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United Nations Global Compact

Communication On Progress 2012: Advanced Level

December 2013

Ferrero's Communication of Progress

Ferrero has formally adhered to the **UN Global Compact** in 2011, with the aim of supporting and enacting the **Ten Principles of the UN Global Compact**.

Ferrero is hereby reporting its Communication of Progress (COP) in accordance with the **UN Global Compact Advanced Level**, according to the 21 criteria in the following areas:

- Implementing the Ten Principles into Strategies & Operations;
- Taking Action in Support of Broader UN Goals and Issues;
- Corporate Sustainability Governance and Leadership.

All information reported in this COP is in compliance with Ferrero's CSR Report 2012, which is also available on: **http://www.csr.ferrero.com**

Ferrero's CSR Report has been drafted in conformity with the "Sustainability Reporting Guidelines" (version 3.1, 2011) and the "Food Processing Sector Supplement" defined by the Global Reporting Initiative (GRI). It also took the following into account:

- the **ISO** (International Standard Organization) **26000**: 2010 "Guidance on social responsibility",
- the **OECD** (Organization for Economic Cooperation and Development) "**Guidelines for Multinational Enterprises**".

Ferrero's CSR Report has attained **GRI Guidelines A+ level**, as confirmed by the GRI check and the independent assurance of the same Report was carried out by **Deloitte**.

Statement of Continued Support

CORPORATE SOCIAL RESPONSIBILITY REPORT

Over the past year, the Ferrero Group continued to grow with an **increase of 8% in sales**, despite the ongoing difficult international situation, the slowdown in consumption of food products in some European markets, and the rise in prices of principal raw materials. The growth of the Group is attributed to the extraordinary dynamism in our expanding markets, particularly in **Asia, the United States** and **Russia**. We are also proud of the fact that consumers worldwide continue to love our brands.

Giovanni Ferrero, CEO Ferrero International

In the same period, Ferrero enhanced its manufacturing capabilities **by devoting a significant portion of investment, equivalent to 5.1% of sales, to technical developments in Italy, Germany, Poland, Canada and Russia.** Furthermore, **our CO$_2$ emissions,** resulting from our production activities, **have decreased by more than 12%** per unit of product, **and primary energy consumption was cut by 15% compared to 2010. Reductions in water consumption exceeded 7% per unit of product, and the waste recovery index of the production plants has exceeded 90%** during the reporting year.

Our Group, founded 70 years ago in Alba, has remained inextricably linked to its roots in Italy and Europe. However, we are seeing great changes in the world today, which have altered the economic equilibrium and are also set to impact at a political, technological and cultural level.
Tomorrow's world will scarcely resemble today's: five years ago, the European GDP accounted for 25% of the world's wealth; it has now fallen to 20% and is expected to further decline during the

next few years. The world of the future will therefore be less European. It will have Asia at its centre, the world population will be higher and younger, and wealth distribution will be completely different. Consequently, we shall communicate in a manner that is more and more global and integrated. New opportunities to be seized will arise. This is what we are working towards **by opening three new production plants over the last three years, expanding beyond the borders of the European Union, into India, Mexico and Turkey.**

In parallel, our social responsibility strategy remains a priority and continues to grow. It is based on:

1. **the Ferrero Foundation of Alba**, which, under the loving guidance of my mother, Maria Franca, cares for our retired employees by continuing to make them feel part of the same large family, with cultural activities connected to its region;

2. **the Ferrero Social Enterprises**, longed for by my father, Michele, and my late beloved brother Pietro, are ever more active in India, South Africa and Cameroon;

3. **the respect for human rights**, which is instilled in our work and employment policy, **and in particular, the fight against child labour**;

4. **the respect for consumers and their safety**, which we pursue daily through continuous innovation, excellence in quality, freshness and the appeal of our products;

5. **the sustainable sourcing** of the raw materials we utilise;

6. **the protection of the environment**, with the objective of constant reduction of energy and water consumption and the use of renewable sources;

7. **the voluntary programme "Kinder+Sport"**, supporting sports worldwide and fighting against a sedentary lifestyle and childhood obesity;

8. **the fight against corruption and wrongdoing**, everywhere and in all their manifestations.

I want to conclude by assuring you that our model of growth remains imprinted with the same values and principles in which we have always believed, starting with **the values of corporate social responsibility**.

