WHICH THE AUTHORITY FOR ELECTRICAL ENERGY AND GAS HAS GRANTED THE MOST ENERGY EFFICIENCY AWARDS ("TITOLI DI EFFICIENZA ENERGETICA", TEE), PROVIDING AN INCENTIVE FOR THE USE OF EFFICIENT ENERGY PRODUCTION TECHNOLOGIES AND RATIONAL USE OF ENERGY, FOR ENERGY SAVING PROJECTS SUBJECT TO APPROVAL.

## 2. DECREASE IN FOSSIL FUELS CONSUMPTION AND RESULTING GREENHOUSE GAS EMISSIONS.

These objectives will be achieved by:

- increasing the efficiency of generating electrical/thermal energy through the creation of high efficiency, natural gas co-generation plants;
- production of electrical energy from renewable sources.

At 31 August 2009, the following plants are already operational:

- high efficiency, natural gas powered co-generation plants, with a total electrical power supply of approximately 35 MW (including 24.5 MW from AlbaPower, corresponding to the Ferrero Group's share in that company which deals with local public services);
- other natural gas co-generation plants with a total electrical power supply of 22 MW (in the final stage of development).

**With regard to the production of renewable energy sources**, photovoltaic facilities have already been created at some of the Group's production sites, for a total peak electrical power supply of almost 2 MW.

Production of renewable energy sources began at the end of 2007. During the 2008/09 fiscal year, the production of electrical energy from these sources reached 986 MWh, corresponding to 0.15% of total consumption.

We foresee that between 2010 and 2012, **two liquid biomass cogeneration plants** originating from an environmentally and socially certified supply chain and with an electrical power supply equal to 26.3 MW will become operational.



Below is a summary table showing the self-production plants already operational, along with the ones that scheduled to become operational in the near future (high efficiency co-generation and renewable sources).

For each facility are displayed: the electrical power installed and the actual/foreseen year when the plant will become operational (source internal data).

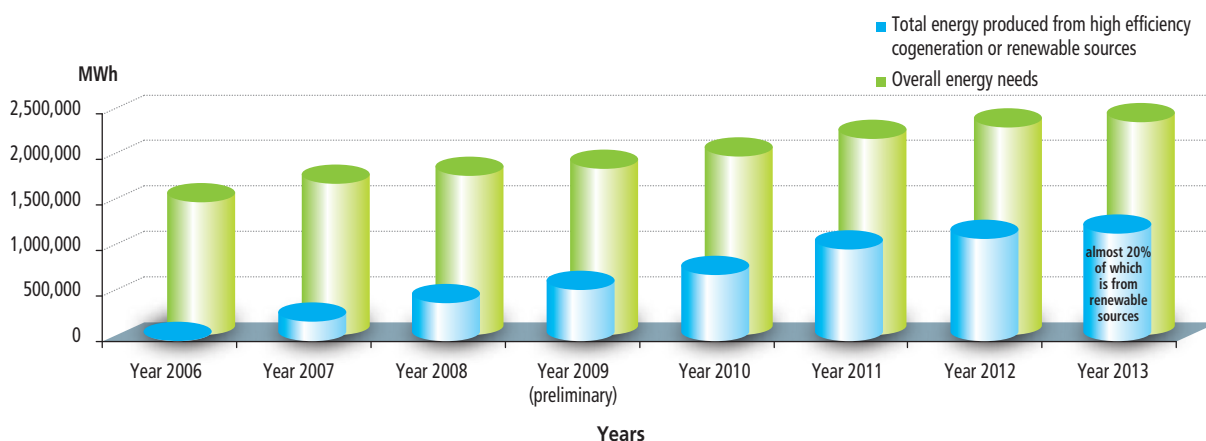
	Natural gas cogeneration	Liquid biomass cogeneration	Photovoltaic
<b>ALBA</b>	<b>Alba Power</b> <b>24.5 MW*</b> <b>year 2007</b> <b>6.3 MW</b> <b>year 2010</b>		<b>0.25 MW</b> <b>year 2008</b>
<b>ARLON</b>	<b>4.2 MW</b> <b>year 2008</b>		
<b>BALVANO</b>		<b>8.4 MW</b> <b>year 2010</b>	<b>0.51 MW</b> <b>year 2008</b>
<b>BELSK</b>	<b>1.1 MW</b> <b>year 2006</b> <b>4.6 MW</b> <b>year 2010</b>		
<b>POZZUOLO</b>	<b>3.35 MW</b> <b>year 2011</b>		
<b>S. ANGELO DEI LOMBARDI</b>		<b>17.9 MW</b> <b>year 2012</b>	<b>0.52 MW</b> <b>year 2008</b>
<b>STADTALLENDORF</b>	<b>5.2 MW</b> <b>year 2007</b> <b>7.8 MW</b> <b>year 2011</b>		<b>0.6 MW</b> <b>year 2007</b>
<b>TOTAL</b>	<b>57.5 MW</b>	<b>26.3 MW</b>	<b>1.88 MW</b>

