

# Ferrero Sustainability Report 2021

**FERRERO**



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# Welcome to our 13<sup>th</sup> sustainability report

This report is a progress report which builds on our four pillars reporting approach, to streamline and increase the transparency of the Group's sustainability efforts and vision.

## 01

Protecting the environment

## 02

Sustainably sourcing  
high-quality raw materials

## 03

Promoting responsible  
consumption

## 04

Empowering people

We describe our actions and future plans to go beyond what we have already achieved as we grow our global business.



# Executive Chairman's and Chief Executive Officer's statement

Welcome to our annual Sustainability Report where, for the 13th consecutive year, we outline our vision in striving to protect the environment, source ingredients sustainably, promote responsible consumption and empower people.

The year has, of course, been particularly challenging. The pandemic has highlighted the inequalities that exist in the world, and the social and economic impacts have been different from country to country. In addition, there have been well-publicised disruptions to global freight and logistics, as well as raw-material and energy price inflation.

However, notwithstanding these challenges, Ferrero as a business has demonstrated resilience and the solid progress of our sustainability plans has not been affected, as you will read. In addition, our business continues to expand, both through new acquisitions and through organic growth.

As Ferrero grows and diversifies, we rely more and more on our global workforce to support this growth, and we aim to engage and inspire all our people, especially those who are new to the Ferrero family. We believe it is essential to create an inclusive company culture that uses the full range of our talents to respond to our business priorities. Therefore, we work hard across the world to offer a culture of trust, respect, diversity and opportunity for all.

I would like to thank all the Ferrero employees and partners who have demonstrated this culture and commitment, and worked so hard over the past year

to continue to serve our customers, help us succeed as a business, and support the communities we are proud to be a part of.

/s/  
Giovanni Ferrero  
Executive Chairman, Ferrero Group

During the year, we constantly worked to adapt to the challenges of the pandemic, demonstrating the resilience required to ensure continued operations.

Ferrero closed the financial year with a consolidated turnover of €12.7 billion, an increase of +3.4% on the previous year's turnover. The Group now comprises 107 companies and 32 manufacturing plants around the world, with a growing workforce, creating and selling our products directly and through distributors in over 170 countries.

As you will see throughout this report, we have substantially advanced many aspects of our sustainability strategy towards the objectives we set ourselves. We increased our energy efficiency and confirmed a central capital-expenditure programme aimed at reducing our carbon footprint. This includes increasing the production of on-site renewable energy and the use of alternative sustainable fuels. By the end of the financial year, 16 of our plants were using 100% renewable electricity from the grid, accounting for about 84% of the electricity we purchased for all our manufacturing sites. Our waste-recovery rate also continues to improve through better separation, with five factories achieving 100% recovery and seven over 99%.

We have achieved many improvements in our packaging portfolio, in line with our sustainability roadmap to 2025. Our global KPI on packaging reusability, compostability and recyclability increased to more than 83% by weight, in addition we've set targets to reduce the use of virgin plastic while increasing recycled content in plastic packaging.

In raw-materials supply chains we published or updated our Cocoa Charter, Palm Oil Charter and Hazelnut Charter, aiming for production that creates value for all in each respective industry. We bought about 90% of our entire cocoa volume from farmer groups we support through our sustainability programmes, and we sourced all cocoa through sustainability certifications and other independently managed standards. With palm oil, we continue to meet our target to source 100% RSPO-certified sustainable palm oil as segregated for our historical Ferrero brands. For recently acquired brands, Thorntons has met that same standard, while we are working to include also the remaining acquired brands. Even so, we sourced 99.6% RSPO-certified palm oil across all our brands. With other ingredients, we use 100% cage-free eggs within the EU (around 95% of our total) and source 100% cane sugar certified by Bonsucro. We are working to produce charters for other raw materials.

Last year, we focused on advancing the culture of diversity and inclusion, with 150 senior leaders involved as council members. We've been transforming our approach and will continue to develop our D&I goals, including the representation of women in managerial positions, an enhanced workplace culture, increased inclusion of different generations and nationalities, and a specific focus on people with disabilities.