Happy reading!

July 2013

Giovanni Ferrero
Chief Executive Officer
Ferrero International

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GC Advanced Criteria		GRI G3.1 & FPSS Disclosure on Management Approach (SMA) or Performance Indicators	Reference of Ferrero CSR Report 2012 (Page)
Implementing the Ten Principles into Strategies & Operations			
1	Mainstreaming into corporate functions and business units	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	4-6; 23-24; 28-29; 32; 42-43; 60; 134; 166-167; 171-172
		4.2 Indicate whether the Chair of the highest governance body is also an executive officer	
		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	
		4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	
		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)	
		4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	
		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	
		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	
		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	

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		4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	
2	Value chain implementation	3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	2
	High standards of transparency and disclosure	2.1 Name of the organization 2.2 Primary brands, products, and/or services 2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures 2.4 Location of organization's headquarter 2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specially relevant to the sustainability issues covered in the report 2.6 Nature of owner and legal form 2.7 Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries) 2.8 Scale of the reporting organization (number of employees; numbers of operations; net sale) 2.9 Significant changes during the reporting period regarding size, structure, or ownership 2.10 Awards received in the reporting period	2; 10-11; 58-66; 68; 70; 176
	External COP assessment	3.13 Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	2; 221-222
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3	Commitments, strategies, policies	DMA Human Rights – Goals and performance, Policy	4-5; 28; 94; 124-125; 164-165; 171-172 www.ferrero.com/socialresponsibility/code-busines-sconduct/; www.ferrero.com/socialresponsibility/code-of-ethics/reliability-trust/

4	Management systems	DMA Human Rights – Organizational responsibility, Training and awareness	28; 94; 124-125; 171-172
5	Monitoring and evaluation mechanisms	DMA Human Rights – Monitoring and follow-up HR1 Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening HR2 Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained HR4 Total number of incidents of discrimination and corrective actions taken HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights HR6 Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour HR7 Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour HR10 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. HR11 Number of grievances related to human rights fi led, addressed and resolved through formal grievance mechanisms	28-29; 79; 81 94-95; 100-101; 108-112; 115-118; 121; 124-125; 130-131; 171-172; 174

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7	Management systems	DMA Labour Practices and Decent Work – Organizational responsibility, Training and awareness	32; 42-43; 68-70; 75; 78-79; 81; 86; 88; 90; 128-130; 188; 192; 199
8	Monitoring and evaluation mechanisms	DMA Labour Practices and Decent Work – Monitoring and follow-up LA1 Total workforce by employment type, employment contract, and region, broken down by gender LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region LA4 Percentage of employees covered by collective bargaining agreements LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements FP3 Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender LA8 Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases LA10 Average hours of training per year per employee by gender, and by employee category. LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings LA12 Percentage of employees receiving regular performance and career development reviews, by gender	32; 34-36; 39; 42-44; 68-72-79; 80-88; 90; 128-130; 186; 188; 190-192; 198-199

		LA13 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation LA15 Return to work and retention rates after parental leave, by gender	
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10	Management systems	DMA Environment – Organizational responsibility, Training and awareness	134-138; 146-148; 155-159; 178; 195; 204
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		EN16 Total direct and indirect greenhouse gas emissions by weight EN17 Other relevant indirect greenhouse gas emissions by weight EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved EN19 Emissions of ozone-depleting substances by weight EN20 NO, SO, and other significant air emissions by type and weight EN21 Total water discharge by quality and destination EN22 Total weight of waste by type and disposal method EN23 Total number and volume of significant spills EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation EN27 Percentage of products sold and their packaging materials that are reclaimed by category EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	
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13	Management systems	DMA Society – Organizational responsibility, Training and awareness	174 **Note:** We are developing our data collection processes for reporting before 2013/14.
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		SO3 Percentage of employees trained in organization's anti-corruption policies and procedures SO4 Actions taken in response to incidents of corruption SO5 Public policy positions and participation in public policy development and lobbying SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions by country SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations SO9 Operations with significant potential or actual negative impacts on local communities SO10 Prevention and mitigation measures implemented in operations with significant potential or actual negative	

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16	Strategies social investment and philanthropy		
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Corporate Sustainability Governance and Leadership

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		4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	

| 21 | Stakeholder engagement | 4.14 List of stakeholder groups engaged by the organization
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