\* The amount is considered to be the portion of installed electrical power, corresponding to the Ferrero share in Alba Power

UPON COMPLETION OF THE INVESTMENT PROGRAMME EXPECTED TO BE CARRIED OUT BY 2013, THE FERRERO GROUP'S OVERALL INDEPENDENT PRODUCTION CAPACITY WILL REACH MORE THAN 85 MW, WITH AN ANNUAL ELECTRICAL ENERGY PRODUCTION OF 600 GWH/YEAR, APPROXIMATELY COVERING THE NEEDS OF ALL OF ITS EUROPEAN PRODUCTION FACILITIES.

Considering that high efficiency co-generation facilities simultaneously produce electrical and thermal energy, the following table shows the pattern of the Group's overall energy needs (electricity + thermal energy + direct uses), along with the total amount of the share that is independently produced by high efficiency co-generation plants or renewable sources.

#### OVERALL ENERGY NEEDS VS. ENERGY INDEPENDENTLY PRODUCED BY HIGH EFFICIENCY COGENERATION OR RENEWABLE SOURCES (source: internal data)



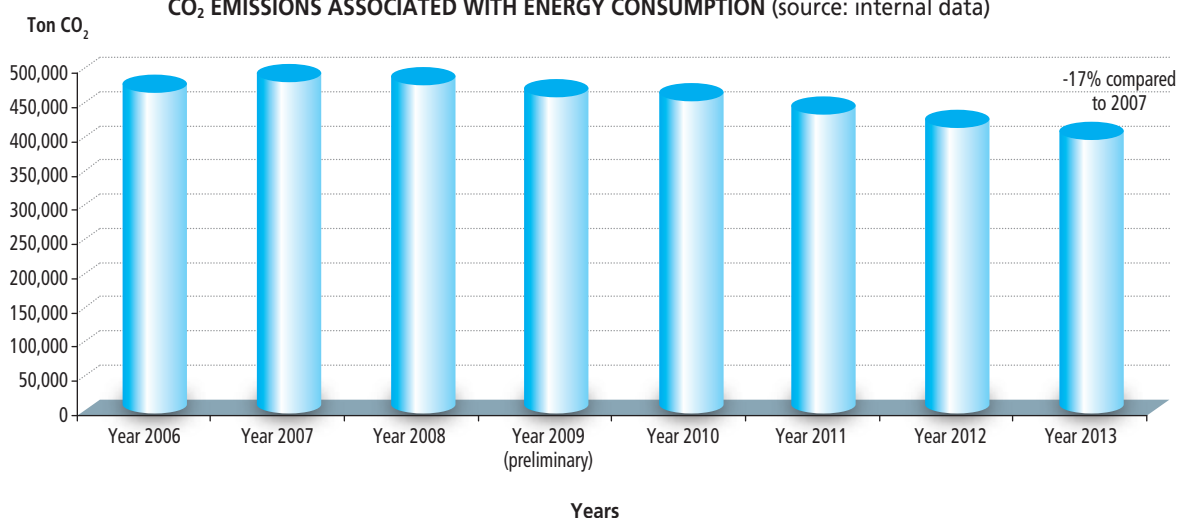
It should be noted that, thanks to self-production through high efficiency co-generation plants and renewable sources, while an increase in demand is taking place, a significant decrease in the use of fossil fuels (as shown in the table in paragraph 1) as well as a decrease in CO emissions, are being achieved.

Such reductions in the use of fossil fuels, as well as the benefits deriving from the combination of actions under way (decreased consumption, decrease in the use of fossil fuels, use of renewable sources) are shown in the following table.

**The overall decrease in annual CO<sub>2</sub> emissions expected to take place by 2013 is equal to 17% with respect to 2007.**

These values take into account not only direct emissions, associated with the use of fossil fuels (production process, traditional water heaters, co-generation plants), but also indirect emissions, associated with electrical energy purchased from the market.

