



SHARING VALUES
TO CREATE VALUE

Landscape: Langhe.

CORPORATE SOCIAL RESPONSIBILITY

REPORT 2009/2010

FERRERO.



From left to right: Pietro, Michele, Maria Franca and Giovanni Ferrero. Pietro's untimely death occurred on 18th April 2011, in South Africa, where he was working to strengthen the 'Ferrero Social Enterprise' in Johannesburg.

My dearest Pietro.

*your destiny will not be an uncompleted one,
an unfinished project,
a dream dissolved,
a mission left in half.*

*For you, who loved this Group above anything else
as it was your first home.*

*for you, who always wanted
that this successful story should never to be interrupted,
we shall continue writing successful pages, for you.*

(From Giovanni Ferrero's commemoration, Alba, April 27th 2011)



CORPORATE SOCIAL RESPONSIBILITY

REPORT 2009/2010





Your trust, our passion!

In a year of global economic crisis and of decreasing consumption, the Ferrero Group has grown by more than 4 per cent.

It is a sign that consumers around the world have rewarded our products because they have recognized them as new and innovative; it is a sign that they have appreciated their quality and their freshness, cared for through production and distribution, from raw materials to the point of sale; it is a sign that we have been able to communicate their characteristics and values in an honest and relevant manner, respecting the cultures, in which we operate. It is indeed also a sign of the continuing and growing attention that we pay to our corporate social responsibilities.

Ferrero is conscious that today its products need to be innovative in a new dimension: in a world of increasing population and increasingly scarce and expensive raw materials, a greater sustainability of those same products is urgently needed.

Because of this, I am proud to share with you the following initiatives which aim to bring Ferrero's innovation philosophy to product sustainability, to the business model and to everyday working relations.

Shared responsibility throughout the production chain

With the aim of sharing our principles of quality excellence and environmental, ethical and social responsibility throughout the production and distribution chain, **we have adopted a Code of Business Conduct**. This Code is based on those same principles that have distinguished our history: a renewed commitment to source raw materials of excellent quality, which, at the same time, respect our ethical, social and environmental values; the application of the principles of environmental sustainability in all its forms and a particular emphasis on the efficiency of the entire production and distribution chain by optimizing human, economic and sustainable environmental resources.

Coinciding with our second Corporate Social Responsibility report, **we have launched the ABCDE Plan** (A Business Code Dialogue Engagement) which foresees the sharing of the Code of Business Conduct with all of the internal and external stakeholders in our production and distribution chain before 2013.

Raw materials certified as sustainable

The commitment towards greater ethical and social responsibility is reflected in a plan for **the use of sustainably certified raw materials such as cocoa and coffee** and the implementation of a sustainable strategy for all of our raw materials.

Self-production of energy and from renewable sources

With the aim of pursuing the best environmental efficiency in terms of energy supply and use, the Group has set-up, within Europe, highly efficient co-generation plants using conventional and renewable sources, which have strengthened Ferrero's capacity to produce its own energy.

Our objective is **to make all European plants self-sufficient in energy sourcing** by 2013, with an ever-increasing share from renewable sources.

Shared vision and cohesion

In the last year, 1,551 Ferrero employees reached the milestone of over 25 years with the company. Thanks to them and through them, our heritage of knowledge remains and grows within the Group. Our commitment to social responsibility is certainly a factor of cohesion and strength in the Group, as highlighted by a study on **the loyalty of our colleagues**.

The Ferrero Foundation and the Ferrero "Social Enterprises"

The Ferrero Foundation works for the benefit of our retired colleagues, whilst promoting the cultural and artistic richness of the district and, above all, under the guidance of my mother, Maria Franca, inspires and embodies the special Ferrero entrepreneurial spirit.

It is with this same inspiration that Ferrero, in South Africa, India and Cameroon, has continued and strengthened the activities of its "Social Enterprises", strongly supported by my father Michele, to improve the quality of life in some of the most needy areas of the world. The activity of the "Social Enterprises" is particularly shown in the **"United Kinder of the World"** initiative, which will direct the resources generated to the benefit of the children and teenagers in the areas in which we operate.

The Ferrero Foundation and the "Social Enterprises", strongly supported by my family, **are the two arms of our Group outstretched towards ethical and social commitment**. They constitute our unique and irreplaceable instruments for directly developing concrete initiatives for the communities in which we operate, closing the circle of our entrepreneurial activities.

Enjoy our report!

June 6th 2011



Giovanni Ferrero
CEO Ferrero International



About this Corporate Social Responsibility Report

This second report aims to illustrate the Ferrero Group's strategy of social responsibility and sustainability as well as its activities throughout the world from 1st September 2009 to 31st August 2010. Other reports will follow annually.

In view of the objectives set for 2013 and, in the long term, for 2020, the issues dealt with in this second report have been selected according to their level of importance for the Group, taking into account the opinions of the stakeholders through specific meetings.

The report was edited by the CSR Coordination Office of the Ferrero Group (e-mail: csr@ferrero.com, address: Chaussée de la Hulpe 187, 1170 Brussels), in conformity with the "Sustainability Reporting Guidelines and Food Processing Sector Supplement" (G3, version 3.0, 2010) established by the Global Reporting Initiative (GRI).

This second edition condenses all the information in a more streamlined shape than the previous version. For further details it refers to the first CSR report, which is available on the Internet (<http://www.ferrero.com/social-responsibility/report/2008-2009/>) and published in June 2010.

Compared with the content of the first CSR report, a significant change in this second report is the new factory in Vladimir (Russia), active since October 2009.

GRI/G3 application level of this report is B+.

Independent assurance of this report was carried out by Deloitte.

This report is also available on the Internet at: www.ferrero.com.

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OUR GOALS FOR 2020

	GOALS	REFERENCES
	For the people in Ferrero and the communities where we operate	
1	Enhance the activities of the “Ferrero Foundation” and of Ferrero’s “Social Enterprises”	Achieved and updated
2	Adoption of the Code of Business Conduct and its implementation throughout the supply chain (ABCDE plan)	Before 2013
3	Complete the diffusion of the company Code of Ethics	Foreseen for 2010: achieved
	Further enhancement of the environment protection	
4	Develop self-production energy capacity to cover the needs of all our manufacturing plants in Europe	Before 2013
	Same action plan on a global level	Before 2020
5	30% energy self-production from renewable sources with the reduction of 40% CO₂ emissions (compared to 2007)	Before 2020
	30% reduction of greenhouse gas emissions (tons of equivalent in CO₂) during transport and storage activities	Before 2020
6	20% reduction of water consumption per unity of production in the plants (compared to 2009)	Before 2020
7	Use of packaging made from renewable sources (+10%)	Before 2020

	GOALS	REFERENCES
8	<p>For an ethical and sustainable sourcing</p> <p>100% of cocoa, palm oil and coffee supply certified as sustainable</p>	Before 2015/2020
9	<p>For a more healthy youth lifestyle</p> <p>Expand “Kinder+Sport”, our programme for a healthy lifestyle</p>	Before 2013
10	<p>For a responsible communication policy</p> <p>Extend the self-regulation policy concerning advertising directed to children on a global level</p>	From 2012

Staff at work in the Ferrero's Social Enterprise in Yaoundé (Cameroon).



FERRERO.



FERRERO AROUND THE WORLD

■ To be closer to our consumers all around the world: 40 headquarters and operational sites

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

Ferrero men and women

On 31st August 2010, the average staff was **21,736 persons**.

○ Our 18 production plants

ITALY Alba	1946
GERMANY Stadtallendorf	1956
FRANCE Villers Escalles	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

*Ferrero's Social Enterprise

The new plant in Vladimir

On May 27th 2008, with the ceremony of the "first stone", the Ferrero Group started the construction of the plant of Vladimir, with a modern production and logistics system of 80,000 m², on an area of 42 hectares.

In November 2009, the first production line of "Kinder Chocolate" came into operation and in March 2010 the production line of "Raffaello" was added. Following the Ferrero tradition, the company has organized for the employees a shuttle service from the workplace to home and vice versa, and a work canteen. Moreover, since August 2010 a "hot line" service for consumers was activated. Most of the suppliers of services are local firms in the region of Vladimir.



Next steps:

- We foresee, in September 2010, the simultaneous production of Kinder Chocolate and of Kinder Chocolate Snack Bars;
- In 2011, production will be further diversified;
- In 2011, **1,500 employees** will work in the plant.

THE CORPORATE GOVERNANCE OF THE GROUP

From 1946, the Group's governance has evolved over time, accompanying its global expansion. The cardinal points that distinguish the history and growth of the Ferrero Group are: **the continuity of a family-owned business and its expansion into new markets plus the creation of new production plants with a special attention to the high quality of products and to constant innovation.**

On 31st August 2010, the Group is composed of more than 70 companies under Ferrero International, a holding company based in Luxembourg (Findel Business Centre, Route de Trèves L-2632), and established as a company 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 the Ferrero family, among whom is the Vice – President. The executive members of the Board, chosen according to their skills and competencies, are subject to an assessment based on merit.

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 distinguished 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 organizational structure of the Group has further evolved in 2009, triggering on the one hand departments focused on specific categories, namely on the quality of products and their increasing globalization and, on the other hand, by creating specific integrated units that can guide activities and resources with a global vision, fostering operational synergies and optimizing the allocation of human resources and inputs in the field of packaging, logistics, raw materials, product testing and marketing.

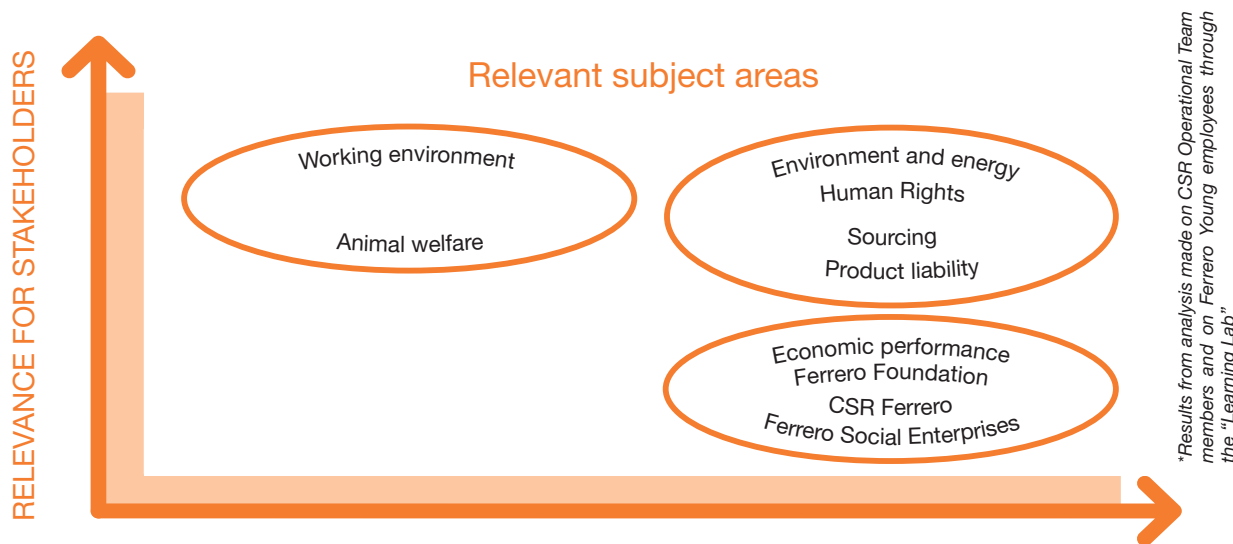
The Ferrero Group participates in the development of public policy through its participation in associations, at national, European and international level. The institutional relations departments are active in the principal business units and in Brussels. The definition and management of the Group's 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. For the preparation of this report, the Committee has met twice.

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 and meets often with variable composition, according to the topics addressed and, at least twice a year, with all components. The activity of the CSR Coordination Office in Brussels (e-mail: csr@ferrero.com) is continuous and constant.

Through the above CSR Committees, the most relevant social responsibility topics were examined and selected, on the basis of the company principles and values, and with the involvement of our main stakeholders while sharing goals and policies. In particular, we report the meetings to share the **Code of Ethics**, in the presence of our key external stakeholders, on 3rd March 2010 in Brussels. As mentioned in the first CSR report, the Ferrero Code of Ethics was shared with all employees, and its plan of diffusion reviewed by Deloitte. Information sessions for employees were organised, with reference to the company values and all the contents of the Code of Ethics including: initiatives for a safe and positive working environment, with reference to internal procedures in case of violation of the Code and in particular: the practices against discrimination and harassment, corruption and conflict of interest. In conjunction with these initiatives, Ferrero has also adopted a **Code of Business Conduct**, which will follow in the next pages.

Also this year, we conducted a **process of reflection on our stakeholders and the most important issues** through specific meetings and the sharing of objectives and strategies. The feedback from our stakeholders is valuable material for us and the opinions which emerged were taken into due account and reported, for instance, in the Code of Business Conduct. Here are the results of this experience:



Regarding the organization of the production chain, the Ferrero Group manages directly all core processes, and in particular:

- ▣ **product research and development, production processes and techniques, including toys;**
- ▣ **design of equipment/machinery of strategic importance (about 50%);**
- ▣ **production and processing activities;**
- ▣ **on strategic marketing institutional activities, and development policies.**

In addition, specific vertical integration initiatives are under way, in particular:

- **the development of an agricultural production chain of hazelnuts, with the aim of meeting at least part of the demand, through our own plantations;**
- **the development of energy production and commercial activities, in order to cover some of the needs of the group facilities with investments in high efficiency plants and in renewable energy.**

The following activities are managed through outsourcing:

- ▣ **special packaging / promotions for about 25-30% of Group's production volume;**
- ▣ **some commercial and or/ distribution activities concerning specific products in some countries , for a market share of about 10-15%;**
- ▣ **some administrative and accounting services.**

THE MAIN ASSOCIATIONS IN WHICH 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).

AIM - European Brands Association, bringing together the main EU Brand Industries (www.aim.be).

CAOBISCO - European Association of Chocolate, Biscuit & Confectionery Industries, representing around 2000 chocolate, confectionery and biscuits companies in the EU (www.caobisco.com).

CIAA - European Federation of Food & Drink Industries: European Federation of Food & Drink Industries, representing and promoting the interests of the food & beverages companies in the EU (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).

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

TIE - Toy Industries Europe, association representing the interests of toy manufacturers in the European Union (www.tietoy.org).

WFA - World Federation of Advertisers, global organization representing national advertising associations and advertising companies (www.wfanet.org).



The safety of our toys from the design phase

THE MPG CODE

The strict “MPG Code¹“ foresees that “Kinder toys” fully comply with:

- ❑ the latest Toy Safety Directive 2009/48/EC;
- ❑ the European toy safety standards (EN71);
- ❑ the international standard ISO 8124 on toy safety;
- ❑ those national standards which are in some ways more restrictive;
- ❑ the projects of changing such standards, anticipating the compliance of the “Kinder surprises” in future legislation;
- ❑ the strict chemical requirements, borrowed from other regulations (e.g. regulations cosmetics);
- ❑ the environmental standards;
- ❑ the requirements of a voluntary nature which are stricter than those in the standard EN 71 (for instance concerning the maximum limits on the migration of heavy metals).

The application of the strict MPG Code, has meant that we have never had to recall any of our products due to safety reasons. Since the entry into force of the Directive on Toy Safety in 1998 and, through the application of our strict Code, **33 billion toys have been sold in total and absolute security.**

In addition to our controls on toys, we check our European suppliers and packaging companies regarding all aspects of health security and we carry out local checks on our Asian suppliers locally.

Ferrero also charges external certification bodies to conduct external audits - at least once a year - of the “Ferrero Quality System” and to collect product warehouses, both on the market and in Ferrero stores, to check the quality of the “Kinder toys.”

The Ferrero Group also has a “Code of Conduct” for the ethical and environmental aspects concerning the production of toys, which are also binding for producers.

This is the “**Ferrero Ethical Social and Environmental Requirements for Suppliers of Kinder Toys**“, which are based on the most advanced codes of ethics applicable to the sector. In 2008, the Group decided to appoint an external agency to check on the implementation of this Code.

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

This programme includes an annual monitoring which revealed that some aspects of the “Code of Conduct”, considered marginal, must be further improved.

This will certainly be done by the end of 2010 and early 2011, under SGS monitoring.

¹ Magic Production Group – company belonging to the Ferrero Group entirely dedicated to toys.



AWARDS AND HONOURS

July 2010

The prestigious “ Winning Italy Award “ to Ferrero

On 5th July 2010, the Ferrero Group was awarded the prestigious “**Winning Italy Award**“, in the impressive Villa Madama in Rome.

The award was received by the two CEOs, Pietro and Giovanni Ferrero from the hands of Fiona May, the world famous sportswoman, in the presence of the Italian Foreign Minister, Franco Frattini. “In the classification of the company with the best reputation in the world, Ferrero is in first place. This makes us proud as Italians. You - the Minister said addressing the two Ferrero brothers - are truly holders of the ideal that sees Italy as the home of high quality foodstuff. You are ambassadors of the Made in Italy “.



April 2010

Contribution to the Australian development

The Ferrero Group was recognised for its significant contribution to the cultural and economical development in Australia and for the diffusion of sport activities.

AMBASSADOR



AUSTRALIAN EMBASSY
ROME

29 April 2010

To Everyone at Ferrero,

On 29 April an event was held at the Australian Embassy in Rome to celebrate the Italian contribution to Australia, in short, to say “Grazie Italia”. I am writing to express my gratitude for Ferrero’s active involvement in the event and also for its invaluable contribution to the Australian economy over recent years.