To strengthen our human-rights approach, we have been working with a human rights expert organization who helped us identify the ten main human-rights risks that might occur across our value chain, and on which we will focus our efforts. To increase transparency and disclosure, we recently published our first Human Rights Report, further describing our approach and results. We joined the Human Rights Coalition of the Consumer Goods Forum as part of our human rights commitments. We support the Industry Priority Principles on Forced Labour and commit to work collectively with the industry to eradicate forced labour and modern slavery in supply chains.

Lastly, as we launch our 2021 Sustainability Report, Ferrero Group is collaborating with Belgian authorities to fully resume its operations at the Arlon plant. Food safety, quality and consumer care have been at the heart of Ferrero since the company was founded. We are truly sorry for what happened and would like to apologise once again to all those impacted. We have never experienced a situation like this in our 75-year history. We have taken learnings from this unfortunate event and will do everything to ensure it does not happen again. The results presented in the 2021 Sustainability Report are not impacted by the event.

You can find out more about our sustainability initiatives in this report as well as online at [www.ferrerosustainability.com](http://www.ferrerosustainability.com).

I hope you will find it informative, and I welcome your feedback.

/s/  
Lapo Civiletti  
Chief Executive Officer, Ferrero Group

# About us

Our purpose, values and structure provide a strong foundation which continues to evolve in line with our global expansion, changing consumer needs and innovation of our products and packaging.

## Our Values

Ferrero has been built by generations of people who share a commitment to continuous improvement. Our core values provide the foundation for our purpose and are a guiding force for our people and suppliers as our Company continues to grow.

### Loyalty and trust

Our loyalty towards consumers and the trust they place in our products are at the core of the long-lasting relationships we enjoy with them.

### Respect and responsibility

Based on respect for equality of treatment, we promote the professional and personal development of our people and strong relationships with local communities.

### Integrity and moderation

Our communications reflect the values of human dignity, family and children in line with strong moral and ethical principles and a commitment to healthy lifestyles.



### Passion for quality, research and innovation

Our goal is to create unique products through innovative research and production processes, careful selection of raw materials, and quality and traceability across our businesses.

### Entrepreneurship

Our success lies in our ability to establish a clear vision and be proactive with our investments, timely with our undertakings and excellent in our execution.

### Work, donate, create

Alongside the Ferrero Foundation, the entire Ferrero Group engages in social responsibility activities as an integral part of our way of doing things.

## How we do things

We live out our purpose every day through our



### CONSUMERS

Responsible marketing practices, high-quality ingredients and innovative products