#### CO<sub>2</sub> EMISSIONS ASSOCIATED WITH ENERGY CONSUMPTION (source: internal data)



### 3. DEVELOPMENT OF LOCAL INITIATIVES AIMED AT ACHIEVING SYNERGIES IN THE ENERGY AND ENVIRONMENTAL SECTORS, AS WELL AS POSITIVE RELATIONSHIPS WITH LOCAL COMMUNITIES.

Thanks to a partnership between Ferrero and the public utilities company of the city of Alba, a synergic project aimed at satisfying local energy needs in an efficient and environmentally friendly manner was established.

The co-generation plant, called **“Alba Power”**, became operational in 2007. This covers a significant part of the electrical and thermal energy needs of the Ferrero plant in Alba, **while at the same time producing electricity that can be used by the public network**. This allows the hot water produced with the residual heat to supply power to **more than 800 families connected to the city of Alba’s tele-heating network**.

#### ALBA POWER COGENERATION PLANT

THE PLANT’S ELECTRICAL POWER SUPPLY IS 49 MW; ITS OVERALL, AVERAGE ANNUAL PRODUCTION EQUALS APPROXIMATELY 330 ELECTRICAL GWH AND 420 THERMAL GWH. THE PLANT WAS CREATED THROUGH A PARTNERSHIP AGREEMENT BETWEEN FERRERO AND AND THE PUBLIC COMPANY MANAGING LOCAL SERVICES. ALBA POWER IS AMONG THE FEW ENERGY FACILITIES IN ITALY THAT, BY VIRTUE OF THE DESTINATION OF THEIR ENERGY (TELE-HEATING PURPOSES, AS WELL AS IMPROVEMENT OF ENERGY EFFICIENCY AT AN INDUSTRIAL PLANT) OBTAINED BOTH THE “GREEN CERTIFICATE” (FOR CO-GENERATION AND FOR TELE-HEATING) AND ENERGY EFFICIENCY QUALIFICATIONS (ELECTRICAL ENERGY AND NATURAL GAS SAVINGS FOR INDUSTRIAL USE).





#### 4. PARTICIPATION IN RESEARCH AND TECHNOLOGICAL INNOVATION IN COLLABORATION WITH UNIVERSITIES, RESEARCH INSTITUTES AND PRIVATE COMPANIES.

The Ferrero Group has developed, over time, a consolidated network of relations with the academic and university world, aimed at promoting scientific and technological advancements in the areas associated with its business activities.

Specifically, at the end of 2009, **the creation of an experimental photovoltaic plant** was completed, with the aim of testing some of the most promising new technologies, such as solar trackers and concentrators and various types of photovoltaic panels. The goal of the experiment is to evaluate the actual performance features of these technologies and monitor their evolution over time.

At the end of 2009, in collaboration with universities and other private entities operating in the agro-food industry, Ferrero participated to a call for tenders by the Piedmont Region to co-finance a project entitled "Research & Innovation to Improve the Sustainability of the Agro-Food Supply Chain". This three-year project has already been pre-selected among those that will benefit from public funding.

#### Some figures about the respect for the environment.

Data relating to plants with ISO 14001:2004 certifications (all EU plants and Australia) integrated with data from other plants (see global list pag. 10). Source: internal data

PERFORMANCE INDICATORS	2006	2007	2008
<b>ENERGY CONSUMPTION FROM PRIMARY SOURCES (TEP)</b>	218,740	227,066	222,437
Purchased electricity	146,434	126,889	113,278
Direct consumption of fossil fuel	72,306	100,176	109,159
<b>DRAWN WATER FOR TYPE OF SOURCE (m<sup>3</sup>)</b>	5,090,210	5,079,064	4,844,748
River	1,942,440	1,683,792	1,521,946
Well	1,350,170	1,347,354	1,474,022
Aqueduct	955,258	1,073,661	987,317
Others	842,342	974,257	861,463
<b>TOTAL WEIGHT OF CO<sub>2</sub> EMISSION – DIRECT AND INDIRECT – (TONS)</b>	473,110	488,195	483,519
<b>ANHYDRIDES OF NITROGEN, SULPHUR AND OTHER GAZ (TONS)</b>	286,984	252,079	217,799
NO <sub>x</sub>	135,208	122,968	106,601
Dust	65,490	58,970	43,885
CO - Carbon monoxide	57,246	54,731	53,415
COV	15,665	7,558	7,072
NH <sub>3</sub> - Ammonia	13,375	7,852	6,827
<b>TOTAL REFUSE PER TYPE AND TREATMENT (TONS)</b>	85,636	89,488	89,033
Recycle/re-use	74,504	75,741	76,297
Refuse to distroy	11,132	13,747	12,736