April 2010

The Special Award for Innovation to the Ferrero Gran Soleil from SuperBrands

Ferrero Gran Soleil won the prestigious “**Special Award for Innovation**”, thanks to its innovative strength and its ability to create and maintain a unique fusion of excellence in taste and state-of-art technology production. The award was given by SuperBrands, the British group managing the “CoolBrands” programme.

March 2010

Milano Finanza Company Award

The “**Lombard Elite**” award is intended for entrepreneurs who distinguish themselves for the growth strategies, for successful examples of “Turnaround” business operations and for corporate finance operations. It was assigned to the Ferrero Group, in collaboration with The PriceWaterhouseCoopers.

The award was given: “For the extraordinary level of corporate Reputation, attention to Corporate Social Responsibility, international investments, product innovation and for the attention to quality as highlighted by the launch of Grand Soleil line.”

October 2009

Grand Prix for Innovation

Ferrero Kinder Country and Rondnoir were awarded as “**products of the year 2010**” in Spain, for their outstanding quality and innovation.

This recognition came from a study conducted among ten thousand consumers by TNS, the market research company established in 80 countries.



FERRERO.

THE LIFE CYCLE OF KINDER CHOCOLATE: A RESPONSIBLE CHAIN!



All phases of the life cycle described in these pages are explained more in detail in the next chapters.

CODE OF BUSINESS CONDUCT



Ferrero requires suppliers, trade partners, commercial agents, subcontractors, distributors, vendors and their employees:

- ▣ to adhere to its values;
- ▣ to comply with its non-negotiable high standards.

Ferrero values are: “Loyalty and Trust, Respect and Responsibility, Integrity and Sobriety and Passion for Research and Innovation.”

We identify ourselves with the motto, “WORK, CREATE, DONATE”.

These values guide: the Ferrero Foundation, the Ferrero Social Enterprises and the whole Ferrero Group.

“These values constitute the real legacy of our Group” (From Pietro and Giovanni Ferrero’s Letter, 1st CSR Report, June 2009).

The integral text of Ferrero values may be found at www.ferrero.com.

This Code of Business Conduct establishes standards applicable to “business to business” relations, in conformity with the Ferrero Code of Ethics, which may also be found at www.ferrero.com.

This Code of Business Conduct is in compliance with the Association of Brand Industries’ (AIM) Principles of Good Practice.

Ferrero is committed to a Corporate Social Responsibility (CSR) strategy, which complies with the following European definition:

“CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (from Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, 22.03.2006).

When we acquire raw materials, equipment, goods, packaging and services, the choice of our trade partners is based upon:

- ▣ quality and safety requirements;
- ▣ ethical, social and environmental principles;
- ▣ cost effectiveness analyses.

We support free competition in every supply procedure, in compliance with this Code of Business Conduct and with the Ferrero Code of Ethics.

THE CODE'S STRUCTURE

This Code of Business Conduct is based on the following 5 principles:

1 EXCELLENT PRODUCT QUALITY AND SAFETY

Excellent quality and safety of Ferrero products is our mission.

The quality and safety of Ferrero products has always been controlled and optimized through innovation, significant investments in research and development and continual improvements to its manufacturing systems.

We make specialty products that have the potential to become large consumer brands through their unique selling propositions and the experience and trust of our consumers.

To ensure **maximum consumer satisfaction**, improvement and innovation guide the entire production chain from the initial, careful selection of raw materials to production, packaging and distribution and onto the point of sale and final consumption.

When conducting business with Ferrero, our trade partners must comply with this Code of Business Conduct.

When we acquire raw materials, equipment, goods, packaging, and services, the choice of our trade partners is based upon: quality and safety requirements, ethical, social and environmental principles and cost effectiveness analyses. We support free competition in every supply procedure, in compliance with this Code and also with the Ferrero Code of Ethics.

GENETICALLY MODIFIED ORGANISMS (GMO) POLICY

In Europe, today, the majority of consumers have concerns about the presence of GMO's in their daily diets. Constantly attentive to consumers' needs and requests, Ferrero uses its best efforts not to use GMOs intentionally in the production chain and Ferrero diligently requests its suppliers and trade partners to provide all the relevant information on the presence of GMOs to the best of their knowledge.



2 HUMAN RIGHTS COMMITMENT

We have the highest commitment to human rights and we support universal human rights principles, in particular the United Nations Universal Declaration of Human Rights, the United Nations Rights of the Child Conventions, the Conventions of the International Labour Organization (ILO) and the Conventions of the World Health Organization. This commitment to the respect of human rights, together with our Company values, constitutes the basis of our policies and of our everyday activity.

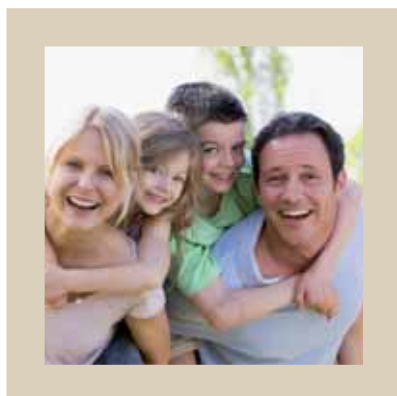
We implement our commitment through:

- ▣ the respect of our Code of Ethics;
- ▣ the application of this Code of Business Conduct to all our trade partners throughout the whole supply chain;
- ▣ our Corporate Social Responsibility engagement, including policies applied at the global level in all relevant fields (see www.ferrero.com).

Ferrero requests its suppliers, trade partners, commercial agents, subcontractors, distributors and vendors to respect human rights and to ensure that none of their employees shall suffer from any form of discrimination, abuse or harassment, based on: race, gender, age, origin, ethnic, physical ability, religious, political, social and cultural diversity. In particular, Ferrero requests that the respect of pregnancy is supported.

Ferrero requests all participants throughout the supply chain to be committed to the elimination of child labour, starting with its worst forms, and of forced and prison labour.

ILO Conventions provide the framework for national law to prescribe a minimum age for admission to employment or work, that must not be less than the age for completing compulsory schooling, and in any case not less than **15 years**. In countries where economic and educational facilities are less well developed, the minimum age may be as low as **14 years**. Exceptions may also be made from **12 or 13 years** for “light work”. The minimum age for hazardous work – work that is likely to harm the health, safety or morals of the child as a consequence of its nature of the circumstances under which it is carried out - is **18 years** for all countries.



Ferrero encourages all actions aimed at rising the minimum age to 15 years.

A standard clause is inserted in our contracts, in order to ensure that all of the goods purchased by 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.

Whenever possible, Ferrero welcomes the support of trade partners to fight together against child labour practices, through the involvement of local relevant authorities.

3 ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

Ferrero requires suppliers, trade partners, commercial agents, subcontractors and vendors **to fully respect the environment and to ensure compliance with all applicable laws and regulations at international level in the manufacturing and delivering countries.**

Ferrero also requires, whenever possible, all participants throughout the supply chain to adopt and respect:

- ▣ the Precautionary principle;
 - ▣ product life cycle analyses, including packaging and waste management;
 - ▣ reduction of emissions;
 - ▣ energy saving strategies, including use of renewable sources;
 - ▣ environmentally efficient logistics chain;
 - ▣ water conservation programs;
- with demonstrable evidence of implementation.

Ferrero also encourages the participation in **research and technological innovation projects** in the above-mentioned fields, in collaboration with universities, research institutes and other private companies in order to develop experimental systems to find the most promising solutions throughout the supply chain.

Ferrero requests, in particular, that suppliers and farmers engage together in:

- agricultural and rural development;
- good farming and agricultural practices: “the application of available knowledge to the utilization of the natural resources in a sustainable way for the production of safe, healthy food and non-food agricultural products, in a humane manner while achieving economic viability and social stability” (FAO, Good Agricultural Practices, June 2002);
- sustainable sourcing of raw materials;
- fully protecting animals and respect of animal welfare, considering that “animals are sentient beings” (EU Directive 86/609). For Ferrero’s raw materials sourcing, this is mainly applicable to hens and cows.



4 WORKPLACE ENVIRONMENT

□ Health and safety

Ferrero requires suppliers, trade partners, commercial agents and subcontractors to provide their employees with a safe and healthy working environment, including the development of appropriate controls and of safety procedures, preventive maintenance policies and the use of protective equipments.

Together, throughout the supply chain, we are committed to preventing accidents, injuries and illness related to work.

□ Freedom of association and the right to collective bargaining

Ferrero recommends to its partners throughout the supply chain to grant employees' right to join or not to join a Labour Union or to form a Labour Union without fear of reprisal, even if it is prevented by local governmental policies or norms.

□ Wages, benefits and working hours

Our commercial partners throughout the world must ensure that their employees work in compliance with all applicable laws concerning the number of hours and days, minimum wage, overtime and maximum hours. If there is no local legal minimum wage, wages should be at least comparable to those of similar local companies and in conformity with international standards recognized by Ferrero.

□ Family responsibilities

Ferrero encourages its commercial partners to respect the family responsibility of workers by providing reasonable working hours, parental leave, childcare and other facilities that, whenever possible, can help workers achieve a proper work-life balance.

5 BUSINESS INTEGRITY

Ferrero requires suppliers, trade partners, commercial agents, subcontractors and vendors to engage against improper conduct and / or improper personal advantage.

Ferrero does not allow behavior that consists of directly or indirectly promising or giving a financial or other advantage to public officials and / or civil servants or members of their families intending them to improperly perform a function.

Ferrero and its commercial partners shall refrain from any activity that results in a conflict of interests.

Ferrero favours **long-term contracts**, where possible, to help ensure a more stable income for farmers.

In particular, in relations to farmers and suppliers, Ferrero:

- provides, where necessary and/or possible, training and assistance to guarantee better quality of agricultural products;
- supports a transparent price policy, giving farmers a price reference for raw materials and leaving them free to choose to whom they will sell their product;
- gives rewards for quality which encourages farmers to reach and maintain high quality standards.

PRINCIPLES FOR ENGAGING INTO A TRADING RELATIONSHIP

INDEPENDENCE

The principle of independence means that trading partners recognize that they are independent economic entities, respecting each other's right freely to set their own strategy and management policies, in terms of production, distribution, sales, marketing, and finance, including the freedom to determine independently whether to engage or not in any agreement.

RESPECT FOR COMPETITION LAW

Ferrero is committed to comply with all antitrust and competition law applicable in individual countries. All trading partners will act in strict regard to applicable competition laws.

FAIR TRADING

The principle of fair trading means that all participants throughout the supply chain will behave at all times in good faith and in accordance with the principles of mutuality and maximization of value, avoiding unfair terms and conditions, business disruption, the transfer of excessive risks and unexpected costs on to other participants in the supply chain and respecting each other's branding and intellectual property rights.

ADDITIONAL PRINCIPLES APPLICABLE TO TRADING AGREEMENTS

MUTUALITY

The principle of mutuality means that each trading partner should contribute to the business relationship and both should have a real opportunity to benefit from it. Mutuality should be the basis for all dealings between trading partners.

MAXIMISATION OF CONSUMER VALUE

The principle of maximization of consumer value requires trading partners to work together to provide better value to the consumer. Together, all participants should seek efficiency of the total supply chain and optimum use of resources.



WRITTEN AGREEMENT

The terms of any agreement between trading partners should be recorded in writing and there should be no distinction between formal and informal arrangements.

In all cases, written agreements should detail all points agreed, from general sales terms and conditions to arrangements for distribution, promotion or marketing, joint activities, agreement review and procedures for the suspension or cessation of the trading relationship. Any written agreement should conform to applicable law and it should be signed by all parties to the agreement.

AUDIT AND TERMINATION OF AGREEMENTS

Ferrero Group reserves the right to verify the supplier's compliance with this Code.

Ferrero Group will not engage in commercial relationships with suppliers who do not accept the conditions of this Code.

In case Ferrero Group becomes aware of any actions or conditions not in compliance with this Code, Ferrero will demand corrective measures and reserves the right to terminate any agreement.

INSPECTIONS

Ferrero reserves the right to conduct unannounced inspections of suppliers and their business practices, records and facilities as well as private interviews with employees.

Each supplier shall designate staff responsible for also monitoring the factories of their subcontractors used in production for Ferrero.

In case of non-compliance, Ferrero will demand corrective measures and reserves the right to terminate any agreement.

Ferrero uses independent third parties to assess compliance with this Code.

Among the principles set out in the Code of Business Conduct, characterizing our history, there is a renewed commitment for the supply of raw materials of excellent quality and at the same time respectful of ethical, social and environmental values; the application of the environmental sustainability principle in all different forms; a particular emphasis on the efficiency of the entire chain of production and trade, through optimization of human, economic and environmentally sustainable resources.

Following the adoption of the Code, we launched the ABCDE Plan (A Business Code Dialogue Engagement) which provides for the sharing of the Code throughout our supply chain by 2013.

CHAPTER 1:

Respect for human rights and communities



Ferrero Foundation, Alba. Picture by Alberto Piovano.



*Children by Social Enterprise
in Yaoundé, Cameroon.*



RESPECT FOR HUMAN RIGHTS AND COMMUNITIES

THE FERRERO FOUNDATION

Work, Create, Donate are the guiding values of the “Piera, Pietro and Giovanni Ferrero Foundation” and of the entire Ferrero Group.

Founded in 1983 as “Opera Sociale” and headed by its indefatigable **President, Mrs. Maria Franca Ferrero**, the Foundation works directly in the social, philanthropic, cultural and artistic fields, mainly **for the benefit of Ferrero’s retired employees and for children** (for a further description of the Ferrero Foundation, see the chapter dedicated to it in the first CSR report and on the website www.fondazioneferrero.it).

It should be noted that the Ferrero Foundation is not a “Granting Foundation” – it doesn’t provide loans or contributions to other organizations or to social, cultural or humanitarian institutions - but it is an “**Acting Foundation**”. The Foundation develops, on its own, various projects and social and cultural activities (the latter specifically related to people or situations from Alba or Piedmont). These activities require substantial financial resources, provided for that purpose by the Ferrero Group so that they are not dedicated to other initiatives, although praiseworthy.



The room “Cassiopea” in the Foundation, where the retired employees meet.

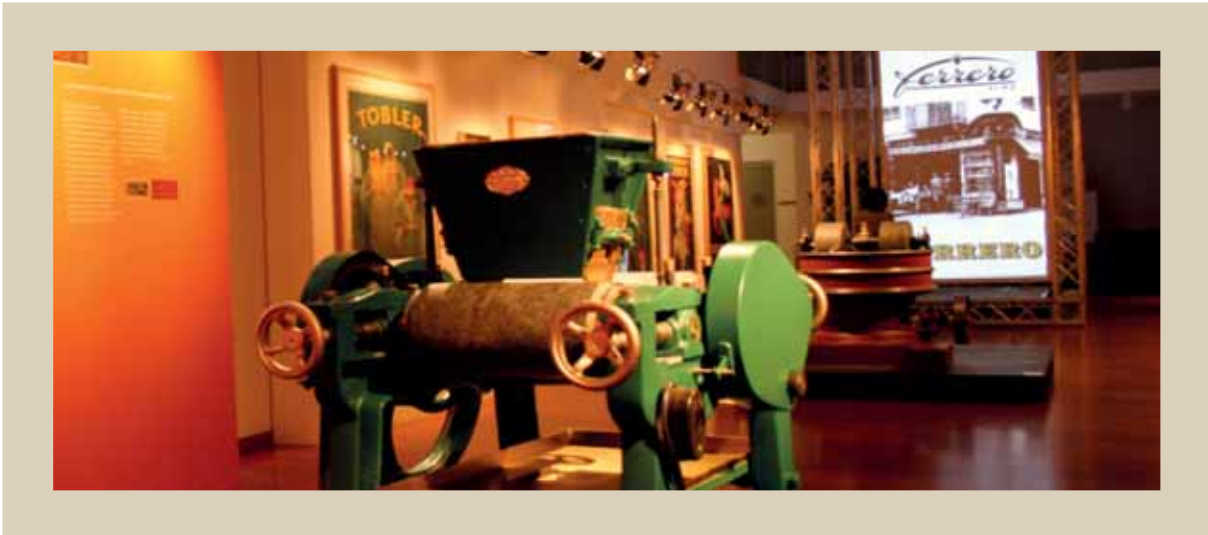
Cultural Activities

The exhibition “**Chocolate, from the Maya to the twentieth century**” has had great success. Organized in 2009, with the Piedmont Region, and curated by cultural experts Andreina d’Aglia and Fabrizia Lanza, the exhibition was visited by more than **33,000 people**, for free.

Through works of art, silver, china, posters and industrial machinery, the exhibition showed the public the extraordinary story of chocolate from the Mayan civilization until the production line of the 70’s. Thanks to the scenery and multimedia the public has made a **journey through the history and geography of the chocolate**, recreating **the magical atmosphere of a cocoa plantation**, through more sophisticated technology.



Cover of the exhibition catalog “Chocolate. From the Maya to the twentieth century”.



The refining machinery of 1943 of the Ferrero pastry shop in Alba, as restored by Ferrero Engineering in December 2002.

Between **February and April 2010**, the Kinder Egg was featured in the exhibition *Kinder Art* of the Foundation, formerly held at the Triennale Bovisa in Milan. Kinder Surprise was born in 1974, from a simple but ingenious idea: to bring children Easter every day. The eggs contain small items of creativity and engineering, to develop the imagination and the ability of children. This mix of ideas has produced a global phenomenon, which has led us **to search for works of art inspired by Kinder Surprise**. In less than two months, we received **280 examples**. With the help of the association *Artegirovane*, a committee of experts in contemporary art was created: Francesco Poli, Guido Curto and Giorgina Bertolino. They selected the various works according to criteria of artistic value. Thus, **Kinder Art** was born, an exhibition bringing together works by **21 Italian and foreign artists**, creating an interesting path, rich in implications for the Kinder brand: an experience that explores the links between play, imagination, childhood and artistic creation.