### COMPANY

Respect and care for our people through the organisation



### BUSINESS PARTNERS

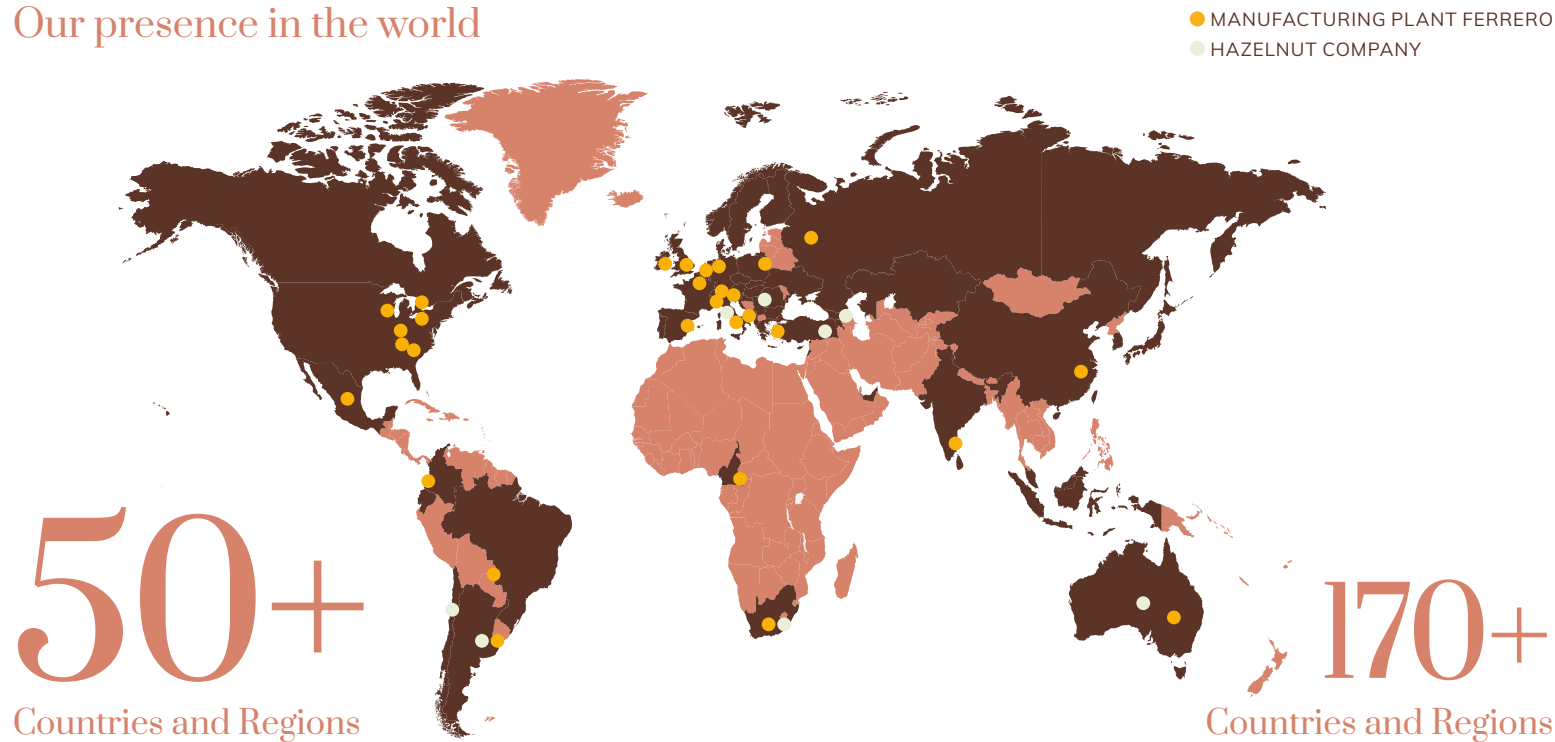
Integrity and trustworthy approach to our retailers and suppliers



### COMMUNITIES

Care for the communities in which we operate and where we source from

## About us (continued) Our presence in the world



ARGENTINA  
AUSTRALIA  
AUSTRIA  
BELGIUM  
BRAZIL  
BULGARIA  
CAMEROON  
CANADA  
CHILE  
CHINA  
CHINA, HONG KONG SAR  
CHINA, TAIWAN  
COLOMBIA  
CROATIA  
CZECH REPUBLIC

DENMARK  
ECUADOR  
FINLAND  
FRANCE  
GEORGIA  
GERMANY  
GREECE  
HUNGARY  
INDIA  
INDONESIA  
IRELAND  
ISRAEL  
ITALY  
JAPAN  
KAZAKHSTAN

KUWAIT  
LUXEMBOURG  
MALAYSIA  
MEXICO  
MONACO  
MOROCCO  
NETHERLANDS  
NORWAY  
POLAND  
PORTUGAL  
PUERTO RICO  
ROMANIA  
RUSSIA  
SERBIA  
SINGAPORE

SLOVAKIA  
SOUTH AFRICA  
SOUTH KOREA  
SPAIN  
SRI LANKA  
SWEDEN  
SWITZERLAND  
TURKEY  
UKRAINE  
UNITED ARAB  
EMIRATES  
UNITED KINGDOM  
UNITED STATES OF  
AMERICA