## An integrated Supply Chain.

In order to always be able to reach consumers and offer them the freshest products, while improving service levels for distributors by rationalizing logistics flows, the Ferrero Group has established, since 2008, an **integrated supply chain** with the following objectives:

- improve transportation efficiency, by reducing CO<sub>2</sub> and particulate emissions;
- improve the use of intermodal and alternative means of transport, including rail transport, which today represent only 3% of European goods transport;
- use means of transport running on alternative energy sources;
- ensure optimal saturation of the means of transport used, also through *ad hoc* agreements with other suppliers.

**We have set the goal of reaching these objectives by 2013, in order to be able to manage packaging more efficiently, as well as improve relations among producers, suppliers and distributors in order to unite them all with the common objective of a “greener supply chain”.**

AS AN EXAMPLE OF ALREADY ONGOING ACTIVITIES, IN FRANCE AND BENELUX FERRERO HAS ESTABLISHED AN “ON-BOARD DIARY” FOR LOGISTICS, USED TO CONSTANTLY MONITOR THE OPTIMAL “LOAD” OF TRUCKS, THE KILOMETRES TRAVELLED AND THE RELATED CO<sub>2</sub> EMISSIONS. IN ORDER TO IMPROVE THE EFFICIENCY OF THIS SYSTEM AND TO ASSIGN RESPONSIBILITY TO ALL OF THE PLAYERS INVOLVED IN THE LOGISTICS CHAIN, THESE INDICATORS ARE ALSO BEING USED AS MANAGERIAL TOOLS AND THEIR IMPROVEMENT IS AN IMPORTANT PART OF ASSESSING THE PERFORMANCE OF OUR WORKERS. IN ORDER TO MAKE SURE THAT WE ARE ALWAYS USING ECO-FRIENDLY VEHICLES, WITH ENGINES THAT ARE LESS POLLUTING (ACCORDING TO APPLICABLE EUROPEAN DIRECTIVES), WE SIGN AD HOC AGREEMENTS WITH OUR PARTNERS, IN ALL STAGES OF THE SUPPLY CHAIN.

### CONSIDERATION OF THE ENVIRONMENTAL IMPACT FROM THE CONCEPTUAL PHASE OF PRODUCTS

ENVIRONMENTAL IMPACT ELEMENTS ARE, WHENEVER POSSIBLE, CONSIDERED ALREADY AT THE TIME WHEN A NEW PRODUCT IS CONCEIVED BY FERRERO. A GOOD EXAMPLE OF THIS IS THE “READY TO FREEZE” GRAN SOLEIL DESSERT, WHICH IS PRODUCED, TRANSPORTED, STORED AND DISPLAYED AT THE POINT OF SALE WITHOUT ANY NEED TO BE REFRIGERATED. IN FACT, THE CONSUMER IS FREE TO DECIDE WHEN TO FREEZE THIS PRODUCT AT HOME, BEFORE CONSUMING IT.

OBVIOUSLY, SUCH AN INNOVATIVE PRODUCT HAS A SIGNIFICANTLY LOWER IMPACT ON THE ENVIRONMENT COMPARED TO TRADITIONAL ICE CREAMS (WHICH NEED TO BE REFRIGERATED THROUGHOUT THEIR ENTIRE LIFE CYCLE), BOTH IN TERMS OF DECREASED ENERGY CONSUMPTION, AS WELL AS OF LOWER CO<sub>2</sub> EMISSIONS. SPECIFIC STUDIES ARE UNDERWAY IN COLLABORATION WITH THE POLITECHNICAL INSTITUTE OF TURIN IN ORDER TO MEASURE IN A MORE PRECISE WAY THE ACTUAL ENVIRONMENTAL IMPACT OF GRAN SOLEIL’S INTEGRATED CYCLE.

## The “5 R” Strategy for Our Packaging.

For Ferrero, packaging is an integral part of its products, since its main function is to protect food and guarantee its quality. Ferrero offers its consumers refined recipes, using only top quality ingredients and production processes, aimed at obtaining a thrilling taste. Packaging must, therefore, protect the finished product, avoiding deterioration and preventing breakages, contamination or tampering, so as to ensure that the fragrance and taste of the product is maintained, even months after production.