The selected works were carried out using various techniques, from sculpture to the “assemblage”, from the photos to digital graphic design, from painting to the installations. They are mainly the works of young people, but there are also proposals by artists of other generations who have indulged themselves with their imagination. There is also the work of a memorable master of the **New Realism, Mimmo Rotella**, one of his “d collage” where, from the layers of torn posters, a horse’s head and a car come out as a surprise from an egg.



The work of Sabrina Rocca, *Construction Site*, 2008, acrylic on canvas, mixed technique displayed in the exhibition **Kinder Art**.

From the many musical events, should be noted the collaboration with the **Accademia Corale Stefano Tempia of Turin**, founded in 1875. It is the first musical association of Piedmont and Italy's oldest choral academy. The Foundation has organized two concerts in its auditorium, one for violin and piano, the other, at Christmas, animated by a polyphonic chorus and musicians from Bolivia.

In October 2009, the Foundation hosted the **Band of Young "Amatori della Musica" from San Filippo del Mela** (Messina) which performed in the auditorium of the Foundation and in the streets of the historic centre of Alba. The Band was born in 1993 in the "Università Popolare Comprensoriale", founded in 1978 under the auspices of San Filippo del Mela's administration. The Band spreads love for music in all its forms, but especially favors aggregation and solidarity among young people. It is directed by Maestro Carmelo Nastasi, who also takes care of "Permanent Musical Course". The Band includes about seventy students.



The Band "Amatori della Musica" from San Filippo del Mela performs on stage at the Ferrero Foundation.

The collaboration with the **"Unione Musicale" of Turin and Italy & USA Alba Music Festival** has continued, directed by the international musicians Giuseppe Nova, Jeffrey Silberschlag and Larry E. Vote.

As part of the cultural initiatives conducted in collaboration with the municipal administration of Alba, the Foundation hosted, in 2006, the choral **"La Sonatine" from Arlon** (Belgian town twinned with Alba since 2004), directed by Jean Lambert with 50 persons (between 5 and 14 years). The choral also returned to Alba during the Truffle Fair of 2009. The twinning of Arlon with Alba was born to emphasize the links between the two cities: both founded by the Romans, they share a history of resistance to Nazism and Fascism.

Among the many activities supported by the Ferrero Group based in **Belgium**, where a plant has been active since 1989, is the support of the “Juillet Musical de Saint Hubert” part of “Festival de Wallonie”, with the aim of spreading the love for music and of keeping alive the strong link with the territory.

With the 9th edition of the **Alba International Film Festival Infinity**, the Foundation hosted Roger Corman, the master of American cinema, who has produced and directed more than 400 films. The opening night of the festival, with a dialogue between Gerry Scotti, Alessandra Comazzi, Gianfranco Bettetini and Giorgio Simonelli, brought an interesting comparison between the quiz and TV of yesterday and today.

The guests of the monthly conferences were: Mario Calabresi, director of Italian newspaper La Stampa for the presentation of his book *La fortuna non esiste. Storie di uomini e donne che hanno avuto il coraggio di rialzarsi*; the astronomers Mario Di Martino and Giovanni De Sanctis; the sports journalist Gian Paolo Ormezzano for a portrait of the cyclists Coppi and Bartali; the journalist Alessandra Comazzi and the historian Silvano Montaldo for a meeting on the roots of our national history; Marco Tosatti and Professor Gian Maria Zaccone, scientific director of the Museum of the Shroud of Turin; Stefano Camerini, environmental engineer and expert on pollution and global warming.

Social Activities

Among the various groups of activities of the Foundation, where the Ferrero’s retired employees are engaged, there is one dedicated to **civil defence activities**. Members of this group have been involved in various voluntary activities, considering that the group is able to manage a field kitchen for over **a thousand hot meals a day**. In 2009, the group intervened in the earthquake area in Abruzzo. When necessary, this group travels abroad.

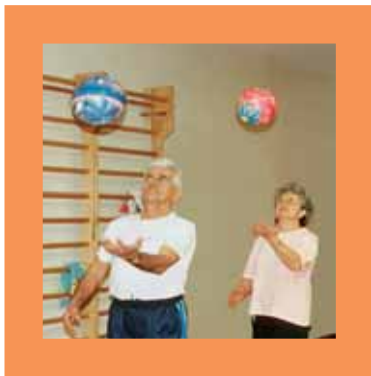


The group “civil defence” of the Ferrero’s retired employees in activity.

The Foundation offers to the Ferrero's retired employees opportunities in terms of **health, medical and social fields**. It also offers opportunity to do physical, cultural and relational activities, with a further positive impact on communities. There are about **40 activity groups** for the retirees: tailoring, pottery, photography, embroidery, internet, foreign languages, drawing and painting, "grandparents and grandchildren", cooking, pastry-making and many more. The retired employees also provide support for cultural activities of the Foundation, which over time have become increasingly frequent: the organization of exhibitions, welcoming guests, management of the "bookshop" during exhibitions, etc.

There are various occasions devoted to deepening the themes of voluntary help to provide real assistance to the sick and needy persons. Members of the Foundation, besides doing **physical activities**, aimed at fighting various diseases, receive high professional health care assistance. In 2009-2010, **480 people** attended the courses of physical activity. There is also a network of partnerships with **specialized medical Centres** including: the Foundation for Macular Degeneration in Genoa, The Institute for Research and Treatment of Cancer in Candiolo, the European Institute of Oncology in Milan, the National Institute for the Study and Treatment of Cancer of Naples, The Scientific Institute of the University of San Raffaele of Milan. In the reporting period, there have been **about 1,300** medical examinations conducted at the Ferrero Foundation.

In winter, the Ferrero's retired employees, in turn, are provided with **free accommodation** in Bordighera and Ospedaletti (Liguria). Each year more than six hundred retirees take advantage of this opportunity to mitigate the rigor of winter.



Group of Ferrero's retired employees doing physical activities.

Another interesting activity of the Foundation consists of editing the corporate magazine **Filodiretto** which is published four times a year and reaches more than twenty thousand people worldwide, including employees of the Group and retired employees. The magazine is translated into four languages (English, German, French and Spanish) and it reports the initiatives of the group, of the individual companies and the Foundation.

The activities in collaboration with “**Child Movement**” **Foundation** continue. The Foundation which is directed by Professor Maria Rita Parsi, has led to the elaboration of a **code of conduct, the Charter of Alba**, for a conscious use of new media by children.

The activity of the **company nursery**, running from autumn 2009, continues. It houses sixty children, aged between three months and three years, offering interesting conditions to employees. A proportion of places is reserved for needy children of Alba, as chosen by the City (see the first CSR Report, Chapter Foundation).



The company nursery in Alba.

Since October 2009, the medical service of the Foundation has also provided **consultancy at the company nursery** and, in particular, a) it gives advice for minor injuries or illnesses that do not require first aid, b) it organizes a series of meetings with parents on the major themes of pediatrics with the participation of pediatricians from the Hospital of Alba and from the Hospital Regina Margherita of Turin (2-3 meetings per year) and c) it organizes training sessions for professional educators and staff of the nursery twice a year, with the involvement of a hospital pediatrician.

On the occasion of the **FAI's** (“**Fondo Ambiente Italiano**”- Italian Environment Fund) spring days of 2010, the group “**Ricamo Bandera**” of the Foundation was invited to organize an exhibition of their work in the halls of the Castle of Manta in Saluzzo. Thus, the 50 people belonging to the group celebrated in an original and important way the **10th anniversary of the group**.

Visitors appreciated and showed interest in the fine pieces of embroidery, so well displayed among the historical furnishings of the castle. The embroiderers of the Foundation provided, for two days, explanations and clarifications to visitors and organized demonstrations of embroidery.



Castle of Manta di Saluzzo, with the pieces of embroidery of the group "Ricamo Bandera".



Ferrero Foundation, Alba, Piedmont.

The "Opera Sociale" in Germany, established at the manufacturing plant of Stadtallendorf, involves **more than 400 former Ferrero employees**. The mission of the "Opera Sociale", following the example of the Ferrero Foundation in Italy, is to encourage Ferrero's German retirees to spend their free time for an active and healthy life. The programme includes sport and educational activities, cultural events and excursions, as well as opportunities for exchanging ideas and experiences and social commitment. The activities of **2009/2010** involved **2,847 persons**.

Next steps

The next years, **up to 2015**, will see the fulfillment of some partnerships and study initiatives undertaken with the Universities of Turin, Pisa and Siena and with the local health services. These projects aim to demonstrate, by a very scientific point of view, the validity and effectiveness of the initiatives offered from the Ferrero Foundation to the retired employees. In particular, we seek to quantify and evaluate the positive influence that physical activity and social relations, built in the Foundation, have on slowing down the aging process and cognitive impairment in the older person.

The purpose is to get to the **theoretical definition of a social model** which guides all activities of the Foundation, so that it may be replicable in other locations.

In this period, the Ferrero Foundation has been engaged in the organization of the exhibition "*Morandi. The essence of the landscape*" **scheduled for 16 October 2010**. It was the first exhibition ever devoted to the landscapes of the great artist born in Bologna.

The Foundation is also preparing a monograph devoted to the Roman Emperor **Publius Helvius Pertinax** (Alba Pompeia 126 AD - Rome 193 AD). This arises from the will to honor the memory of a great Roman and eminent citizen of Alba and to help better illustrate, to the present and future generations, the political legacy of this figure, so far little studied and known.



*Opera Sociale in Stadtallendorf, Germany.
Ferrero retired employees.*



*Computer's literacy course
for Ferrero retired employees.*

RESPECT FOR HUMAN RIGHTS AND COMMUNITIES

THE FERRERO SOCIAL ENTERPRISES

The goal of the Social Enterprises project is to extend Ferrero's commitment to contribute to the improvement of living conditions in the poorest area of the world.

They are inspired by a spirit of ethics and a business conception that produces the financial resources to continue and increase their work. Each Social Enterprise sets aside, at the end of every financial year, a sum commensurate with its own total production operations, on the basis of known factors relating to the volumes produced, to be used exclusively for social projects. This sum is then devolved for the support of the social projects chosen as agreed between the governor (or other institutional authority) of the region in which the Social Enterprise operates and the Ferrero Foundation of Alba.

Social Enterprises' employees are selected and recruited locally, thanks also to the collaboration of professional schools dealing with young people from the less privileged sectors. Each employee has access to technical – professional training courses, locally or in Italy, which are related to the position and fully compliant with the Ferrero Group training policy, with consideration for local habits and culture.

For a fuller description of the mission of the Social Enterprises, please refer to the first CSR Report of the Ferrero Group (www.ferrero.com).



Today, the Ferrero Social Enterprises are established in:

- ▣ **Cameroon (Yaoundé)** where the production of Kinder Merendero/Joy started in June 2004;
- ▣ **South Africa (Walkerville, Gauteng - Johannesburg)**, where the production of Kinder Merendero /Joy started in August 2006. The site has also been equipped for the packaging of Tic Tac;
- ▣ **India (Baramati, Pune)**, where the Social Enterprises opened their first production centre in August 2007 and, in November 2009, construction of the new factory was started. When the work is finished, it will be the largest of the Social Enterprise factories producing Kinder Joy and Tic Tac. Today it employs 650 people and we foresee reaching approximately 1.000 employees by the end of 2013. Besides the production of Kinder Merendero/Joy in Baramati, there is also a Tic Tac packaging plant.



Staff at work for the manufacturing of Kinder Joy in the Social Enterprise in Walkerville (South Africa).

Children at school of Social Enterprise programme in Yaoundé (Cameroon).





SOCIAL INITIATIVES: “UNITED KINDER OF THE WORLD”

As mentioned in the first CSR Report, in this initial phase, the still limited dimensions of Social Enterprises have allowed us to provide a little support to improve the living conditions of children and young people:

- ▣ in Cameroon, where last year we started a programme for strengthening the pediatric department at the **St. Martin De Porres** hospital in Yaoundé with the installation of an ultrasound probe, specifically for children and pediatric hospital beds. Last year, the pediatric department was visited by about 450 children a month, of which about 150 were hospitalized;
- ▣ in South Africa, where last year we started the financing of the project “**Love Matters**“, workshops dedicated to young people on the prevention of AIDS. These “workshops” involved 560 children aged between 13 and 18 years;
- ▣ India, in 2009/10 we started the support of two initiatives: the first is the “**Don Bosco Shelter Centre**” for abandoned children in Mumbai, which gives an opportunity to receive training in skilled work. The Centre has been completely restructured, ensuring a healthy environment for 75 children. The second initiative that we have supported is the shelter centre “Shelter in Mumbai”, which provides health care and educates 60 young girls from very poor families living in the slum of Malad East, on the outskirts of Mumbai;
- ▣ In Sri Lanka, in 2009/10, we have started to financially support “**The House of children of Clarendon**“, an orphanage that provides for 70 young girls (3 to 18 years), run by the Sisters of Maria Immacolata in Mount Lavinia, near Colombo. The building that houses the girls has been completely restructured.

In this way the Social Enterprises find their true purpose in the well-being of the children that inspires them to work under the banner “United Kinder of the World”.

OUR GOALS FOR 2013, IN LINE WITH WHAT HAS BEEN FORESEEN LAST YEAR, ARE:

- Completion of the new plant in India, with the creation of over 1,000 jobs
- Diversification of production in South Africa;
- Continuation of the cultural and professional integration program of our employees in Cameroon, South Africa and India;
- Support to the three annual social projects in South Africa, Cameroon and India for health and education of children;
- Evaluating the possibility to develop social and business initiatives to help people in other areas and disadvantaged areas of the planet.

RESPECT FOR HUMAN RIGHTS AND COMMUNITIES

ENHANCING FERRERO HUMAN RESOURCES

Ferrero's real legacy is constituted by its values and by the people who implement them everyday. For this, the professional and personal development of our employees is the key factor to the growth of the company. **Our goal is to create a positive work environment to develop and enhance skills and competences, respecting differences and on a merit remuneration policy.**

On 31st August 2010, the average staff size, from the more than 70 companies under Ferrero International, was equal to **21,736 people** (including 1,023 people working in the "Ferrero Social Enterprises" and 748 working in Ferrero Agricultural Society in Argentina, Bulgaria, Chile, Georgia, and South Africa).

Based on Group database management systems, it is possible to provide useful additional elements for the purpose of this report. In particular, the exact staff size was equal to **21,372 people**, on 31st August 2010. The difference between the average staff size (21,736 people) and the exact staff size (21,372 people) mentioned, is due to the non consideration in the exact staff size of the employees on secondment, long absences, leave, or "not active" during the reporting year 2009/2010.

On 31st August 2010:

- ▣ The exact staff size includes **21,372 people**, 9,203 of whom are women (43%) and 12,169 are men (57%), versus 21,555 people reported on 31st August 2009, with a decrease in the fixed-term contracts.
- ▣ **75% of Ferrero staff** (16,017 people) **is based in Europe.**

Staff	On 31/08/2009	On 31/08/2010	%
Workers	12.993	12.791	60%
Employees	6.067	6.035	28%
Executives and Officers	1.724	1.725	8%
Managers	771	821	4%
Total	21.555	21.372	100%
Type of contract	Figures	Figures	%
Fixed-term*	4.095	4.283	20%
Indefinite	17.460	17.089	80%
Total	21.555	21.372	100%

Plants	Nationality of the Ferrero employees
Here below you will find the nationality of the employees working at main plants	
Alba – Italy	Italians 99.8%
Arlon – Belgium	French 55.3% Belgian 39.6%
Belsk – Poland	Polish 99.2%
Stadtallendorf – Germany	German 77.7%
Villers Ecalles – France	French 97.6%

Part-time / Full time on 31/08/2010	Age range of all employees on 31/08/10	
Part-time 7%	Age	%
Full Time 93%	< 30	19%
	30-50	64%
	>50	17%
	Total 21.372	

* For 2008/2009: seasonal workers 11%, internships 1% and fixed-term contracts 7%.
For 2009/2010: seasonal workers 13%, internships 1% and fixed-term contracts 6%.

OUR LEGACY: THE LOYALTY OF HUMAN RESOURCES.

There is a strong link between the Group and Ferrero men and women.

There are different factors that feed people's loyalty to the company, first of all **the sense of belonging**. The "Ferrerità" is a shared concept among all employees and it is expressed, among others, through the careful attention to the "Product", through the extraordinary commitment to quality, through the central attention for the consumer, the constant tension to innovation that allows the creation of unique and inimitable confectionery products, some of which have been on the market for over fifty years.

Demonstrations of this bond are tangible. **In 1994, the year of the flood that struck the city of Alba, Ferrero staff left their homes and went to the plant to retrieve equipments and ensure that production could restart as soon as possible.**

This deep link is shown by the clear and mutual commitment between the Group and its human resources, **but also by the length of work relations that employees maintain with the company. Employee's loyalty**, which today in Italy **exceeds 25%** of the company staff **with over 25 years of continuous presence in the company**, allows the Group to maintain its known-how through long relationships.

In 2010, **1,551 people**, still working, have been granted by the title of "anziani Ferrero": **1,084 in Italy (16%), 146 in France (12%) and 321 (7%) in Germany.**

This sense of loyalty is mutual. It is based on the constant commitment of the Group in activities aimed at ensuring to staff a positive and stimulating working environment, including everyday support as through: "Kinder Garden", "Ferrero Care", internal gyms, etc.).

From 2009, in Italy, further activities have been started to support the "**Ferrero Care**" programme, among which the "**Kinder Garden**" **project is particularly important**. The company provides reserved seats for Ferrero staff, the total payment of registration fees and a significant support for the monthly fee based on pre-fixed families' income range (for a more exhaustive description please see the first CSR report).