### HCO – Hazelnut Company

**6 AGRICULTURAL COMPANIES:**

ARGENTINA, AUSTRALIA, CHILE, GEORGIA  
SERBIA, SOUTH AFRICA

**3 MANUFACTURING PLANTS ACROSS:**  
CHILE, ITALY, TURKEY

LEARN MORE ABOUT FERRERO HAZELNUT COMPANY

## 32 manufacturing plants

1. ITALY	ALBA	1946
2. GERMANY	STADTALLENDORF	1956
3. FRANCE	VILLERS-ÉCALLES	1960
4. ITALY	POZZUOLO MARTESANA	1965
5. AUSTRALIA	LITHGOW	1974
6. IRELAND	CORK	1975
7. ECUADOR	QUITO	1975
8. ITALY	BALVANO	1985
9. ITALY	S. ANGELO DEI LOMBARDI	1985
10. BELGIUM	ARLON	1989
11. POLAND	BELSK DUZY	1992
12. ARGENTINA	LA PASTORA	1992
13. BRAZIL	POÇOS DE CALDAS	1994
14. CAMEROON	YAOUNDÉ	2005
15. CANADA	BRANTFORD	2006
16. SOUTH AFRICA	WALKERVILLE	2006
17. INDIA	BARAMATI	2007
18. RUSSIA	VLADIMIR	2009
19. MEXICO	S. JOSÉ ITURBIDE	2013
20. TURKEY	MANISA	2013
21. CHINA	HANGZHOU	2015
22. UNITED KINGDOM	ALFRETON	2015
23. USA	NORTH CANTON	2017
24. USA	BLOOMINGTON	2018
25. USA	FRANKLIN PARK	2018
26. USA	LOUISVILLE	2019
27. USA	FLORENCE	2019
28. USA	AUGUSTA	2019
29. USA	CHICAGO	2019
30. SPAIN	ALZIRA	2019
31. ITALY	CASTEL D'ARIO	2019
32. UNITED KINGDOM	HALSTEAD	2020

ACQUIRED FROM 2019 ONWARDS (NO. 26 TO 32) ARE NOT INCLUDED IN THE SCOPE OF THIS REPORT EXCEPT WHERE SPECIFIED.

## About us (continued)

### Our Company

# 107

consolidated companies<sup>1</sup>  
in more than 50 countries

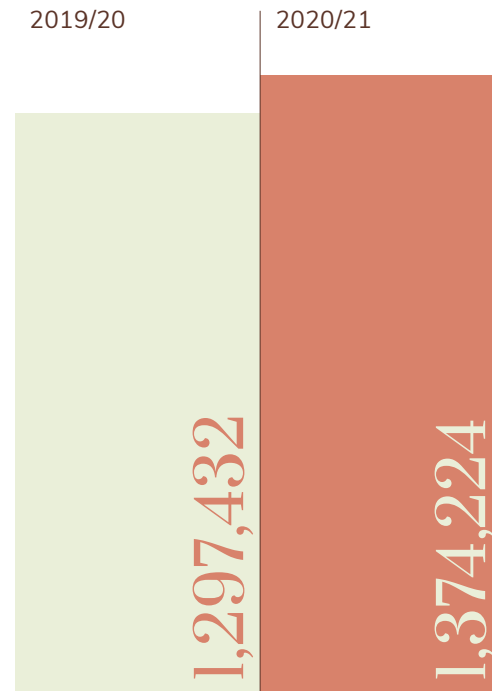
# 38,500+

Employees

THE CONSOLIDATED NET TURNOVER (€)



TOTAL PRODUCTION (TONNES)



### Our brands



1. As of 31/08/2021 the number of Legal Entities consolidated by Ferrero International S.A. (Ferrero Group parent company, therefore excluded from the count) was 107.

## About us (continued) Expanding our portfolio

Alongside organic growth, our global presence is constantly expanding as we enter new product categories and expand our footprint across Europe and North America through strategic acquisitions. We are constantly growing our portfolio of well-established brands that consumers love, allowing us to diversify and capitalise on exciting growth opportunities.



### 2015

**Acquired**  
Oltan Group (Turkey)  
**Acquired**  
Thorntons (UK)



### 2017

**Acquired** Fannie May (U.S.)



### 2018

**Acquired**  
former Nestlé U.S.  
chocolate confectionery  
business with iconic  
brands, such as  
Butterfinger, BabyRuth,  
100Grand, Raisinets,  
and the exclusive right to  
Crunch brand (U.S.)