Ferrero uses a wide range of materials to package its products: paper, cardboard, plastic, glass, aluminium. **Over the years, important improvements in the consumption of these materials have occurred, reducing their use while maintaining the quality and safety of our products.**

In the development and planning of our packaging, we have adopted what we define as the “5R Strategy”, aimed at achieving the very best in terms of quality and freshness, while minimizing the quantity of waste produced:

**1<sup>st</sup> R – Remove:** decrease the number of elements forming the packages.

*We have already eliminated more than 2 million polypropylene (PP) bows in a variety of gift packs during the fiscal year 2007/08, saving approximately 11 tons of PP.*

**2<sup>nd</sup> R – Reduce:** reduce the use of materials, by downsizing, reducing excess packaging and optimizing design.

Ferrero has always paid close attention to respect the resources used to package its products. For example, in 2001, **the Kinder Country packaging was optimized**, allowing for a weight reduction of approximately 41%. Over the past 10 years, by reducing the thickness of the packaging film used to wrap individual bakery snacks, a saving in materials of approximately 20% was achieved. Since 2008, we have reduced the width of the PP bands employed, as well as the thickness of the polystyrene (PS) sheets used to separate the two levels of pralines contained in a Rocher box, thereby **saving approximately 10 tons of PP and 20 tons of PS.**

With the objective of optimizing **the 16 piece Rocher package**, the design was radically modified. This allowed us to reduce the box’s initial weight from 70 g to 63 g and up to  $\approx$  56 g in 2008. This is an ongoing process, which in the past two years led to a reduction between 9 and 11% in Italy and of 18% in Germany, which corresponds to less consumption of polystyrene by about 500 tons. We aim at standardizing this practice for all our plants, in order to further extend savings of the materials used for the Rocher packaging.

During the 2008-09 fiscal year, **a project concerning the primary aluminium wrapping** of Rocher was implemented, with the aim of reducing its thickness by 8% by the end of 2010. During the first quarter of 2009, this objective was already 50% achieved.

Even the most recent projects, such as **Gran Soleil**, pay very close attention to the rational use of resources. Starting in January of 2010, it is expected that the aluminium layer used to package Gran Soleil will be reduced by almost 30%. This will result in a 10% decrease of the total amounts used.

**3<sup>rd</sup> R – Recycle:** use of highly-recyclable materials and, wherever technically possible, replacement of composite materials, as well those coupled with mono-materials, in order to make sorting and recycling easier.

Following tests carried out in 2007, in 2008/09 we began replacing almost all of the secondary packaging with recycled PET (rPET). During the 2008/2009 fiscal year, 1,000 tons of recycled PET were used. It is expected to use at least 2,000 tons during the 2009/2010 fiscal year.

The following table shows some of the main materials used and the associated recycled quantities:

MATERIAL		2007-2008		2008-2009	
		QUANTITY (tons)	% of which are from recycled sources	QUANTITY (tons)	% of which are from recycled sources
CARDBOARD	Compact and corrugated	90,000	35%	90,000	35%
	Corrugated cardboard	63,000	80%	71,000	80%
PLASTIC	PET	4,000	0%	6,500	15% (post-industrial)
GLASS		130,000	10%	140,000	10%
ALUMINIUM		3,000	30-40%	3,500	30-40%

Data are provided using a global estimate

**4<sup>th</sup> R – Re-use:** development and implementation of multi-purpose solutions, and of solutions that can be re-introduced into the production cycle.

Re-use has always been a part of our philosophy, both for finished products (for example, Nutella glasses, once they have served their purpose of transporting and storing the product, can become household objects), as well as for production and transportation (for example, the trays needed to transport Kinder Maxi Surprise Eggs and Rocher and Rond Noir pralines).

DECEMBER 2009 – “CARTA BUONA” (“GOOD PAPER”) IS BORN, MADE OUT FOR 50% WITH, POST-CONSUMPTION RECYCLED FIBRE FROM FERRERO PACKAGING AND FOR THE OTHER 50% WITH FSC CERTIFIED FIBRE, PRODUCED WITH “PURE ENERGY” (I.E. ENERGY THAT WAS GRANTED RECS - RENEWABLE ENERGY CERTIFICATE SYSTEM CERTIFICATES, GUARANTEEING THAT IT ORIGINATES FROM RENEWABLE SOURCES). THIS KIND OF PAPER HAS BEEN USED FOR THIS REPORT.