Of particular note is the opening of a fitness centre in the Business Unit in Italy, which is open free of charge to employees during lunch and evening hours.

In addition to these initiatives, international "job rotation", "induction plans" for the new company executives at all levels, such as "Capire Ferrero" ("Understanding Ferrero") for new graduates and "Ferrerità " which is a course on the values applied to business and research processes for structured career paths.

In the reporting period, Ferrero has not experienced work stoppages or hostile demonstrations against the company. Strikes were limited to national-level or linked to sector orientations.

FERRERO FRANCE

In the majority of the Group's Offices, similar initiatives in favor of employees, based on company values, continue to be developed.

Ferrero France has implemented a project that brings together several initiatives related to the **well-being of the employee and his family**. The main areas in which the project operates are:

The family. Two kids' clubs for children were built and made operational, near the plant and the headquarters. These structures support the family in the management of children during school holidays and Wednesdays (days when French schools are closed). With the same purpose, an agreement was signed with the kindergarten of Mont Saint Aignan, to ensure free access to Ferrero employees' children. Ferrero France foresees, moreover, **3 annual higher scholarships and 3 scholarships abroad for children of employees**.

Social assistance. The project "Bilancio Salute" (Health budget) allows employees aged over 45 years to undergo a series of comprehensive medical examinations free of charge. For former employees, Ferrero France supports the "GIS": an association that takes care of maintaining links with retired employees and promotes cultural activities, social and humanitarian in their favor.

Welfare at work. In May of 2010, a new company canteen was open. It combines quality and cheap meals; at the same time the fitness room has been expanded, which allows employees to engage in regular physical activity.

Further initiatives planned:

- 1 On 13th April 2011, the exchange day between children from the Mini-Club and children from the Association "Loisirs Pluriel", representing 11 local associations with the aim of conducting sharing activities with differently-abled children;
- 2 The anti-tobacco laser therapies, which will take place in a specific centre at a reduced price, to support employees in their choice of giving up smoking;
- 3 Diet training programs, to promote good health of our employees.



INDUSTRIAL RELATIONS

The European Works Council (EWC)

The new directive on European works councils (2009/38/EC), which amended some substantial parts of the previous one in 1994, must be transposed by the 5th June 2011. The constitutive agreement of the Ferrero EWC was signed in 1996 on a voluntary basis in accordance with art. 13 of 1994 Directive. The Group has long anticipated some of the principles and rules laid down by the new directive, for example: the presence of representatives of national Trade Unions and of the **EFFAT (European Federation of Food, Agriculture and Tourism Trade Unions)**, the functioning of the EWC, the joint training and the presence of an expert.

One of the fundamental principles of the new directive is the strengthening of interaction between the levels of national representatives (and local) and European workers represented by EWC.

Ferrero EWC has felt this interaction as a major priority for the continuation and strengthening of its own experience. This priority goes with the need to improve local communication on activities carried out by Ferrero EWC and the objective of facilitating, faithfully to shared values, the routine replacement of its members.

For this reason, in the autumn of 2010, **we shall launch a training project that has received the support of the European Commission** and which involves the organization of six joint national seminars and a closing European seminar. National workshops will begin in January 2011 until March; from 13th to 15th April the closing seminar is planned in Dresden.

The national seminars aim to involve country-by-country representatives in the EWC and representatives from plants. Main arguments will be: legislation sources, origins and functioning of European committees, reconstruction of the fifteen years of the Ferrero EWC and flexibility of working hours and of employment contracts.

Today, the EWC is an expression of about 75% of Group employees in the world and of almost all of those operating in Europe.



A SAFE WORKING ENVIRONMENT: OUR APPROACH TO HEALTH AND SECURITY

The safeguarding and promotion of health and safety at work represents a priority for the Ferrero Group in every activity and in every country in which it operates.

The Ferrero Group has committed itself to identify and eliminate situations of risk and improve, whenever possible, the conditions of the workplaces, through the active involvement of all employees.

In all of the Group's plants, regular information and training sessions on the topics of health, safety and risk prevention are organized.

*In this regard, the experiences of **Ferrero Canada** may be mentioned: a new newsletter, containing articles on safety, is sent to all employees; a "week of health and safety" has been launched, focusing upon activities regarding the same issues, including the involvement of sports centres, medical clinics and ambulance services.*

During 2010, as anticipated in the first CSR report, a joint training initiative was also created in the context of EWC, entitled "**from security to welfare**": during the two days of training, corporate managers and representatives of the employees have had the opportunity to discuss the management of safety in the enterprise, particularly with regard to training and communication for the purposes of risk prevention.

Comparing the situation of Ferrero European plants with the European official data (source EUROSTAT aggregated data 2007 of the food, beverages and tobacco industry manufacturers) shows that the frequency of accidents reported is consistently below the European average for the relevant field.



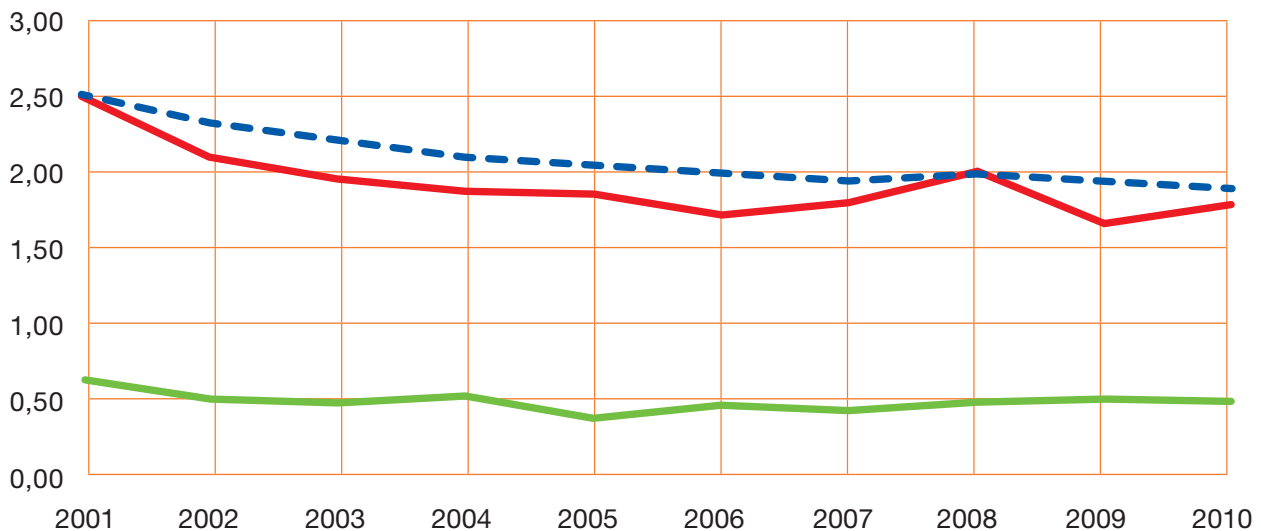
Staff at work in the production of Kinder Joy, respectively in the plants of Baramati (India) and Yaoundé (Cameroon).

The graphic below shows the index of frequency and severity of accidents at our European plants.

EUROPEAN

Plants in Italy, Arlon, Stadtallendorf, Villers Ecalles, Cork, Belsk

year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Frequency INDEX	2,51	2,11	1,94	1,85	1,84	1,72	1,80	1,97	1,67	1,79
Progressive Frequency INDEX	2,51	2,31	2,18	2,09	2,04	1,98	1,95	1,95	1,92	1,91
Severity INDEX	0,55	0,45	0,40	0,43	0,34	0,36	0,34	0,39	0,41	0,40



■ Frequency INDEX (100.000 hours) ■ Severity INDEX (1.000 hours) ■ Progressive Frequency INDEX (100.000 hours)

FREQUENCY INDEX (FI):

It represents, in a specific period, the total number of accidents per 100,000 hours worked

INDEX OF GRAVITY '(IG):

It represents, in a specific period, the total number of absence per 1,000 hours worked

TRAINING

During 2009-2010, Ferrero “Learning Lab” has organized 157 training events that were attended by nearly 3,000 people.

Year	Number of sessions	Number of participants	Type of training projects
2006-2007	58	965	20
2007-2008	91	1433	21
2008-2009	100	1500	23
2009-2010	157	2707	25

For example, during the reporting year 2009-2010, 231 “Senior Managers & Above” took part in Learning Lab training for a total of about 22 hours average per capita annual training; for 1,055 employees, executives and staff, about 54 hours per year per person have been developed.

The training courses are continuously updated according to, and sometimes anticipating, the needs that emerged from the continuing evolution of the business. This year, the courses offered have been enriched and updated in light of the new crossing competency model of the Group.

Training is a key element of support for organizational changes implemented and being implemented in different plants in Italy, in Europa and worldwide. **Ferrero GEIE Learning Lab ensures that the training plan offered by the Group is adapted to different realities.** In addition to classroom work and through practical experiences, the training plan foresees an “action learning” modality that along with the strengthening of expertise related to new management and technical roles, highlights the importance of processes and the application of inter-functional logic to teams.

November 2009

Award Ceremony of the Master “Michele Ferrero”



The Auditorium of the Research Centre of the Ferrero Group hosted the award ceremony for the presentation of diplomas and awards related to the second edition of the second level post- university Master in Science and Technology of Food and Human Nutrition, dedicated to Michele Ferrero.

The best four students received a scholarships and the two best final theses were rewarded by an economic prize.

Several training programmes and projects were initiated and carried out by the Ferrero Learning Lab.

Among the most important, there are: “Capire Ferrero”, “Ferrero Academy” (at its 17th edition with an annual membership of 363 colleagues), “Finance Young Graduate Programme” and **“Ferrero Sales Academy”**, “Nutrition for Soremartec” and “Library for Operations”.

A detailed description of the Ferrero training programmes may be found in the first Corporate Social Responsibility report. Here below some new activities:

“Sales Academy” is the training programme to be completed and officially launched in February 2011. It includes a total of 20 training courses that meet the training needs and development of the Ferrero sales teams in the world.

The objective of the training is to create awareness about the nutritional value of our products to provide a framework for non-experts on topics related to basic scientific principles of nutrition, aspects of food law, exercise and lifestyles.

Library Operations is an ambitious project on which Ferrero GEIE Learning Lab has been working since late 2007, of which the objectives are to collect and to structure the ‘knowledge’ and the ‘know how’ of the Ferrero world so that it becomes available and shareable.

The Library Operations is a work in progress: 26 modules were designed, of which 23 have already been spread in several plants of the Group.

Our goal is to convey this valuable knowledge to a growing number of colleagues and to quickly reach the men and women of the newer plants of the Group.

“DIVERSITY MANAGEMENT”

In order to promote the management of cultural diversity, Ferrero has organized a special programme in Europe and Asia. In the last financial year, the first two pilot editions were launched, one in Luxembourg (11th -12th January 2010) where 18 people attended and the other in Singapore (12th -13th April 2010) which was attended by 16 colleagues from Ferrero Asia.

During the training days the employees focused on the awareness of cultural differences in doing business with an emphasis on leadership skills needed to work efficiently in China. For Asian colleagues, it was important to analyze in depth the cultural differences with Europe and the characteristics of Italian family businesses.

The main contents of the course were:

- ▣ “Cross-cultural leadership and cultural intelligence”
- ▣ Talent development in emerging markets
- ▣ “Leadership and organizational culture”
- ▣ Personal Development

INTERNAL COMMUNICATIONS

Also in 2010, new sections were added to enrich the contents of the Group intranet “myFerrero”, which collects information, know-how, experiences and data from all business functions. It should be noted that users with access grew up from 5,000, at the beginning of 2006, **to about 8,000**. Each month, about 5,600 different users have accessed the portal “myFerrero” at least once.

“INTERCULTURA”

For six years, the Ferrero Group has been collaborating with Intercultura, an international association of volunteers committed to the promotion and organization of exchanges and cultural experiences for students of secondary schools. Each year, the Group finances annual and / or summer scholarships for children of employees who choose to spend a period of rich cultural life in a foreign country as guests of a local family. In 2009/2010, 6 scholarships were awarded.

Next steps - by 2013

- ▣ The development of “**internal climate**” analysis projects to identify improvement measures;
- ▣ Development of further training initiatives of “**Diversity Management**”;
- ▣ Projects to support the induction of young people in the company considering aspects of “**Work Life Balance**”. In the period 2009-2010, 100 graduating students joined the Group. Most of them have already completed “Capire Ferrero” course and, in Italy, are already part of the “Ferrero Care” project.
- ▣ Extension of both **social and health and safety initiatives**.



Ferrero Production Chain.

CHAPTER 2:

Nutritional balance,
lifestyle and the taste of quality



NUTRITIONAL BALANCE, LIFESTYLE AND THE TASTE OF QUALITY

Ferrero's approach to nutrition is founded on an all-round assessment of dietary intake, not merely totting up the calorie count of the individual nutrients. There are three principles that matter to us above all:

- ▣ **the respect of a varied diet is for us a fundamental rule;**
- ▣ **the cultural valence of nutrition, as well its biochemical value, must both be taken into consideration;**
- ▣ **to develop continuous research into consumers' attitudes.**

With these in mind, Ferrero formulates its products using rigorous multidisciplinary research and paying the closest attention to portion sizes so that they easily fit into the daily diet.

We make every effort to play our part in:

- ▣ helping people cut down on bad nutritional habits – like **missing breakfast**, for instance,
- ▣ minimizing the failure of appetite that often affects elderly people, by **formulating products with a unique, appetizing taste.**

These objectives are accomplished through constant and significant investments, aimed inter alia at:

- investigating **products' metabolic impact** through rigorous experiments, using the most significant indicators of sugar metabolism (the Glycaemic Index) and of appetite satisfaction (Ghrelin), and promoting dietary additions for BMEEs (Between-Meals Eating Episodes) that work in harmony with the rest of the daily nutritional intake;
- using **naturally-sourced micronutrients** in "mild"(non-intensive) manufacturing processes that conserve their qualities;
- designing processes that **avoid the use of partially or totally hydrogenated fats** (and without raising the saturated fat content, either) and **of preservatives;**
- only using artificial sweeteners in particular classes of product (sugar-free ones), always opting for **natural ingredients** whenever technical restrictions allow.

Ferrero does not use **hydrogenated fats**, so its products **do not contain trans fatty acids (TFA) from that source. Ferrero also does not use additives and preservatives.**

Moreover, Ferrero has always made a priority of **developing products that contain fibres, vitamins and mineral naturally contributed by the raw materials.**



PRODUCT FORMULATION AND PROPER PORTION SIZING

Ferrero is actively involved in European and national initiatives for reformulating food products, and its strategy is one of reducing portion size while always giving the greatest importance to its products' quality and taste.

As long ago as 1976, Ferrero was offering its "Kinder" products **in individually wrapped portions** weighing between 12.5g and 43g.

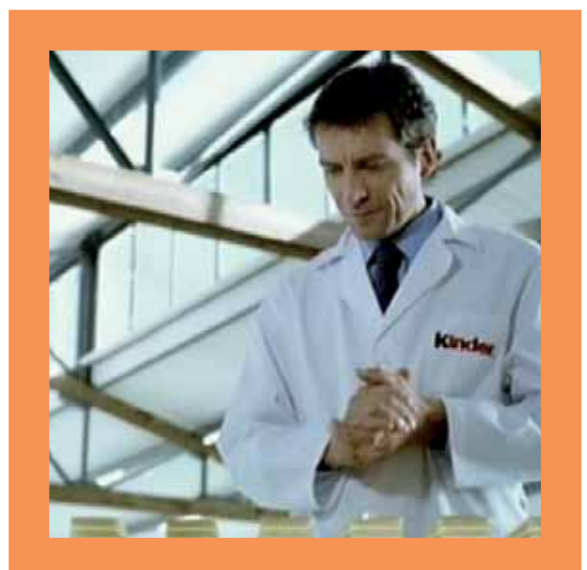
In 2010 the Group continued the commitments it undertook in 2009 as part of the "**European platform for Action on Diet, Physical Activity and Health**", in four subject areas:

- ▣ product formulation and proper portion sizing;
- ▣ accurate nutritional information and consumer education about food;
- ▣ promotion of physical activity and sport;
- ▣ responsible advertising.

Each area will be the subject of a detailed "Audit Report" to be submitted to the **European Commission's DG Health and Consumers Protection in January 2011**.

On the subject of the initiatives undertaken by Ferrero in this field, it should be pointed-out that some new products and some modified ones underwent pre-launch market-testing in 2010:

- a Kinder snack with a smaller portion size and lower calorie count;
- a Kinder snack lower in sugar and saturated fats;
- two "praline" products with a smaller portion size and lower calorie count;
- a "praline summer substitute" with a lower saturated fat content.



Our research activities concentrate on finding out more about the metabolic impact of sweet products, analysing their value and the role they play as part of a balanced nutritional approach.

In particular, our investigations:

- ▣ emphasize the importance of breakfast, highlighting the problems that arise from the habit of skipping breakfast – also considering the effects on children’s performance at school;
- ▣ tackle the problem of lost appetite after eating between meals;
- ▣ analyse the bioavailability of the antioxidants in tea.



OUR GOALS FOR 2015

- Continue to take part in current **European initiatives** (the European Platform for Action on Diet, Physical Activity and Health, for instance) **and national ones** aimed at reformulating food products and above all concerned with reducing portion sizes;
- Continue **our research into the metabolic impact of sweet products** as part of a balanced nutritional approach;
- Continue **our research into the contribution which micronutrients or some of the raw materials’ functional constituents** can make to improving well-being and preventing disease, when present in significant amounts on a natural basis;
- Develop new research to find and investigate the possible use of **a wider variety of raw materials with nutritional benefits and a lighter environmental impact.**

FOOD SAFETY AND TASTE OF QUALITY

“The known bag” (in Italian: “il sacco conosciuto”): that’s how we describe our raw materials when they arrive on our premises - provided they meet Ferrero’s stringent standards of traceability, safety and quality.