### 2019

**Acquired**  
Kellogg Company  
cookie, cone and pie  
crust businesses,  
including the iconic  
cookie brand  
Keebler®, top  
selling on-the-go  
Famous Amos®  
cookies, the premium  
family cookie brand  
Mother's®, and



Murray® sugar free  
cookies, as well  
as Little Brownie  
Bakers®, supplier  
of cookies to the  
Girl Scouts

**Acquired**  
a controlling stake  
in Ice Cream Factory  
Comaker (ICFC)

### 2020

**Acquired**  
Eat Natural, UK-based  
maker of high-quality  
cereal bars, toasted  
muesli and granola





# Our value chain

As we continue to grow our business responsibly, we ensure sustainability is fully embedded by considering our impacts and opportunities along the value chain – from raw materials to end of life.

## Raw materials

We source raw materials such as cocoa, palm oil, hazelnuts, sugar, milk and eggs to make our products.

We rely on long-term relationships with suppliers to ensure they understand, practice and embrace our values. Traceability enables us to monitor how our raw materials are produced.

See page 34



## Production

Our products are manufactured in over 30 manufacturing plants globally and we work with third-party suppliers to produce our KINDER® Surprise toys. Aiming for high quality and safety standards in our manufacturing and third-party operations and managing the environmental and social impacts are high priorities.

See page 17

## Packaging

Packaging protects the quality and freshness of our products to guarantee a delightful experience for our consumers. It is also an important means of communication with consumers, helping them choose our products by providing clear and understandable information. The materials that go into our packaging include glass, paper and plastic.

See page 27



## Logistics

Our products are distributed and sold directly and through authorised dealers in more than 170 countries. We work with logistics operations to transport raw materials, semi-finished products and KINDER® Surprise materials throughout the value chain via our network of warehouses.

See page 19



## Consumption

Our products bring joy and pleasure for consumers as part of a healthy and balanced lifestyle. We do this responsibly, going beyond legal requirements with our marketing communications and ingredients information and offering serving sizes that let consumers manage their daily energy needs.

See page 57

## End of life

Packaging plays a crucial role but it can cause harm to the environment if it is not disposed of in the right way. Providing clear guidance on how to dispose of our packaging and ensuring it is reusable, recyclable or compostable is key to managing our impacts.

See page 31



# Our sustainability priorities

## OUR SUSTAINABILITY FRAMEWORK

### GOVERNANCE STRUCTURES, POLICIES AND PROCESSES

#### Partnerships

#### Technology

#### Certifications



#### Protect the environment

We work hard to manage and reduce our environmental impact, increasing environmental efficiency in our operations and supply chain, reducing emissions and water consumption, and increasing circularity in our manufacturing and packaging.



#### Source ingredients sustainably

We aim to create a thriving supply chain that benefits farmers and their communities, and protects people and the environment. Responsible sourcing is the way we do business and the way we build our supply chains across all our categories. The higher the risk, the stronger our level of understanding and protection of the supply chain needs to be.



#### Promote responsible consumption

We strive to offer high quality products and freshness and always endeavour to communicate responsibly.



#### Empower people

We care about our 38,000 people in more than 50 countries, and aim to build a culture of trust, respect, diversity and opportunity for all. We believe it essential that we work at all times to create an inclusive company culture that uses the full range of its talents to respond to our business priorities. We listen and respond to our people's views, and create a working environment where they feel valued and able to grow.

### CLUSTER 1

SDGs aligned to Ferrero's strategy



### CLUSTER 2

SDGs supported by Ferrero's activities



### CLUSTER 3 (ENABLER)

SDGs enabling Ferrero's strategy



## Our sustainability priorities (continued)

### Protect the environment

#### Our ambition

We work hard to manage and reduce our environmental impact, increasing environmental efficiency in our operations and supply chain, reducing emissions and water consumption, and increasing circularity in our manufacturing and packaging.