**5<sup>th</sup> R – Renew:** use of materials derived from renewable and re-integrable sources (i.e. avoiding recourse to the food supply chain), as well as biodegradable materials.

We have replaced the internal blockage of the bows used for **Rocher Cube**, packages, originally produced in PET, with a special variety of corrugated techno-cardboard.

From July of 2009, the polystyrene (PS) display cases for the flow packs (i.e. the “envelope packaging”) containing either 3 or 4 Rocher pralines, were replaced by a special variety of techno-cardboard display cases. The resulting advantages were not only associated with the origin of the materials used (from renewable sources), but also resulted in a reduction of the resources used by approximately 200 tons per year.

Using materials originating from renewable sources, and whenever possible from biodegradable resources, is an

enormous challenge. Until now, the available solutions did not provide us with the technical characteristics that would guarantee the same properties in terms of barrier to humidity and oxygen, conditions which are essential to be able to continue to offer fresh and high quality products to consumers.

Therefore, Ferrero is carrying out specific studies, in collaboration with a variety of universities and research institutes, in order to develop technical solutions that, while respecting the environment, can also provide technical properties deemed necessary to continue to ensure product freshness and quality.

Ferrero is also an active member of the relevant Italian and international Trade associations, such as, *inter alia*: the European Bioplastics Association, and the Proplast consortium, and participates to the main Italian and international working groups focussing on environmental subjects.

## Next Steps

**THESE ARE OUR MAIN OBJECTIVES, TO BE REACHED BY 2013:**

- **DEVELOP SELF-PRODUCTION ENERGY CAPACITY TO COVER THE NEEDS OF ALL OUR MANUFACTURING PLANTS IN EUROPE;**
- **19-20% REDUCTION IN ENERGY CONSUMPTION, WITH RESPECT TO 2007;**
- **15% REDUCTION, AT LEAST, WITH RESPECT TO 2007, IN DIRECT AND INDIRECT FOSSIL FUEL CONSUMPTION AND RELATED GREENHOUSE GAS (CO<sub>2</sub>) EMISSIONS;**
- **50% INCREASE, AT LEAST, WITH RESPECT TO 2007, IN HIGH EFFICIENCY CO-GENERATION ENERGY;**
- **20% OF OUR SELF-PRODUCTION ENERGY CAPACITY DERIVED FROM RENEWABLE SOURCES;**
- **ALL NEW PAKAGING PROJECTS TO BE EVALUATED IN TERMS OF ECO-DESIGN AND OPTIMIZATION FROM THE ENVIRONMENTAL POINT O VIEW;**
- **UP TO 10% INCREASE IN THE USE OF RECYCLABLE MATERIALS IN PACKAGING.**



## GRI INDICATORS.

**GRI-G3 Indicators** Index Table, including some “Food Processing Sector Supplement” indicators (draft 24.08.09), from the Corporate Social Responsibility Report 2008/09. The table identifies, for every indicator: a summary of the content, the location in the report, and the level of coverage (T = Total; P = Partial; NA = Not Applicable).



ORGANIZATIONAL PROFILE INDICATORS		LEVEL OF COVERAGE	PAGE
<b>1. STRATEGY AND ANALYSIS</b>			
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	T	2-3
<b>2. ORGANIZATIONAL PROFILE</b>			
2.1	Name of the organization	T	23
2.2	Primary brands, products, and/or services	T	12-13
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	T	10-11, 23
2.4	Location of organization's headquarters	T	23
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	T	10-11, 16
2.6	Nature of ownership and legal form	T	23
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	T	8-11
2.8	Scale of the reporting organization (number of employees, net sales or net revenues, quantity of products or services provided)	T	13, 16, 40
2.9	Significant changes during the reporting period regarding size, structure, or ownership	T	10
2.10	Awards received in the reporting period	T	14-16, 28, 54, 56

ORGANIZATIONAL PROFILE INDICATORS	LEVEL OF COVERAGE	PAGE
<b>3. REPORT PARAMETERS</b>		
REPORT PROFILE		
3.1 Reporting period for information provided	T	Cover
3.2 Date of most recent previous report	NA	
3.3 Reporting cycle	T	Cover
3.4 Contact point for questions regarding the report or its contents	T	Cover, 24, back cover
REPORT SCOPE AND BOUNDARY		
3.5 Process for defining report content	T	Cover, 24
3.6 Boundary of the report	T	Cover
3.7 State any specific limitations on the scope or boundary of the report	T	Cover
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	T	23, 25
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	NA	
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	NA	
GRI CONTENT INDEX		
3.12 Table identifying the location of the Standard Disclosures in the report	T	92-97
<b>4. GOVERNANCE, COMMITMENTS TO EXTERNAL INITIATIVES, STAKEHOLDER ENGAGEMENT</b>		
GOVERNANCE		
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	T	23-24
4.2 Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	T	23
4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	T	23
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	T	23-24, 42