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.

We aim to combine our quality data as fully as possible right across the Group, and strengthen our centralised management of the Quality Assurance process by using our own **globally integrated system**.

This system, known as SAP-QM (Quality Management), **now covers 90% of our European plants**, ahead of the target deadlines set in our first CSR report.

Quality data are now collected and compared in a more and more co-ordinated and all-embracing way.

We **monitor and inspect our suppliers ourselves**, using the new Code of Business Conduct and other tools, and audit the analyses they are contractually bound to carry out on the material they sell us.

Industrial safety and food safety at Ferrero is assured by a constantly revised and updated system of company procedures and also through certification by independent outside bodies.

All Ferrero’s suppliers throughout the world are selected and assessed at Group level by “Quality Central” applying unambiguous criteria, largely by means of a computerized system that links all suppliers with the relevant Group departments.



QUALITY AND CERTIFICATION IN OUR PRODUCTION PLANTS

The table below shows the present and targeted certification status of our production plants:

Production plants	ISO 9002:1994	ISO 9001:2000	ISO 9001:2000	ISO 9001:2008	ISO 22000	ISO 17025	IFS	FSSC	
	since	since	Europe Group since	since	since	since	since	since	
Alba Italy	1999	2003	2005	2008 (of Group)		2006	2007		
Arlon Belgium	1996	2003					2006		
Balvano Italy	1996	2004							
Belsk Poland	2001	2003						2006	
Cork Ireland	1994	2004						2011	
Pozzuolo Italy	1998	2002							
S. Angelo dei Lombardi Italy	1999	2004							
Stadtallendorf Germany	1994	2003						2007	2006
Villers Ecalles France	1997	2003					2011		
Vladimir Russia				2010		2010 (*)			
Brantford Canada				Expected by 2011/2012					
La Pastora Argentina	2000	2003		2010	2008			Expected by August 2011	
Lithgow Australia	1999	2003							
Pocos de Caldas Brazil	1999	2002		2010	2007				
Quito Ecuador	1999	2000		2010					

(*): Gost, national Russian certification

Naturally, all Group plants have an HACCP Plan and put it into practice (Hazard Analysis Critical Control Points): indeed, that is now compulsory throughout the European Union.

There are presently nine Ferrero plants (see table) certified by independent outside bodies under standards for food safety management systems. Two more are to be added in 2011 (Cork and Villers Ecalles). The nine establishments are: Alba, Arlon, Belsk, Stadtallendorf (with IFS certification); La Pastora, Pocos de Caldas (with ISO 22000 certification); Brantford, Lithgow and Quito (third-party verified HACCP certification).

We highlight these certifications with specific regard to food safety because the ISO 9001 Standard applies to the whole of manufacturing, and does not focus especially on food safety aspects.

OUR GOALS FOR 2015 AND 2020

- 1 Set up a **single complaints centre** to serve the market, a worldwide databank to which every consumer query or complaint would be channelled in an unambiguous and structured way - by the end of 2015.
- 2 Complete the **integration of food safety audits** for all our co-packers and storage points along the supply chain so as to achieve 100% coverage by the end of 2020.
- 3 Extend **ISO 22000 - FSSC food safety certification** to all remaining Group establishments (see plant certification table above).
- 4 Achieve worldwide ISO certification with a single manual and procedures applying to the whole Ferrero Group, so that our facilities throughout the world form divisions of a single **“virtual worldwide plant”** - by the end of 2020.

PRODUCT 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!

THE LATEST INNOVATIONS IN QUALITY CONTROL

- 1 Access to the **Ferrero intranet portal** has now been extended to the Quality Managers of every Group facility, enabling information and procedures to be disseminated everywhere throughout the Group with maximum efficiency.
- 2 The risk assessment procedure applied to raw materials purchased anywhere in the world is drawn up centrally by a **‘Technical Committee of the Group Quality Division’**, to ensure that all raw materials meet the same strict quality standards.
- 3 The **International Working Group on Food Safety** works with all the Group's local organizations throughout the world so that the new challenges to food safety can be monitored effectively – including those arising from the globalisation of markets for raw materials and for packaging.
- 4 Over the period covered by this report some **250 inspectors have been assessing the ‘perceived quality’ of our products** (that is, their **freshness** and also all their sensory qualities) **at over 500,000 points of sale throughout the world.**

FERRERO TASTE TESTS

As described in detail in the first CSR report, to ensure that our products comply with Ferrero's high taste standards, **in addition to the usual laboratory tests we also carry out special sensory analyses, which we call "taste tests"**, for a thorough evaluation of the product's appearance, aroma and taste.

These analyses include:

- 1** **tasting raw materials, at the acceptance stage;**
- 2** **production-line tasting during manufacture, and sampling the finished product;**
- 3** **"managers" taste tests;**
- 4** **"spider's web" tests.**

More than 400,000 taste tests are carried out annually across the Group, 33,900 tests a month, with 1,700 tasters. **Internal taste tests are carried out every week by plant managers: their main purpose is to promote a "tasting culture" throughout the Group.**

CASES OF NON-COMPLIANCE

- a** **"ISO 9001: 2008"**: Certification of the Ferrero quality system

Seven inspections were carried out in Group plants in 2009-2010: "Not to Standard" findings were **below 3%**.

- b** **IFS: International Food Standards**

"Product certification" inspections at the Belsk, Stadttendorf, Arlon, and Alba plants facilities in 2009-2010 resulted in compliance scores of **97/100**.



FOOD AWARENESS AND FOOD EDUCATION THROUGH COMMUNITY INVOLVEMENT

In 2010 Ferrero continued its support to **EPODE** (a French acronym for “**Preventing Childhood Obesity Together**” - www.epode.fr) in four European countries (France, Belgium, Spain, and Greece) and the European EPODE Network (EEN). Ferrero helps to fund the work of the coordination team.

Since 2008 the EPODE approach has inspired many food education projects and physical activity promotion programmes: **EPODE in France, VIASANO (Belgium) and THAO (Spain)**.

The approach was applied next in **Greece (the PAIDEIATROFI programme in thirteen cities), in the Netherlands (the JOGG programme in six cities) and in Scotland, with the “Healthy Weight Communities” programme (eight communities)**.

Ferrero has played an active part in EPODE activities in these countries and in meetings of the working groups that run them. Part of the project involves taking children’s Body Mass Index measurements (BMI), and this has provided some very useful and encouraging data, giving every reason to continue developing the EPODE approach.

In November 2010 the European EPODE Network’s second Technical and Financial Report will be submitted to the **Executive Agency for Health and Consumers (EAHC) of the European Commission**.

Our goal for 2011 is to **continue our support to the EPODE programme in France, Belgium, Spain and Greece, and to the European EPODE Network**.

COUNTRY	PROGRAMME	No. of CITIES & PEOPLE INVOLVED	WEB SITE	YEAR	FERRERO CONTRIBUTION
France	EPODE	226 cities activated for 1 million people involved	www.epode.fr	2006/11	500,000€
Belgium	VIASANO	15 cities activated for approx. 300,000 people involved	www.viasano.be	2007/11	400,000€
Spain	THAO	44 cities activated, 10 autonomous communities for 2,688,449 people involved	www.thaoweb.com	2008/11	300,000€
Greece	PAIDEIATROFI	13 cities	www.paideiatrofi.org	2009/11	150,000€
European Union	EUROPEAN EPODE NETWORK	4 Member States	www.epode-european-network.com	2007/10	450,000€

Ferrero contributed a total of €1.8m in 2006-2011 (including support to the Network)

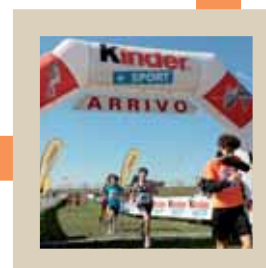
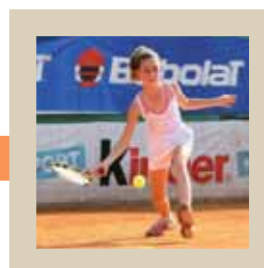


HELPING TO PROMOTE EXERCISE

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

Below is some data concerning the Kinder + Sport activities carried out in 2009-2010:

- ❑ **17 countries involved** (including China and Russia outside the EU);
- ❑ **over 7 million children** taking part;
- ❑ **7,000 sports equipment kits** installed in schools and clubs;
- ❑ **over 400 sporting events** promoted all over Europe;
- ❑ **21 sporting champions** promoting sports events and a healthy lifestyle;
- ❑ **21 national federations** sponsored;
- ❑ **Sponsorship of 3 Olympic committees** (CONI - Italy, DOSB - Germany, MOB - Hungary);
- ❑ **over 1 million visitors** to the Kinder+Sport website;
- ❑ Ferrero's total annual investment: **12m.**



One particularly important piece of research was begun in 2008/2009 in collaboration with the Turin Institute of Sports Medicine, the Italian Volleyball Federation (FIPAV) the Ministry of Education, CONI and local institutions. The aim is to follow children attending schools involved in the Kinder+Sport mini volleyball project, and assess the effects over the medium-long term (5 years).

Ferrero has allocated a total of 250,000 to this study for the period 2009 – 2013.

Last year (the 2009/2010 school year) **sixteen first-year secondary school** classes were involved in the research project, a total of 319 students (155 boys and 164 girls). These pupils had psychomotor assessments and tests to measure their state of health and physical fitness. The collected data are used as reference for future analysis.

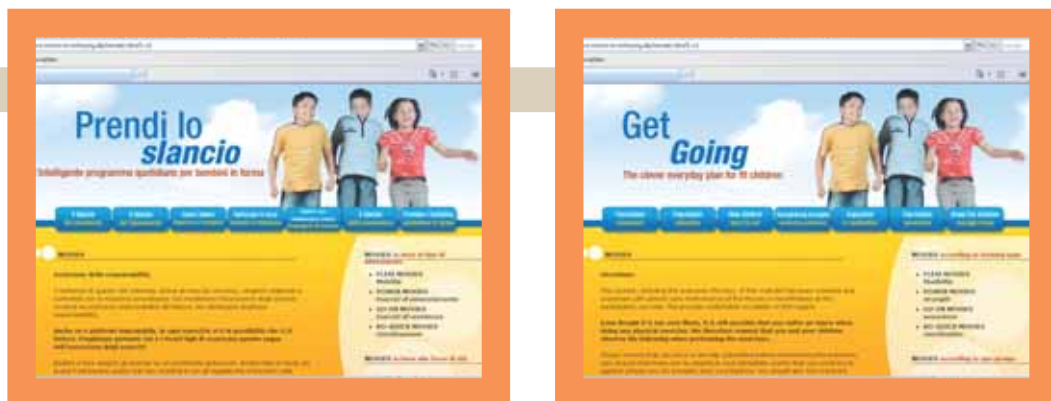
Specially designed questionnaires for the families and the children themselves asked what sports they played and questions about their lifestyles more generally: qualitative data have been also collected. According to the survey's initial findings around 70% of families said their children had taken part in some sport at school, and over 60% said their child would like to go on doing sport regularly.

The first full results of this research will be available in the 2014-2015 school year, when the first cohort of children will have completed their primary education and will be monitored during their first year at secondary school.

German campaign for healthy eating and more exercise

Last March the Federal Department of Food, Agriculture and Consumer Protection (BMELV) and the German Department of Health (BMG) awarded their “Inform” logo to the four-language “Get going” website for its support to the aims and efforts of this national lifestyle campaign. **Ferrero Germany has been supporting this initiative since 2008.**

Prof. Stephan Martin, who founded the website www.komm-in-schwung.de (also available in other languages), is an expert on internal medicine, endocrinology and diabetes. He is Medical Director of the West German Diabetes and Health Centre in Düsseldorf, and also Chairman of the Board of “Motivation for Lifestyle Changes”, a charitable foundation. Further details from: www.in-form.de.



LET THE LABELS SPEAK

In 2010, on the basis of its 2008 self-regulation undertaking, Ferrero achieved 100% implementation of all nutrition labelling recommendations issued by the Confederation of the European Food and Drink Industries (CIAA) for all Kinder and Nutella products in every one of the 27 EU member states.

With this commitment, the firm undertook to include:

- a** the “Energy Logo” on the front of all packaging, according to the CIAA recommendation (calorie content in absolute terms and as % of GDA per portion);
- b** on the back of the packaging: absolute amounts per portion of energy, protein, carbohydrates (and sugars separately), fats (and saturated fats separately), fibre and sodium, and also of energy, sugars, fats, saturated fats and sodium as % of GDA per portion.

RESPONSIBLE ADVERTISING

Since 2009, in accordance with earlier self-regulation undertakings, Ferrero **has refrained from targeting advertisements of its food products at audiences mostly composed of children under the age of 12 years, in the 27 EU countries and in Australia, Canada and Brazil.**

In 2010 the Ferrero Group **undertook to apply the International Food and Beverage Alliance (IFBA) Self-Regulation Policy on advertising to children** (TV, press and online) **worldwide** from January 2012.

In June 2010 that strategy was taken further: IFBA members undertook to refrain from distributing any marketing communications relating to their food products in elementary schools, except by special request or under agreements with the school managers for educational purposes.

A report on the progress of the IFBA's initiatives was submitted to the **World Health Organisation (WHO)** for the first time in November 2009, in support of the WHO's Global Strategy on Diet, Physical Activity and Health.

That report documents the work which IFBA member firms – including Ferrero – have done to fulfil their undertakings in five areas: product innovation and reformulation; nutritional information to the consumer; advertising and marketing to children; balanced diet and physical activity; public-private partnership.

This first report was the start of a regular dialogue between the IFBA and the WHO which will continue with similar initiatives.

The next report to the WHO is to be submitted in March 2011.

MONITORING ADVERTISEMENTS: THE INSIDE STORY

In 2009 **the IFBA commissioned Accenture Media Management to audit its members' compliance with the global policy of self-regulation in advertising to children on TV, in the press and online.**

This monitoring was repeated in 2010, and a random sample of members' advertisements broadcast between 1 April and 30 June 2010 was checked.

IFBA member firms' overall rate of compliance in TV advertising was 96%; in the case of press and online advertising, compliance of the sample investigated was 100%.

Also in 2010, the European Advertising Standards Alliance (EASA) audited commercial communications on the company websites of some WFA member firms (including Ferrero) for compliance with the Framework on Responsible Food and Beverage Communications adopted by the International Chamber of Commerce (ICC), and with any relevant local or industry codes or regulations adopted under that Framework.

The sample EASA examined included a total of 352 corporate websites in eight countries.

In Ferrero's case, not one of the 35 websites examined in all eight countries surveyed was found guilty of any contravention.

APPLYING SELF-REGULATION IN ADVERTISING

As we described earlier in our first CSR report, the Ferrero Group has since 1 January 2009 been bound by the EU Pledge (further details: www.eu-pledge.eu), undertaking to self-regulate its own advertising (TV, press and internet) to children under 12 years old.

In January 2010 **Ferrero also signed the Mexican Pledge of Self-regulation in food advertising to children**, committing itself to publishing its own undertakings by 31 December 2010.

In 2010 Accenture **conducted an audit of the application of the “EU Pledge” by the eleven firms that had signed it**: this was intended as an independent check on member companies’ compliance with the self-regulation duties they had undertaken. These concerned:

- advertising of food products to children on TV, in the press and online in Greece, Hungary, the Netherlands, Poland, Portugal and Spain;
- commercial communications about food products in primary schools in Belgium, Italy, Slovakia and the United Kingdom.

Monitoring of the EU Pledge in 2010 also involved investigating the impact of self-regulation on the children’s actual exposure to TV ads for food products marketed by firms that had signed the Pledge, and checking on changes by comparison with the previous year and with 2005.

The results were as follows:

- **rates of compliance were high**: almost 100% for all communication media together, and 92% for communication in schools;
- **children’s exposure to advertising** of all EU Pledge signatories’ products was substantially lower: -30% in 2009, -36% in 2010 (compared with 2005);
- **children’s exposure to advertising** of products which do not meet the firms’ nutritional criteria was very significantly lower: -56% overall in 2009, -60% in 2010 (compared with 2005).

Ferrero’s goal for 2010 has been to **maximize the compliance of its advertising with the EU Pledge, and to take the necessary steps within the Group to tackle any cases of non-compliance** due to changes in audience composition between the time when advertising is planned and when it is actually broadcast.

Ferrero’s individual compliance score, in the countries monitored in 2010, ranged from 95.04% to 100%.



FOSTERING A CRITICAL ATTITUDE TO ADVERTISING

Once again in 2010, Ferrero has continued to support the Media Smart programme in all the countries where that programme operates (the UK, Germany, the Netherlands, France, Hungary, Sweden and Portugal), with the aim of helping children to develop a critical approach to advertising (for a detailed description of the programme, see the first CSR Report, available on www.ferrero.com).

Links to national Media Smart programmes:

Belgium - www.raadvoordereclame.be

Finland - www.mediasmart.fi

France - www.pubmalin.fr

Germany - www.mediasmart.de

Netherlands - www.mediarakkers.nl

Portugal - http://www.mediasmart.com.pt/media_smart.1.html

United Kingdom - www.mediasmart.org.uk

Sweden - www.mediasmart.se

Hungary - www.mediatudor.hu

The goal for 2010 was to roll out the Media Smart programme to more countries and to extend its scope in the present ones. Media Smart is now operating in 33,463 European schools.

“BUSINESS 4 LIFE”

Ferrero UK has joined the “Business 4 Life” programme.