#### Materiality assessment issues

Climate action\*

Product design, packaging and circularity\*

Water management

Industrial and food waste

Collaboration and partnership for the goals

\*material issues

#### SDGs contribution



Read more about our 'Protect the Environment' pillar from page 16, including:

#### Climate action

- In December 2020, we set our science-based carbon targets for 2030:
  - To reduce absolute Scope 1 and 2 emissions by 50% from a 2018 baseline with roadmap agreed.
  - To reduce Scope 1, 2 and 3 emissions intensity by 43% from the same baseline, working with suppliers to identify solutions.
- Increased our energy efficiency and confirmed a central capital-expenditure programme dedicated to reducing our carbon footprint.
- Continued increasing share of renewable electricity to more than 80% globally and 100% in Europe.

#### Packaging design and the circular economy

- Continued working on our 2025 target of making 100% of our packaging to be reusable, recyclable or compostable, in our four main areas of action: R&D and open innovation, existing packaging development and design, working with recyclers and national waste-management systems, and educating consumers.
- In 2021, we set a target to reduce the use of virgin plastic by 10% and boost uptake of recycled content in plastic packaging to 12% by 2025.

#### Water management

- Continued water audits, including nine in our facilities, and plans for all productions sites.
- Water intensity decreased by around 7% (compared to previous FY).

#### Industrial and food waste

- Waste ratio decreased by 4.5% (compared to previous FY) due mainly to waste-reduction projects.
- Waste-recovery rate continues to improve through better separation and work with suppliers. In 2020/21 five factories achieved 100% recovery; seven production sites were over 99%.

## Our sustainability priorities (continued)

### Source ingredients sustainably

#### Our ambition

We aim to create a thriving supply chain that benefits farmers and their communities, and protects people and the environment. Responsible sourcing is the way we do business and the way we build our supply chains across all our categories. The higher the risk, the stronger our level of understanding and protection of the supply chain needs to be.

#### Materiality assessment issues

##### Climate action\*

##### Biodiversity, deforestation prevention and sustainable agriculture\*

##### Human rights in supply chains\*

Animal welfare

Community livelihoods and development

Innovation and digitalisation

Collaboration and partnership for the goals

Supplier engagement and transparency

\*material issues



#### SDGs contribution

Cluster 1



Cluster 2



Enabler



Read more about our 'Source ingredients sustainably' pillar from page 34, including:

#### Cocoa

- Published our Cocoa Charter, aiming for a cocoa sector where production creates value for all.
- Sourced about 90% of our entire cocoa volume from farmer groups we support through our sustainability programme, many who have supplied us for several years.
- Now source all cocoa through certifications and independent standards.

#### Palm oil

- Published our Palm Oil Charter, aiming for a palm oil industry where palm oil production creates value for all.
- Continue to meet our target to source 100% RSPO-certified sustainable palm oil as segregated for existing brands – and 99.6% RSPO across all brands, including the most recently acquired ones.
- For recently acquired brands, Thorntons has met the same standard, while the work for the remaining brands is ongoing.

#### Hazelnuts

- Published our Hazelnut Charter, aiming for a hazelnut industry where hazelnut production creates value for all.
- Achieved 57% traceability in total this year.

#### Other ingredients

- Use 100% cage-free eggs within the EU (around 95% of our total) since 2014 and working to achieve global commitment by 2025.
- Source 100% cane sugar certified by Bonsucro.
- Working to produce additional raw materials charters.

## Our sustainability priorities (continued)

### Promote responsible consumption

#### Our ambition

We strive to offer high quality products and freshness and always endeavour to communicate responsibly.



#### Materiality assessment issues

Nutrition, health and lifestyles\*

Products and ingredients' safety and quality\*

Responsible marketing

Innovation and digitalisation

Collaboration and partnership for the goals

\*material issues

#### SDGs contribution

Cluster 1



Cluster 2



Enabler



Read more about our 'Promote responsible consumption' pillar from page 56, including, but not limited to:

#### Nutrition, health and lifestyles

- Further developed our nutrition strategy, focused on four key principles serving size, high-quality ingredients, food education and encouraging active lifestyles.

#### Products and ingredients' safety and quality

- Met our target to achieve FSSC 22000 food safety certification for Ferrero manufacturing plants including those of the Michele Ferrero Entrepreneurial Project.

- Continued work to extend certifications to all newly acquired plants.

#### Responsible marketing

- Maintained current commitment to responsible marketing and communications.