STAKEHOLDER ENGAGEMENT		
4.14	List of stakeholder groups engaged by the organization	T 24-25
4.15	Basis for identification and selection of stakeholders with whom to engage	T 24

ECONOMIC PERFORMANCE INDICATORS		LEVEL OF COVERAGE	PAGE
<b>MARKET PRESENCE</b>			
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	P	35, 68-72
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	P	34-36, 40-44, 68-72
<b>INDIRECT ECONOMIC IMPACTS</b>			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	T	28-31, 34-36, 41, 86

ENVIRONMENTAL PERFORMANCE INDICATORS		LEVEL OF COVERAGE	PAGE
<b>MATERIALS</b>			
EN1	Materials used by weight or volume	P	60, 87, 90
EN2	Percentage of materials used that are recycled input materials	T	90
<b>ENERGY</b>			
EN3	Direct energy consumption by primary energy source	T	87
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	T	82-88
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	T	82-88
<b>WATER</b>			
EN8	Total water withdrawal by source	T	87
<b>EMISSIONS, EFFLUENTS, AND WASTE</b>			
EN16	Total direct and indirect greenhouse gas emissions by weight	T	87
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	T	82-91
EN19	Emissions of ozone-depleting substances by weight	T	87
EN22	Total weight of waste by type and disposal method	T	87



PRODUCTS AND SERVICES		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	T 82-91
TRANSPORT		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	P 88

SOCIAL PERFORMANCE INDICATORS		LEVEL OF COVERAGE	PAGE
LABOR PRACTICES AND DECENT WORK			
EMPLOYMENT			
LA1	Total workforce by employment type, employment contract, and region	T	40
LABOR/MANAGEMENT RELATIONS			
LA4	Percentage of employees covered by collective bargaining agreements	T	42
OCCUPATIONAL HEALTH AND SAFETY			
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	T	43, 60, 62
TRAINING AND EDUCATION			
LA10	Average hours of training per year per employee by employee category	P	45-47, 60
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	T	34-35, 42, 45-47
DIVERSITY AND EQUAL OPPORTUNITY			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	P	40
HUMAN RIGHTS			
INVESTMENT AND PROCUREMENT PRACTICES			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	T	34-36, 68-73, 76-79
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	T	68-73, 76-79

SOCIAL PERFORMANCE INDICATORS		LEVEL OF COVERAGE	PAGE
CHILD LABOR			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	T	68-73, 76-79
FORCED AND COMPULSORY LABOR			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	T	68-73, 76-79
SOCIETY			
COMMUNITY			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	T	28-31, 34-36, 41, 64-65, 68-73, 78-79, 86
PUBLIC POLICY			
SO5	Public policy positions and participation in public policy development and lobbying	T	24, 50-57, 68-72
PRODUCT RESPONSIBILITY			
CUSTOMER HEALTH AND SAFETY			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	T	50-55, 60-63, 76-78
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	P	77, 79
PRODUCT AND SERVICE LABELING			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	T	51, 55, 78
MARKETING COMMUNICATIONS			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	T	53-54, 56-57
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	T	56

FOOD PROCESSING SECTOR SUPPLEMENT INDICATORS	LEVEL OF COVERAGE	PAGE
FPSS3 Percentage of production volume manufactured insides certified by an independent third party according to internationally recognised food safety management system standards	T	62-63, 76-77
FPSS4 Percentage of consumer product sold, by product category, that are lower in saturated fat, trans-hydrogenated fats, sodium and added sugars	T	51
FPSS6 Policy and practices to communicate ingredients, nutritional information and additives and their functions	T	51, 55, 62

## REVIEW REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY REPORT

To the Shareholders of  
Ferrero International S.A.