Business 4 Life is promoted by the British Advertising Association: its member firms use their communication and marketing skills **to promote healthy lifestyles**, actively working alongside the Department of Health’s campaign entitled “Change 4 Life” and similar government communication projects.

More details of the “Business 4 Life” programme can be found at: www.business4life.co.uk

CHAPTER 3:

Sustainable sourcing
of raw materials



SUSTAINABLE SOURCING OF RAW MATERIALS

The Ferrero Group has always preferred to establish **direct, long-term commercial relationships** with producers and suppliers of raw materials, based on dialogue and transparency. The new **Group Code of Business Conduct** includes clear requirements concerning the excellent quality and freshness of raw materials, and meticulous compliance with the principles of ethics and sustainability (for the full text of the Code of Business Conduct, see the introductory part of this report). The Code is accompanied by a Plan (to be implemented by the end of 2013) for common practices agreed on by all those – inside or outside the Group itself – who are involved in the supply chain. That plan, known as the **ABCDE Plan** (A Business Code Dialogue Engagement) will further strengthen the Group's relationships with raw material suppliers.

Through the ABCDE Plan and other measures the Ferrero Group will, alongside the farmers and other suppliers of its raw materials, promote a commitment to:

- ▣ **good farming practice**, defined as: “the application of available knowledge to the utilization of the natural resource base in a sustainable way for the production of safe, healthy food and non-food agricultural products, in a humane manner, while achieving economic viability and social stability” (FAO, Good Agricultural Practices, June 2002);
- ▣ **animal health and welfare**, treating animals as “sentient beings” (as defined in European Directive 86/609). So far as the sourcing of the Ferrero Group's raw materials is concerned, this principle applies above all to hens and cows.



OUR MAIN INGREDIENTS

The fundamental parameters we apply in selecting the raw materials we use are: the origin as well as sourcing approaches. That is to say that our goals are: **excellence in quality and full respect for human rights and sustainability.**

The total quantity of raw materials we used in 2008/2009 came to 925,000 tons. **In 2009/2010 the figure was 932,784 tons.**



FROM COCOA BEANS TO CHOCOLATE

Our 2020 goal is to acquire **sustainable cocoa supplies for 100% of the Group's requirements** while still paying the greatest attention to quality at all times, as our consumers rightly expect.

In order to create the best conditions for achieving this goal, and in view of the extreme complexity of the cocoa supply chain (with over 1.5 million individual farmers, countless intermediaries, logistical and geopolitical difficulties in producer countries), we continue to support a **collective industry-wide approach**. This enables us to promote sustainability throughout the cocoa supply chain, working closely with the producer countries and all the other organizations involved in the industry.

Worldwide, we are active members of the following organizations:

- **the World Cocoa Foundation (WCF** www.worldcocoafoundation.org), established in 2000 by companies involved in the cocoa and chocolate sector, 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;
- **the International Cocoa Initiative (ICI** www.cocoainitiative.org), established in 2002 in partnership with other confectionery organizations, Trade Unions, 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 derivatives. The ICI aims to improve producers' understanding by supporting education and awareness-raising programmes based on sharing experience in the field.

Ferrero has also signed the 2001 **Harkin-Engel Protocol** aimed at reducing the worst forms of child labour in West African countries, and the 2010 "**Action Framework for Application of the Protocol**", which backs specific support projects and takes action to help families and children living in the cocoa-producing communities of Ivory Coast and Ghana.

In addition to these worldwide initiatives the Ferrero Group is itself engaged in **specific local partnership projects** aimed at providing **support and training** for farmers, also by assigning a premium price for high quality cocoa beans; the main objective is to boost local economies and generate social and economic benefits.

In **Ivory Coast** we have begun projects to source **cocoa certified by the Rainforest Alliance** (www.rainforest-alliance.com) in partnership with **Touton** (www.touton.fr). In collaboration with **Source Trust** (www.sourcetrust.com) we are continuing our commitment to traceable cocoa sourcing in **Ghana and Nigeria** as well, and to the improvement of local communities' living conditions all along the supply chain.

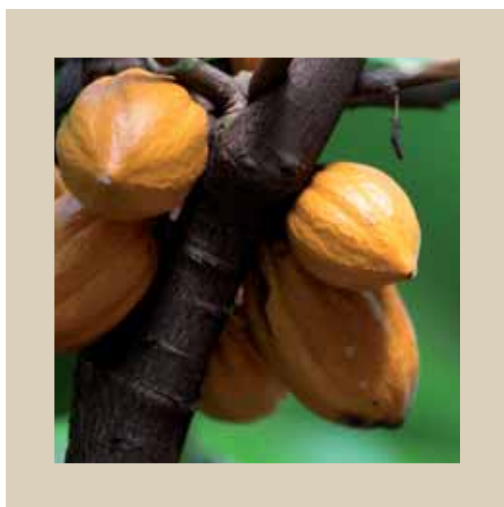
In **Ecuador**, the **Maquita Cushunchic Como Hermanos foundation MCCH** (www.fundmcch.com.ec) continues to be our main supplier of cocoa beans.

In 2009/2010 some 10,000 members (2,500 of them in cocoa) benefited from support from the Ferrero Group (20% of total donations) towards completion of a new facility for selecting, sorting and grading cocoa at the passed pre-export stage.



New projects were begun in 2010 for sourcing UTZ-certified cocoa (www.utzcertified.org) in **West Africa** and other projects in cocoa-producing countries will follow.

All in all, about 10% of Ferrero's cocoa came from traceable sources certified as sustainable in 2009/2010. These, **combined with other new initiatives, will enable us to achieve 100% sustainable cocoa sourcing by the end of 2020.**



HAZELNUTS

Ferrero is one of the world's largest users of hazelnuts, **mainly from Italy and Turkey**. To maintain the highest quality of our hazelnuts, **we have developed unique roasting processes and technologies** in order to allow the aroma and the flavour of this essential ingredient to be developed to the fullest degree.



During the reporting period Ferrero has paid **special attention to relations with its Turkish hazelnut suppliers**, in connection with our high quality and safety standards and a number of ethical, social and environmental considerations. We have intensified our discussions with national Conventions authorities on improving action in the field to comply with the international conventions against the exploitation of child labour, and to promote environmentally sustainable procurement. The outcome of this process is summarized in the document (described below) signed by Ferrero and all its Turkish suppliers.

We plan to further strengthen our commitment to this in 2011, including our work within trade and industry associations at European and international level.

FERRERO®

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GÜRSOY
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yavuz
Hazelnut Products

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SABIR
SABIRLAR Ltd. Şti.
SABIR HAZELNUT

In reference to the farming, processing and selling of hazelnuts, companies hereby listed and the Ferrero Group commit themselves to:

- ▣ **ensure excellence in processing nuts** in order to strictly respect **freshness, quality and safety standards**;
- ▣ **sustain farming practices in respect of the environment and biodiversity**, minimizing the use of chemicals and encouraging eco-sustainable farming practices;
- ▣ **respect and to make their own suppliers respecting work safety and salary** in full respect of all applicable laws, regulations and local rules, in addition to the requirements established by applicable **International Conventions**;
- ▣ **avoid any use of child labor**, starting from the worst forms, or forced or prison labour;
- ▣ **sustain the stability of farmers income** also through the application, whenever possible, of specific commercial schemes (i.e. long term contracts) ;
- ▣ **encourage fair and transparent pricing policies** for both sides in compliance with the **“Principle of Independence”**: trading partners recognize that they are independent economic entities, respecting each other's right freely to set their own strategy and management policy, in terms of production, distribution, sales, marketing and finance, including the freedom to determine independently whether to engage or not in any agreement.

In 2006, Ferrero set up ‘**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 has carried out many activities in Chile, Argentina, Georgia and South Africa:** for a description of these, see the first CSR report (www.ferrero.com).

One of the goals for 2013 referred to in the first CSR report was the start of a project in Georgia to earn atmospheric carbon dioxide reduction certificates. These are to be generated in accordance with the methods developed under the 1997 **Kyoto Protocol**.

The project’s main features and the new developments in 2009-2010 are as follows:

- ▣ **The Ferrero Group company Agrigeorgia has begun the process that will lead to international validation of its first commercial forestry project.** The methods used involve establishing and managing plantations of hazelnuts in western Georgia with a view to optimizing CO₂ reduction.
- ▣ The project will generate about 550,000 tons of CO₂ equivalent certifiable under **the CarbonFix standard as “VER” carbon credits (Voluntary Emission Reductions)**. Agrigeorgia will guarantee that 10% of the total area it farms is managed as a natural conservation area with a stricter undertaking to respect, enhance and preserve plant and animal biodiversity. The working conditions of Agrigeorgia’s employees will be constantly monitored as one of the project indicators throughout its 50-year duration.

Next steps: external validation of the project through the German standards organization **TÜV SÜD is scheduled before the end of 2011**; after that the scheme will be extended to other areas where the Group runs “farming companies”, with special attention to Africa.



PALM OIL

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

As we mentioned in the first CSR report, Ferrero does not source palm oil from Indonesia where extensive deforestation is taking place, but rather from Malaysia (almost exclusively from Malacca) as well as Papua New Guinea.

Since 2005 Ferrero is an active member of the **Round Table on Sustainable Palm Oil** (www.rspo.org), which is an organization representing consumers, palm oil processors, traders and retailers, as well as banks, investors, environmental associations and social development entities.

The RSPO's main objectives are:

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

Ferrero is continuing its commitment to the **“Deforestation Zero” campaign** designed to stop the destruction of South East Asian rainforest related to the spread of palm oil cultivations. The Ferrero Group, together with the other signatories, will go on backing this campaign in 2011 with the objective, among other things, of bringing together the various individual initiatives to bear on the common goal of sustainable palm oil sourcing by the end of 2015. In the first CSR report we said **our target for 2015 was to source certified sustainable palm oil for 100% of our needs**. Specifically, we intend to procure palm oil that is segregated and/or certified as sustainable wherever possible.

In view of this objective, our procurement plans for the next few years are as shown in the table below:

Time frame	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
% certified sustainable palm oil	Over 10%	25-30%	30-50%	50-70%	100%

Certified sustainable palm oil has the following characteristics:

- ▣ produced according to the RSPO's stringent criteria;
- ▣ origin from Malaysia, Papua New Guinea, Brazil (and Central America), as those are the areas currently regarded as most compliant with the International Conventions on human rights, environmental conservation and biodiversity.

The geopolitical circumstances of the countries involved, and the commercial conditions that result from these, are of fundamental importance in achieving those objectives.

MILK

The Group sources its milk from carefully selected and extremely reliable suppliers, established in milk-producing areas. This guarantees the ideal freshness and the finest quality in a so delicate and valued product - especially for children.

Long-term relationships we have established with our supplier allow us to implement mutual development and growth programmes, thereby developing a supply chain which is both short and sustainable.

We continue, as described in our first CSR report, to support the “**integrated supply chain**” approach designed to foster loyalty throughout the entire supply chain from the breeder to the producer of semi-finished products (whole and skimmed milk powder and anhydrous butter), by supporting them through appropriate prices free from speculative volatility. This has been made possible in particular through specific agreements with certain suppliers (among which **In.al.pi and Mittelalbe GmbH**) which enable us to increase the quantity of locally-sourced raw materials closer to our production facilities.

We are now ahead of the timetable set out in the first CSR Report, and expect to be sourcing 30% of our milk derivatives from the Integrated Supply Chain by the end of 2012.

Countries of origin of the milk used by our plants:

Production plants in Europe from European Union	Quito (Ecuador) from Ecuador/Argentine/Colombia	
La Pastora (Argentina) from Argentine/Uruguay	Brantford (Canada) from Canada and U.S.A	
Pocos de Caldas (Brazil) from Brazil	Lithgow (Australia) from Australia	

COFFEE

Ferrero uses mainly Arabica coffee from South America. **Our aim is to source only certified sustainable coffee by 2015.** This involves both product and process certification and compliance with relevant ethical and social principles. It is essential to match the conditions under which the coffee is cultivated, harvested and selected with the Group’s strict quality requirements.



SUGAR

Ferrero has for decades been working with farmers' cooperatives and sugar producers mainly in Germany, France, Poland, Belgium, Ireland and Canada. In the particular cases of Germany and Italy our supplier relationships go back some four decades.

Recent EU agreements for support to developing countries have made it easier to source sugar from third countries, and the Ferrero Group has put procedures in place for selecting new producers in various parts of the world on the basis of the stringent criteria of quality and environmental sustainability on which it has always insisted.

Our sugar purchases break down roughly as 80% beet sugar and 20% refined cane sugar. In accordance with the Group's strategic decision not to use Genetically Modified Organisms (GMOs; see the section on our Code of Business Conduct in the introductory part of this Report), **the Group only buys non-GM sugar**. In 2010 the Group renewed its membership of the "**Bonsucro™ - Better Sugar Cane Initiative**" described in the first CSR report (www.bonsucro.com). The aim of this international campaign is to specify global sustainability indicators for cane sugar production. The founder members (including Ferrero) are working to identify the right criteria for a certification scheme that will lead to economic, environmental and social improvements throughout the supply chain.



EGGS

The Ferrero Group uses only European eggs from Italy, Germany, France and Sweden. Our business relationships with many of our suppliers go back **more than 20 years**. So far as the well-being of the hens and their rearing conditions are concerned, the Group is working on compliance ahead of the new European Directive, making particular efforts to source eggs from free-range hens. The new rules will come into force from January 2012.

In the meantime Ferrero applies the concept of animal welfare, using eggs from free-range hens wherever possible. We are planning to raise the proportion of these steadily, as prime quality eggs guaranteed to meet our extreme freshness and safety requirements become available in sufficient quantities in the market.



The table below summarizes our main goals as described above.

Raw material	Target	By
PALM OIL	100% certified sustainable	2015
COCOA	100% certified sustainable	2020
COFFEE	100% certified sustainable	2015
MILK	30% from integrated supply chain	2012

CHAPTER 4:

The Group's environmental performance



THE GROUP'S ENVIRONMENTAL PERFORMANCE

For years we have been measuring the environmental impact of all our activities according to the relevant international standards.

In 2009 we launched our **Sustainable Operations & SCI (Supply Chain Integrated Project)** to compare and measure the Group's environmental impact along the whole value chain.

On the basis of those thorough investigations we have developed **three indicators of fundamental importance to measure the environmental impact of the whole Ferrero Group:**

- ❑ **Gross Energy Requirement (GER):** total energy extracted from the environment;
- ❑ **Global Warming Potential (GWP):** the contribution to global warming of the greenhouse gases generated directly or indirectly, in kg of CO₂ equivalent;
- ❑ **Global Water Consumption (GWC):** the volume of water consumed, directly or indirectly.

The figure below shows the values of these indicators, broken down in terms of their percentages of the total for the entire value chain:



Figures refer to raw materials and strategic packaging for the Group, 15 production plants, own storage warehouses and transport managed by Ferrero logistics; calculation methods in line with ISO standards for the sector. The proportion attributable to transport of packaging is negligible compared with the other factors. For details on the transport of finished products, see the sections below.

These results are broken down in greater detail later on in this report, showing operational performance figures and 2020 targets for each of the areas involved.

¹ For the methods used, see the Technical Annex at the end of this report.

During the reporting period 2009-2010 Ferrero France completed its “**carbon footprinting**” project to measure the emissions directly and indirectly generated by its manufacturing, logistics and office activities. On the basis of this study’s findings (**emissions of 320,000 teqCO₂**) Ferrero France compares well with other firms in the industry: its emissions are lower than others, which range up to **9,500,000 teqCO₂**.



THE ENVIRONMENTAL PERFORMANCE OF OUR PLANTS

The fifteen plants within the scope of this analysis are the ones in Europe, the Americas and Oceania (for the full list of plants, see the introductory part of this report).

Ten of these have over the last decade been steadily implementing an **Environmental Management System which has been certified to ISO Standard 14001:2004**. There are established arrangements in all the plants for managing and monitoring environmental aspects, including specified roles and responsibilities.

Along with the Sustainable Operations & SCI project the Group set up an Environmental Sustainability Unit in 2009; this unit oversees the plants by

- ▣ seeing to the measurement and management of their environmental aspects;
- ▣ coordinating continuous improvement measures;
- ▣ supervising environmental management systems by conducting periodic field inspections;
- ▣ planning staff education/training on environmental matters.

FIGHTING WASTE AND MANAGING USED MATERIALS

The main types of waste arising from production activities are: waste process materials, used packaging, used maintenance materials and discarded laboratory materials.

In the manufacturing plants there are **well-established activities and strategies for recovering used materials before they become waste**: i.e. the re-use of used process materials (“secondary raw materials”) as by-products for feeding animals; many other used materials are sorted and sent to external recycling operations as a matter of course. Certain types of used or waste material are compacted before disposal whenever possible (for the relevant figures see the table at the end of this chapter).



OUR STRATEGY FOR CUTTING EMISSIONS

Plants’ atmospheric emissions are determined by: **raw vegetable materials processing**, electricity and heat generation, manufacturing processes themselves.

To limit substances emissions (mainly foodstuff powders and volatile organic compounds) we apply the most appropriate **abatement techniques** such as filters, centrifuges, and wet scrubbers.

Particular attention is also paid to preventing **accidental escapes** of refrigerant gases which have an environmental impact because of their Ozone Depletion Potential (ODP) and their greenhouse effect. Special care is taken to prevent such escapes through routine preventive maintenance, by replacing the oldest refrigeration equipments, and by choosing refrigerants with a lower environmental impact. Also, absorption methods are used wherever possible for refrigeration: these make use of available heat energy and low environmental impact refrigerants.

(For the relevant figures see the table at the end of this chapter).