## Our sustainability priorities (continued)

### Empower people

#### Our ambition

We care about our 38,000 people in more than 50 countries, and aim to build a culture of trust, respect, diversity and opportunity for all. We believe it essential that we work at all times to create an inclusive company culture that uses the full range of its talents to respond to our business priorities. We listen and respond to our people's views, and create a working environment where they feel valued and able to grow.

#### Materiality assessment issues

Diversity and inclusion\*

Human rights in supply chains\*

Collaboration and partnerships for the goals

Community livelihoods and development

Employee occupational health and safety and wellbeing

Employee satisfaction and development

Employment and labour relations

Governance and business ethics

Innovation and digitalisation

\*material issues



#### SDGs contribution



Read more about our 'Empower people' pillar from page 66, including, but not limited to:

#### Diversity and inclusion

- A transformed approach to D&I, engaging Ferrero employees in all functions, countries and levels.

#### Human rights in supply chains

- Published our first [Human Rights Report](#).

#### Employee satisfaction and development

- A significant shift in our approach to managing and enhancing the employee experience.

- Maximising the use of MS Teams as our virtual classroom for our learning programmes.

#### Employee occupational health and safety and wellbeing

- A global Wellbeing programme to promote the long-term health and wellbeing of all employees with a key focus on health, energy, protection and community – flexible to local circumstances.
- Restructuring H&S function to support a rapidly growing organisation.

#### Investing in our community

- Continued social-responsibility programmes through the Ferrero Foundation, the Michele Ferrero Entrepreneurial Project and Kinder Joy of moving.



# Our sustainability progress

# 01

## Protect the environment

We work hard to manage and reduce our environmental impact, increasing environmental efficiency in our operations and supply chain, reducing emissions and water consumption, and increasing circularity in our manufacturing and packaging.





# How we protect the environment

## Why does it matter?

A resilient and healthy planet is crucial for sustaining the ingredients and commodities we depend on. However, the consequences of human consumption and rising demand for energy, land and water are having a major impact on the planet.

Action on climate change is vital to the future of society, and it connects many areas of environmental management across the value chain – from energy, water and waste, to ecosystems, biodiversity and the transition towards a circular economy.

Our environmental impact arises through our manufacturing operations, the resources we use for our products and packaging, and their end-of-life management. As our materiality assessment shows, climate action, packaging and the circular economy are among our highest-rated material issues.

## Our approach

Our strategic approach applies a precautionary principle to managing risks and opportunities that arise through our direct and indirect operations, ensuring we do not harm the environment or people.

We consider the climate impact of our products and packaging across the entire value chain, and focus on the areas where

we have the greatest opportunity to achieve meaningful change. We also manage the environmental impact of sourcing our raw materials, as described in the 'Sourcing ingredients sustainably' chapter of this report.

Our key focus areas for managing the direct and indirect impact of our operations are:

- **Climate action:** reducing our carbon footprint by reducing greenhouse gas (GHG) emissions across our operations and value chain and improve energy efficiency.
- **Water management:** responsible water use in our production processes, reducing our water consumption and managing wastewater discharge.
- **Industrial and food waste:** promoting the transition to a circular economy, where packaging and residuals from manufacturing plants have a value and never become sources of pollution.
- **Packaging design and the circular economy:** supporting the transition to a circular economy, where packaging never becomes waste.

Our Industrial and Supply Environmental and Energy Policy and Supplier Code set out our commitments to protecting the environment, supported by detailed operational procedures. Key elements of our approach include complying with legislation

at all levels, certifying plants, collection and monitoring data, and investing in technology to reduce our operational impact.

Our plants define local action plans in line with corporate guidelines and local context. The Central Direzione Operations Sustainability, Environment and Energy (DOSEE) function works closely with local



## How we protect the environment (continued)

Industrial Sustainability, Environment and Energy (ISEE) managers to encourage engagement, raise awareness, increase capabilities and share best practices. ISEE managers oversee local environmental and energy management, and are the focal point for all related activities at our plants.