- 1 We have reviewed the corporate social responsibility report (the “sustainability report”) of the Ferrero Group (the “Group”) as of August 31<sup>st</sup>, 2009. The directors of Ferrero International S.A. are responsible for the preparation of the sustainability report in accordance with the “Sustainability Reporting Guidelines” established by GRI - Global Reporting Initiative in 2006, as stated in the “about this corporate social responsibility report” paragraph. They are also responsible for determining the Group’s objectives in respect of sustainable development, performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control processes with respect to the reported performance information. Our responsibility is to issue this report based on our review.
- 2 We conducted our work in accordance with the criteria established for review engagements by the “*International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information*” (“ISAE 3000”), issued by the *International Auditing and Assurance Standards Board*. That standard requires that we comply with applicable ethical requirements (the “*Code of Ethics for Professional Accountants*” issued by the *International Federation of Accountants*), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement is substantially less in scope than an audit. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons of the Company responsible for the preparation of information presented in the sustainability report, and applying other evidence gathering and validation procedures, as appropriate. These procedures included:
  - comparing the economic and financial data presented in the subparagraph “some figures about our production” on page 13 of the sustainability report to the corresponding information and data included in the Group’s consolidated financial statements as of August 31<sup>st</sup> 2009, on which Deloitte S.A. issued the auditors’ report on March 2<sup>nd</sup>, 2010;
  - analyzing how the processes underlying the generation, recording and management of quantitative data included in the sustainability report operate. In particular, we have performed interviews and discussions with delegates of the Group to gather information on the information, accounting and reporting systems used in preparing the sustainability report;
  - analyzing how the processes underlying the generation, recording and management of the information reported in the “company values” paragraph operate. In particular, we have performed interviews and discussions with delegates of the Group and analysis, on a test basis, of the supporting documentation to gather information on the definition and internal communication of the Group corporate principles (Group Code of Ethics), as disclosed within this sustainability report;
  - analyzing the compliance of the qualitative information included in the sustainability report with the guidelines referred to in paragraph 1 of this report, and their overall consistency, in particular with reference to the sustainability strategy and policies and the determination of material issues for each stakeholder category;

- analyzing the stakeholder involvement process, in terms of methods used and completeness of persons involved, through analysis of the minutes of the meetings or any other information available about the significant features identified in the stakeholder involvement process;
- obtaining the representation letter signed by the legal representative of Ferrero International S.A. on the compliance of the sustainability report with the guidelines indicated in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in an audit.

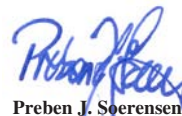
- 3 Since the Group's sustainability report is in its first year of publication, within our engagement, as requested by the management of the Group, we did not perform the following procedures:
  - collection of corroborating documents on the processes and internal control procedures used to combine, process and transmit quantitative data to the office that prepares the sustainability report;
  - analysis on a test basis of documentation supporting the preparation of the quantitative data relative to the sustainability report, to confirm the effectiveness of processes, their adequacy in relation to the objectives described, and that the internal control system correctly manages data and information.
- 4 Based on the procedures performed, except for the possible effects of the matters described in paragraph 3 above, nothing has come to our attention that causes us to believe that the sustainability report of the Group as of August 31<sup>st</sup>, 2009 is not prepared, in all material respects, in accordance with the "Sustainability Reporting Guidelines" issued in 2006 by GRI - Global Reporting Initiative, as set out in the "about this corporate social responsibility report" paragraph.

**Deloitte.**

Milan, June 11, 2010  
DELOITTE ERS S.r.l.



**Franco Amelio**  
State Authorised Public Accountant (Italy)  
Corporate Responsibility Services



**Preben J. Soerensen**  
State Authorised Public Accountant (Denmark)  
Corporate Responsibility Services

*This report has been translated into the English language solely for the convenience of international readers*



Children participating at the initiatives of Kinder + Sport (see pp. 54)

Ferrero  
Ufficio di Coordinamento CSR  
187, Chaussée de la Hulpe  
1170 Brussels  
Belgium

[csr@ferrero.com](mailto:csr@ferrero.com)  
[www.ferrero.com](http://www.ferrero.com)

Concept and Design  
mood comunicazione attiva srl  
Rome

The paper used for this report is "carta buona" obtained from recycled fibers of the Ferrero packaging and manufactured with renewable energy.

"Carta buona" is made by Favini certified FSC.



**Mixed Sources**  
Product group from well-managed  
forests, controlled sources and  
recycled wood or fiber  
[www.fsc.org](http://www.fsc.org) Cert no. SGS-COC-002038  
© 1996 Forest Stewardship Council

**REALIZZATO CON ENERGIA PURA** Energia Pura contribuisce a ridurre le emissioni di CO<sub>2</sub>.



**FERRERO.**