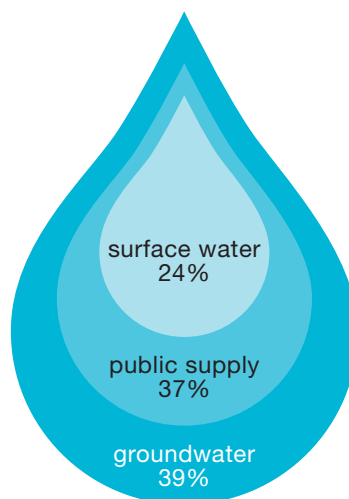
OUR STRATEGY FOR SAVING WATER

After special treatments, we use water for various purposes in our manufacturing processes:

- ▣ as raw material;
- ▣ in the processing lines (as a conductor of heat);
- ▣ in various technological applications (e.g. in washing systems);
- ▣ for civil uses.

Our water supplies come from: surface water, public water supplies, and groundwater.

Water by source



*Ferrero figures: 15 Group plants

We use various **water-saving techniques** in order to cut consumption: they include “Cleaning In Process” washing systems (CIP) and the installation of automatic dispensers. Water-recycling evaporation towers for cooling have been installed in many factories, which allow reductions in water supply. The Group has also begun a number of **studies of water distribution systems**, with the aim of rationalizing consumptions and of preventing leaks in the short term.

The waste water has the characteristics to be expected from the production of food mainly from vegetable raw materials: the BOD5/COD ratio is around 1.6 ÷ 2, and there are **no toxic substances or inhibitors**.

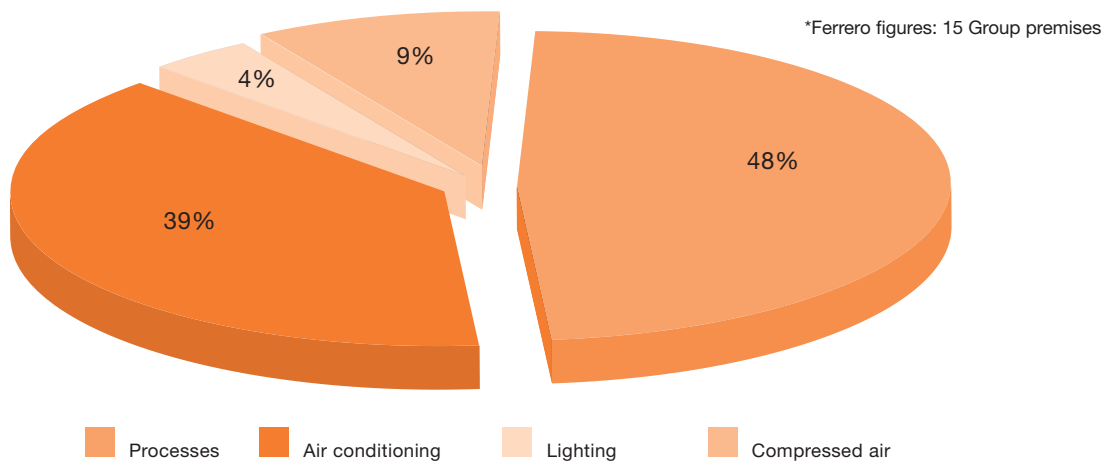
At all plants the waste water is channelled through separate drains for internal or external water treatment.

(For the relevant figures see the table at the end of the chapter).

OUR ENERGY STRATEGY

The two forms of energy mainly used in the Ferrero's manufacturing plants are **electric power and heat**. The first one is the only form of indirect energy used. The mix of electric generation (fossil/renewable sources) is highly variable for each country and for each individual production company. Electricity is used in the processing lines, the air conditioning systems, the production of compressed air, and for lighting: the breakdown of energy use among these demands is shown in the figure below.

Principal uses of electricity in a typical plant



The main use of energy in the form of heat is for the manufacturing process, together with the air conditioning of the premises.

For many years we have been conducting **energy-saving initiatives and drives to improve the efficiency of energy use**: energy management procedures, the use of high-efficiency motors and inverters, high-efficiency lighting, shared temperature control of high- or low-temperature pipework, recovery of heat energy from process and service equipment, and building design – both new-build and conversions – that systematically applies energy efficiency criteria.

Energy check-up of three European plants were carried out in 2010, providing detailed information on the distribution of energy flows within the plants and pointing out the most promising areas for energy efficiency improvements.

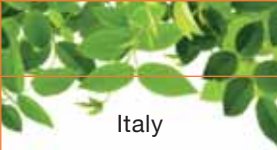


SELF-PRODUCTION ENERGY CAPACITY

Energhe, a new Group company, was set up in 2007 with the object of achieving the greatest possible environmental efficiency in the production, management and use of energy - another sign of our constant commitment to improving our production processes. So far as the installation of our own power generating plant is concerned, at present this only involves “high efficiency” cogeneration plants or from renewable sources introduced to cut our consumption of fossil fuels (natural gas) and consequently our greenhouse gas emissions. When this report was drawn up, we had already installed some 65 MWe of power generating plant. In 2009, thanks to these investments, **35% of our factories’ overall power needs was self-produced by the Group (nearly 1% from renewable sources), and 46% of our heat requirements were met by cogeneration plants. In total, the energy (power + heat) self produced was providing 41% of total energy consumed.**

The table below shows the rated power (in MWe) of Ferrero energy-producing plants, broken down by country and source:

List of energy-producing installations at manufacturing plants

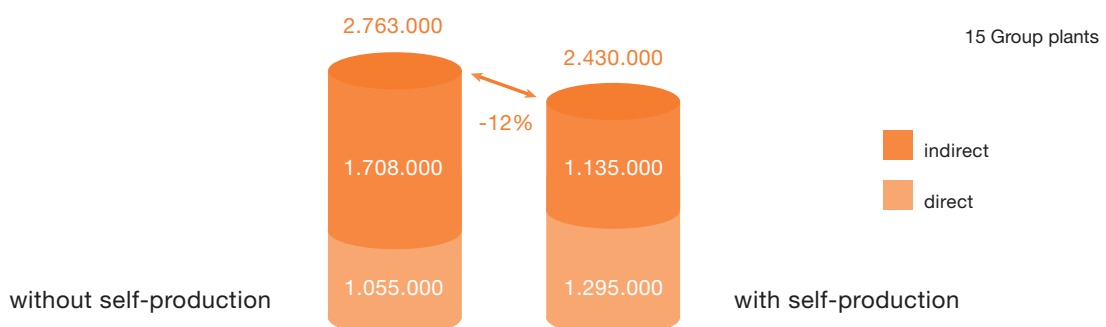
	Natural gas cogeneration	Liquid biomass cogeneration	Photovoltaic
Italy	25*	8,4	1,3
	6,3		
Germany	13		0,6
Poland	5,7		
Belgium	4,2		
Total by source	54,2	8,4	1,9
Total	64,5		

*51% of the installations’ power, as this is Ferrero’s holding in Albapower company, the company whose electrical and heat production is mainly used for the Alba plant.

To self- produce our energy - and use it less, too

The figure below shows actual consumption of primary energy and the consumption that would have taken place if we had not had our own generating plants: the difference is 12% (estimated by comparison with standard figures for manufacturing without co-generation).

Annual primary energy consumption, 2009 (MWh)

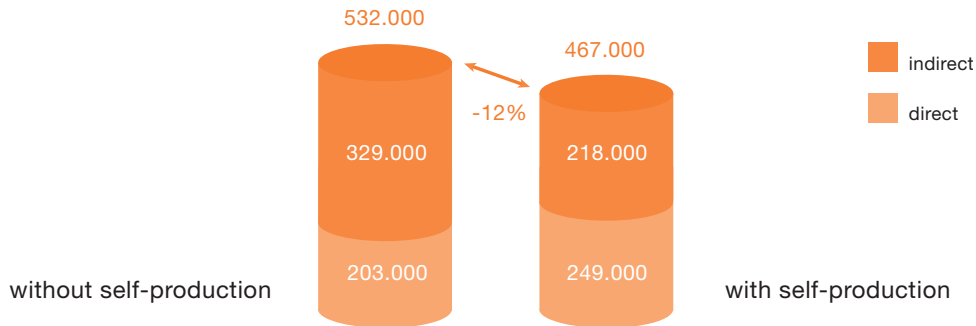


For the conversion of data in the chart: 1 MWh = 3.6 GJ

To self-produce our energy, to use it less – and to cut emissions, too

The environmental benefit can be seen from the figure below, which shows the 12% reduction in direct and indirect CO₂ emissions, achieved by having our own generating plant in highly efficient cogeneration configuration.

Annual CO₂ emissions, 2009 (tons)



To self-produce our energy, to use it less, to cut emissions, and to use renewable sources

We foresee the activation of other generating plants by the end of **2013**:

- ▣ **natural gas** installations totalling 4 MW (in Italy and Australia);
- ▣ a **liquid biomass plant** rated 9.6 MW (in Italy);
- ▣ **biogas plants** totalling about 3 MW (in Italy and Germany);
- ▣ **wind turbines** totalling 9 MW (in Italy and Poland).

By the end of 2013, the total capacity of the Ferrero Group's self-production plants will be about 90 MWe, of which 30% will be from renewable sources.

The prospects for further investments on **wind turbines in Italy and in Poland** are currently being assessed, confirming the Group's attachment to this renewable energy source; developments totalling more than 30 MW are expected by 2020.

The setting up of high efficiency cogeneration or renewable plants, together with measures to raise the efficiency of our manufacturing processes, will lead to an additional benefit in terms of lower energy consumption, with lower CO₂ emissions as a result.

In our **research** activities we continue to work earnestly with universities and industrial partners on projects evaluating and comparing various technologies for to highlight the energy value of by-products from our manufacturing processes.

Energhe's activities will continue to focus on high efficiency cogeneration plants and on renewable sources potential (in particular wind and biomass, but also photovoltaic depending on the progress of the technology). Further details will be found in the first CSR report.

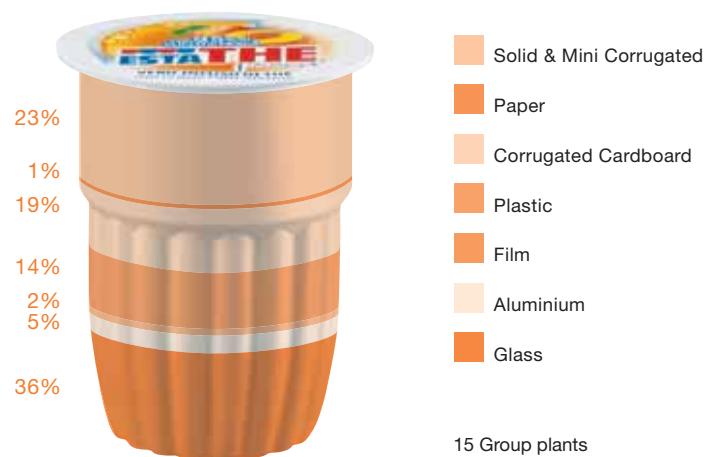
There will again be great interest in **energy efficiency measures**, for these are regarded as fundamental because of the opportunities offered by technological progress. We are also following with great interest the latest developments in research into vegetable oils not in competition with the food sector (Jatropha, algae).

As well as reaffirming its 2013 goals, **the Group aims by 2020 at self-producing (from cogeneration plants or from renewable sources) 100% of the electric power consumed in all 15 plants of which 30% from renewable sources.** This will lead to further environmental benefits in reducing CO₂ emissions. (For more details see the table at the end of this chapter).

OUR PACKAGING STRATEGY

At Ferrero we regard packaging as an integral part of the “recipes” for our products, not least because it protects the product and guarantees its qualities.

The figure below shows our consumption of packaging materials, broken down by category, by weight:



Consolidated data on the percentage of each material recycled are not yet available at Group level, and some vary depending on the materials' country of provenance. The glass used in Italy for Nutella glasses and jars, for instance, is about 10% post-consumer recycled material, while Germany's data are higher (25%-30%) because of its different system for waste collection and recycling. Nevertheless, it is possible to give an estimate for the main materials used by Ferrero:

Material used for packaging	% recycled
Solid & Mini Corrugated	35
Corrugated Cardboard	80
PET	15
Glass	10

For our consumers

With a view to helping and educating consumers about packaging and its disposal, and indicating them to separate their discarded packaging properly in accordance with their local arrangements, **Ferrero has decided to develop a label on the packaging identifying the materials in each component, by the end of 2013.**

PACKAGING: GOALS ACHIEVED AND GOALS AHEAD

The Ferrero Group has introduced an **innovative and advanced approach**, setting up special units dedicated to this issue in order to promote and encourage - right from the preliminary design stage - the development of **packaging that is friendlier to the environment over the whole of its life cycle²**. Various initiatives have been started over the last year for the design and development of packaging that follows **the Ferrero "5R" strategy** (as described earlier in the first CSR report):

R - Remove: early in 2009 we eliminated one of Kinder Cereal's internal packing components, resulting in a saving of about 9 tons of cardboard a year;

R - Reduce: during 2009 the main plastic used in some forms of the Tic Tac box device was changed, saving nearly 1800 tons of plastic a year;

R - Recycle: in 2008 Ferrero decided to introduce rPET (recycled PET) by stages. 100 tons of rPET were used in 2009, and our programme for steadily raising the proportion of recycled material already includes changing to rPET for all secondary packaging as fast as possible given technical constraints and the absolute need to guarantee food safety.

R - Re-use: in addition to the traditional Nutella glass, we are examining new ideas for making other kinds of packaging similarly reusable;

R - Renew: Ferrero aims to make more use of materials from renewable sources, in Germany the plastic box containing 26 "Die Besten" pralines was replaced in 2009 by a Kraft card box: another saving of some 380 tons of material a year.

² The main thrust of our activities have involved measuring and managing environmental aspects (the Sustainable Operations & SCI project, product LCA analyses); planning staff education/training on environmental matters; introducing a working tool to guide the designers of all new packaging in the direction of environmental sustainability; coordinating actions to improve existing projects.

Group commitments for 2020:

- ▣ increase the use of material from renewable sources by 10% (over the 2009 figure);
- ▣ source 40% of paper used for packaging from certified forests while drawing up a new policy on the sustainable procurement of paper and cardboard.

Ferrero is actively engaged in boosting recycled post-consumer waste, giving financial support and taking part in various Italian and international working groups on forward planning: in Italy, for instance, it belongs to the Prevention Group at CONAI (the Italian National Packaging Consortium), and works alongside other firms and consortiums in the trade.

HOW WE DESIGN OUR INFRASTRUCTURE AND MACHINERY

We aim for sustainability from the very first stages of **designing infrastructure and machinery**, and a number of initiatives have been taken in this direction. Building on what we have done already, we are now planning:

- ▣ to implement a computerized tool for evaluating the environmental performance of machinery at the design stage - which is when there are opportunities for generating alternative and environmentally better configurations;
- ▣ to use analysis tools and simulation software that enables us to optimize the size of automated equipment (robot design, brushless motors, &c.);
- ▣ to implement a computerized tool for evaluating the energy class of a building/other installations in accordance with international standards;
- ▣ to look into a standard/reference model for buildings with a reduced environmental impact, which will among other things allow provision of utilities on a more efficient scale;
- ▣ to conduct technical/technological research aimed at minimizing the amount of used process materials attributable to the way our machinery works.

These initiatives will enable us to achieve the following goals by 2020:

- reduce the environmental impact of new machinery and buildings by 10% compared with present levels;
- get European eco-compatibility certification for all new buildings of significant size;
- include eco-compatibility criteria in the specifications when procuring new plant/machinery.

FOR AN INTEGRATED AND ENVIRONMENTALLY SUSTAINABLE LOGISTICS CHAIN

Our mission is to bring products of the very highest quality and freshness to our consumers offered by means of an environment-friendly logistics chain. The following initiatives have been started for this purpose, during the period covered by this report:

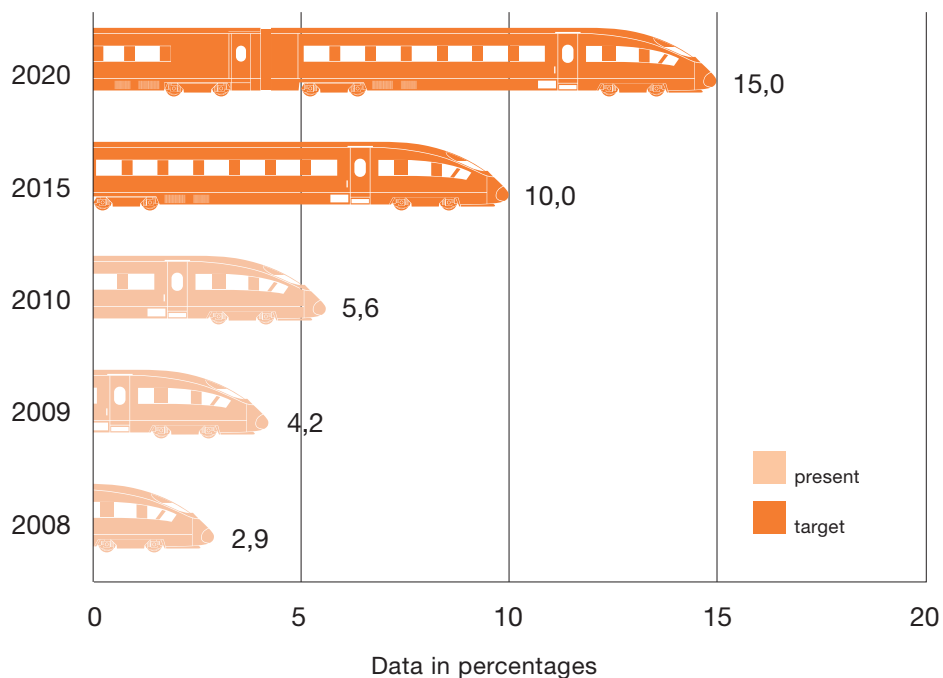
- ▣ environmental impacts measurement, as described earlier;
- ▣ **optimisation of transport network between plants and storage centres** - as for instance in Italy, Spain, Portugal and Germany, where total mileage has been **cut by about 15%**. **Another good example is Poland, where we have managed to cut transport-related carbon emissions by 64 T_{eq}CO₂** by having storage sites closer to our plants. In France, too, we have moved one warehouse that was not central enough to our product destinations, with the aim of reducing transport mileage;
- ▣ **growing use of the railway network: in 2010 this reached 5.6% of all transport within the Group.**
We are currently conducting a global assessment of our potential use of railway freight, and the synergies that could be achieved inside and outside the Group; in France we have transported **50 million jars of Nutella by train in the last five years!**;
- ▣ **sustainable procurement of energy from renewable sources** (already in operation for all our own warehouses in France).



Here are our 2020 goals for improving the environmental performance of our supply chain:

- a **30% cut in direct and indirect greenhouse gas emissions (TeqCO₂) from transport and storage activities** (this reduction will be facilitated by our research into better freight load factors which will be rolled out across the entire Group on an ongoing basis over the next few years, starting with the changes made in carriage of products between Germany and Russia which have led to a 28% reduction in CO₂ emissions by significantly raising load factors);
- raising intermodal transport use within the Group:** 10% by 2015, and then 15% by 2020;
- ISO 14000 certification for all the Group's own warehouses;**
- use of energy from renewable sources or high efficiency cogeneration plants for all the Group's own warehouses.**

Intermodal Transport within the Group



“Intermodal transport within the Group” means transport using a combination of road, railway and/or waterway freight from plants to the first storage site, for the 15 manufacturing plants.

CONCLUSIONS AND TARGETS

The table below summarizes the performance indicators described in this chapter for all the various environmental aspects of the Group's production facilities³.

Parameter	Unit of measurement	Value
Electricity consumption*	MWh/t	0.73
Heat consumption**	MWh/t	1.00
Direct CO ₂ emissions related to energy consumption	tCO ₂ /t	0,134
Water consumption	m ³ /t	4,96
of which, drawn from surface water		24%
groundwater		39%
public mains supply		37%
ODP related to consumption of refrigerant gases	G _{R11eq} /t	0,33
Emissions of CO ₂ equivalent related to refrigerant gas consumption	tCO _{2eq} /t	0,021
Waste water discharges	m ³ /t	2,61
Used materials discarded	kg/t	50,27
Percentage recovery of used materials / waste		90,2%
perimeter: 15 plants		

* Electricity consumption: 2,63 GJ/t;

** Heat consumption: 3,6 GJ/t

There have been no significant spills during the course of the year.

These are the targets set for improvements in our manufacturing plants' environmental performance:

- ▣ **ISO 14001 certification**, of all manufacturing facilities by 2020;
- ▣ **energy audits** carried out at all plants by 2020;
- ▣ **cut water consumption** per unit of product by 20% in 2020, compared with 2009;
- ▣ **cut electricity consumption** per unit of product by 5% in 2020, compared with 2009;
- ▣ **cut heat consumption** per unit of product by 5% in 2020, compared with 2009.

For all our other environmental goals, see earlier in this chapter.

³ All the figures given in this chapter (apart from those in the section "About this Corporate Social Responsibility Report") refer to production at 15 establishments during the calendar year 2009.

TECHNICAL NOTES ON THE ENVIRONMENTAL DATA IN THIS CHAPTER

The figures given in the present chapter, with the exception of those in the section "About this Corporate Social Responsibility Report" refer to the calendar year 2009. The subjects tackled by the Ferrero Working Group are as follows: raw materials of strategic importance to the Group; packaging of greatest relevance to the Group; fifteen manufacturing establishments in Europe, the Americas and Oceania (see the section "Ferrero in the World" for the full list of plants); directly-managed warehouses for raw materials, packaging and finished products; transport handled directly by Group Logistics.

The perimeter referred to is to be widened over the next three reporting periods to include: 1) all types of raw material and packaging used by the Group; 2) the involvement of the Group's other subsidiaries and main industrial partners; 3) all plants; 4) transport and warehouses not directly managed by the Supply Chain Division.

GRI INDICATORS

Independent assurance by Deloitte

GRI-G3 INDICATORS

The following is a summary of the main contents of the CSR Report 2009/2010, according to the scheme of GRI-G3 “Sustainability Reporting Guidelines and Food Processing Sector Supplement” (version 3.0, 2010). For each indicator there are: a summary of the content, the page reference of the report and the level of coverage: **T** = Total, **P** = Partial, **NC** = No Coverage, **NA** = Not Applicable (considering the type of activity or location of the business departments).

INDICATOR PROFILE		LEVEL OF COVERAGE	PAGE
1. Strategy and analysis			
1.1	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy	T	2-3
1.2	Description of key impacts, risks, and opportunities	T	2-3; 6-7; 13; 20; 48-49, 51; 62; 72; 76-77; 79-82
2. Organizational profile			
2.1	Name of the organization	T	12
2.2	Primary brands, products, and/or services	T	8-9
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	T	12-14
2.4	Location of organization's headquarters	T	12
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
2.6	Nature of ownership and legal form	T	12
2.7	Markets served	T	10-11
2.8	Scale of the reporting organization (number of employees, net sales, quantity of products and services provided)	T	8-11; 38
2.9	Significant changes during the reporting period regarding size, structure, or ownership	T	4; 11
2.10	Awards received in the reporting period	T	16-17

3. REPORT PROFILE			
REPORT PROFILE			
3.1	Reporting period for information provided	T	4
3.2	Date of most recent previous report	T	4
3.3	Reporting cycle	T	4
3.4	Contact point for questions regarding the report or its contents	T	4
REPORT SCOPE AND BOUNDARY			
3.5	Process for defining report content	T	12-13
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	T	4
3.7	State any specific limitations on the scope or boundary of the report	T	84
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	10-11; 14
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	T	38; 72; 84
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	T	4
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	T	4; 84
GRI CONTENT INDEX			
3.12	Table identifying the location of the Standard Disclosures in the report	T	86-95
3.13	Policy and current practice with regard to seeking external assurance for the report.	T	4; 96-97
4. Governance, commitments, and engagement			
GOVERNANCE			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	T	12
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	12
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	12

4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	T	12-13
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	T	12
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	T	12
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	T	12
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	T	13; 20
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	T	12
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	T	12
COMMITMENTS TO EXTERNAL INITIATIVES			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	T	2-3; 20-25; 62; 81
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	T	15; 20; 22; 33; 59
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	T	14
STAKEHOLDER ENGAGEMENT			
4.14	List of stakeholder groups engaged by the organization	T	13
4.15	Basis for identification and selection of stakeholders with whom to engage	T	12; 14
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	T	11; 13; 14-15; 18-19; 20-25; 28-35; 37; 40-41; 49; 51; 53; 55-58; 60; 64-66; 68-70; 81
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	T	6-7; 12-13; 21; 37; 59; 63; 66; 68; 69; 77; 80

SOURCING PERFORMANCE INDICATORS		LEVEL OF COVERAGE	PAGE
DMA SC	Management and verification policies and system	T	2-3; 6-7;15; 20-25; 62; 70
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	P	15; 20; 26; 66
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	P	15; 20; 22; 26; 64-65; 68-70

ECONOMIC PERFORMANCE INDICATORS		LEVEL OF COVERAGE	PAGE
DMA EC	Management and verification policies and system	T	2-3; 6-7; 28; 31; 36-37; 77
Economic performance			
EC1	Direct economic value generated and distributed	NC	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	P	2-3; 67; 76-77
EC3	Coverage of the organization's defined benefit plan obligations	NC	
EC4	Significant financial assistance received from government	NC	
Market presence			
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	P	24; 36; 38
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operations	P	11; 64;69-70
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	P	36; 38
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	T	28; 31; 36-37; 77

ENVIRONMENT INDICATORS		LEVEL OF COVERAGE	PAGE
DMA EN	Management and verification policies and system	T	2-3; 6-7; 72-74; 76-77; 79; 82; 84
Materials			
EN1	Materials used by weight or volume	T	63
EN2	Percentage of materials used that are recycled input materials	T	80
Energy			
EN3	Direct energy consumption by primary energy source	T	72; 77; 84
EN4	Indirect energy consumption by primary source	P	72; 77; 84
EN5	Energy saved due to conservation and efficiency improvements	T	76-77; 81
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	76-77; 80-81
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	T	77; 80; 82
Water			
EN8	Total water withdrawal by source	P	75; 84
EN9	Water sources significantly affected by withdrawal of water	T	75
EN10	Percentage and total volume of water recycled and reused	P	75
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	NA	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	P	62; 66-68
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	T	72-73; 78; 84
EN17	Other relevant indirect greenhouse gas emissions by weight	T	84
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	T	72-74; 78; 80-82; 84
EN19	Emissions of ozone-depleting substances by weight	T	74; 84

EN20	NO, SO, and other significant air emissions by type and weight	NA	
EN21	Total water discharge by quality and destination	P	84
EN22	Total weight of waste by type and disposal method	P	74; 84
EN23	Total number and volume of significant spills	T	84
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	T	72-74; 76-77; 80-82
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	P	79-80
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	NC	
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	82-83

SOCIAL INDICATORS		LEVEL OF COVERAGE	PAGE
LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS			
DMA LA	Management and verification policies and system	T	2-3; 6-7; 36; 38-39; 41-42; 44-46
Employment			
LA1	Total workforce by employment type, employment contract, and region.	T	38
LA2	Total number and rate of employee turnover by age group, gender, and region	NC	
Labor/management relations			
LA4	Percentage of employees covered by collective bargaining agreements.	T	41
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	NC	
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	T	39

Occupational health and safety			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	P	43
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	P	24; 42
Training and education			
LA10	Average hours of training per year per employee by employee category	P	44
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	P	36; 39; 41; 44-45; 73
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	38
LA14	Ratio of basic salary of men to women by employee category, by significant locations of operations	NC	

HUMAN RIGHTS PERFORMANCE INDICATORS		LEVEL OF COVERAGE	PAGE
DMA HR	Management and verification policies and system	T	2-3; 6-7; 13; 15; 20; 62;64; 66
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	13; 15; 20; 22; 62; 66
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	T	15; 20-22; 26; 64
Non- discrimination			
HR4	Total number of incidents of discrimination and actions taken	P	13; 22; 45
Freedom of association and collective bargaining core			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	T	13; 20; 24; 41

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	13; 20; 22; 62; 64; 66
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	13; 20; 22; 62; 64; 66

SOCIETY PERFORMANCE INDICATORS		LEVEL OF COVERAGE	PAGE
DMA SO	Management and verification policies and system	T	2-3; 6-7; 28; 31; 34; 36-37
Local communities			
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; 36-37; 55-56; 58; 62; 64; 72
FP4	Nature, scope and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	T	48-49; 55-57
Corruption			
SO2	Percentage and total number of business units analyzed for risks related to corruption	P	13
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	T	13
SO4	Actions taken in response to incidents of corruption.	P	13
Public policy			
SO5	Posizioni sulla politica pubblica, partecipazione allo sviluppo di politiche pubbliche e pressioni esercitate	T	12; 48
Compliance			
SO8	Valore monetario delle sanzioni significative e numero totale di sanzioni non monetarie per non conformità a leggi o regolamenti	NC	

PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS		LEVEL OF COVERAGE	PAGE
DMA PR	Management and verification policies and system	T	2-3; 6-7; 48-49; 51; 53; 57-58
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	15; 20- 21; 48-49; 51-54
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	P	52
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	P	48-49
FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals and functional food additives	P	48
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	57
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	T	57
Marketing communication			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	T	58-60
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	58-59
Compliance			
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	NC	

ANIMAL WELFARE PERFORMANCE INDICATORS		LEVEL OF COVERAGE	PAGE
DMA AW	Management and verification policies and system	T	23; 62; 70

Breeding and genetics			
FP9	Percentage and total of animals raised and/or processed, by species and breed type	NA	
Animal husbandry			
FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic	NA	
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type	NA	
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	NA	
Transportation, handling, and slaughter			
FP13	Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals	NA	

Please find hereby a non exhaustive list of page references to some of our STAKEHOLDERS GROUPS

<ul style="list-style-type: none"> • All stakeholders along value chain • Children • Consumers • Employees • Family • Identification of stakeholders and key areas • Institutions • Local communities • Media • NGOs • Scientific Community • Sport Federation and schools • Suppliers • Trade Associations • Trade Unions 	<p>2,18-19, 20-25, 53</p> <p>3, 15, 22, 28, 33, 36-37, 40, 50, 55, 56, 57-60, 66</p> <p>2, 11, 13, 19-20, 20-26, 55, 57, 63, 68</p> <p>3, 13, 39, 42, 44-45</p> <p>13, 24, 28, 39-40, 56</p> <p>13</p> <p>13, 22, 49, 55, 57, 58, 64, 81</p> <p>11, 28-35, 37, 40, 57, 59, 60</p> <p>13, 58 - 60</p> <p>13, 14, 64, 67, 68, 70, 80</p> <p>13, 23, 32, 56, 58, 79</p> <p>13, 56, 57, 60</p> <p>13,15, 51, 64-66, 68-70</p> <p>13,14, 57, 58</p> <p>13, 41-42</p>
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Please find hereby a non exhaustive list of page references to some KEY TOPICS, raised also after stakeholders feedback (as explained in pages 12 and 13)

<ul style="list-style-type: none"> • Key objectives for 2020 identified • Internal structures dedicated to CSR, frequency and identification of subjects topics • Topics raised by stakeholders have been taken into account in the Code of Business Conduct • Key topics and concerns raised by internal stakeholders • Ferrero publishes its GMOs policy making reference to stakeholders concerns • Children health and Ferrero initiatives in some poor countries • Product responsibility • Engagement towards children through self regulation of advertisement • Ferrero engagement to source sustainable certified cocoa to address consumer's need • Against child labour in hazelnuts sourcing • Sustainable palm oil sourcing • Milk origin • Self production of energy from renewable sources • Packaging from renewable materials and strategy for remove, reduce, recycle, renew and reuse of packaging • Efficient Logistics 	<p>2-3, 6-7</p> <p>12</p> <p>13</p> <p>13</p> <p>21</p> <p>37</p> <p>49, 55, 57-60</p> <p>59</p> <p>63</p> <p>66</p> <p>68</p> <p>69</p> <p>77</p> <p>80</p> <p>82-83</p>
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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 31st, 2010. The directors of Ferrero International S.A. are responsible for the preparation of the sustainability report in accordance with “Sustainability Reporting Guidelines and Food Processing Sector Supplement” issued in 2010 by GRI – *Global Reporting Initiative*, as stated in the paragraph “about this corporate social responsibility report”. The directors are also responsible for the definition of the Group’s objectives regarding the sustainability performance and the reporting of the achieved results. The directors are also responsible for the identification of stakeholders and of significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes with reference to data and information presented in the sustainability report. Our responsibility is to issue this report based on our review.
2. We conducted our work in accordance with the criteria for review engagements established by the “*International Standards Engagement 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information*” (ISAE 3000), issued by the *International Auditing and Assurance Standards Board*. That standard requires the compliance with ethical principles (“*Code of Ethics of Professional Accountants*” issued by the *International Federation of Accountants*), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on a sustainability report consists of making inquiries, primary with company personnel responsible for the preparation of the information included in the sustainability report, analysing the sustainability report and applying other evidence gathering procedures, as appropriate. The performed procedures are summarized as follows:
 - comparing the economic and financial information and data included in the paragraph “our products” of the sustainability report with those included in the Group Consolidated Financial Statements as of August 31st, 2010, on which Deloitte S.A. issued the auditor’s report dated February 24th, 2011;
 - analysing how the processes underlying the generation, recording and management of quantitative data included in the sustainability report operate. In particular, we have performed the following procedures:
 - interviews and discussions with delegates of Ferrero Group, to gather information on the information, accounting and reporting systems used in preparing the sustainability report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the sustainability report;

Bologna Milano Roma Torino Padova

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- analysis, on a sample basis, of the documentation supporting the preparation of the sustainability report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the sustainability report;
- analysing the compliance of the qualitative information included in the sustainability report and its overall consistency in relation to the guidelines referred to in paragraph 1 of this review report, in particular with reference to the sustainability strategy and policies and the determination of significant aspects for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of persons involved, through analysis of the minutes of the meetings or any other available information about the significant features identified in the stakeholder involvement process;
- obtaining the representation letter signed by the legal representative of Ferrero International S.A. on the compliance of the sustainability report with the guidelines referred to in paragraph 1 and on the reliability and completeness of the information and data contained therein.

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

For the data and information relating to the sustainability report of the prior year presented for comparative purposes, reference should be made to our review report dated June 11th, 2010.

3. Based on the procedures performed, nothing has come to our attention that causes us to believe that the sustainability report of the Ferrero Group as of August 31st, 2010 is not prepared, in all material respects, in accordance with the “Corporate Social Responsibility Reporting Guidelines and Food Processing Sector Supplement” issued in 2010 by GRI – Global Reporting Initiative, as set out in paragraph “about this corporate social responsibility report”.

Milan, June 14th, 2011

DELOITTE ERS - ENTERPRISE RISK SERVICES S.r.l.

Franco Amelio

Partner
State Authorised Public Accountant (Italy)
Corporate Responsibility Services

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



Statement GRI Application Level Check

GRI hereby states that **Ferrero** has presented its report "SHARING VALUES TO CREATE VALUE" (2010) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 13 July 2011

A handwritten signature in black ink, appearing to read "Nelmara Arbex", is written over a light blue circular background element.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Ferrero has submitted this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 29 June 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

**Ferrero**

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