We support the transition to a circular economy, and are working to ensure our packaging is reusable, recyclable or compostable. The Direzione Packaging Unit (DPU) department works on our packaging from concept design to the final industrialisation process, including display and point-of-sale materials. We use a data-based approach to design and develop our packaging – identifying the best materials, minimising impacts and communicating clear information about proper disposal. Lifecycle Assessment (LCA) enables us to link environmental aspects – such as the use of natural resources and air emissions – to their impacts, ensuring improvements are meaningful across the whole product lifecycle. We have conducted the product LCA of all our main products, including their packaging.

### Compliance and certification: ISO 14001 and 50001 Standard

We value transparency across our operations, and full compliance with applicable environmental and energy laws, regulations and site permits.

To meet the above objectives relating to environmental protection and energy efficiency, we adopted an environmental and energy-management system (EEnMS), based on the internationally recognised ISO 14001 and ISO 50001 standards.

By implementing the EEnMS, we promote the prevention of pollution, the efficient use of all materials and natural resources, and the continual improvement of the environmental and energy performance of our operations.

At the end of fiscal year 2020/21, 30 sites (including plants and all warehouses directly managed by Ferrero Group) were certified according to the ISO 14001 standard, and 21 sites were certified to the ISO 50001 standard. In future, we will continue extending the certifications to new sites, following a medium-term plan.

In particular, during fiscal year 2020/21, we included the Franklin Park (U.S.) and Bloomington (U.S.) manufacturing plants and the co-packing site in Somerset in our ISO 14001 multi-site certification.

To ensure our ISO management system constantly also meets our Group requirements, we audit all sites regularly.

### Managing the impact of acquisitions

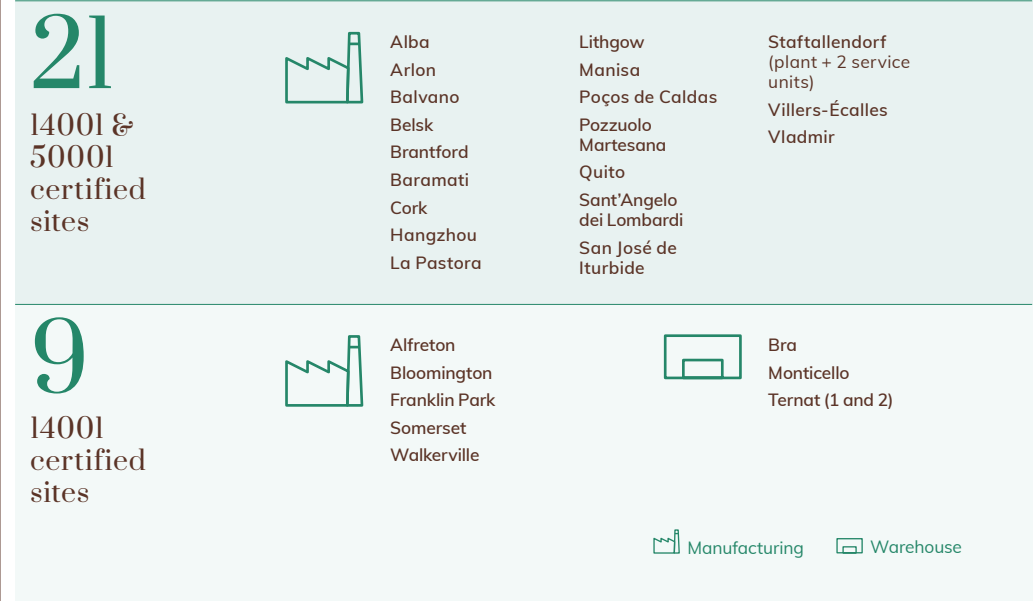
Since 2018 we have added nine plants through our recent acquisitions, and are working to include them within the scope of our reporting. Our current environmental reporting scope includes acquired plants in Alfreton, Bloomington and Franklin Park, making a total of 23 plants.<sup>2</sup> Packaging KPIs refer to the same scope of reporting with the addition of North Canton plant.

The full list of manufacturing plants can be found on page 6.

During fiscal year 2020/21, we carried out our internal ISO audits remotely, due to the pandemic.

In addition, we audit all industrial plants regularly to verify compliance with the four-pillar standard of the SEDEX Members Ethical Trade Audit approach, covering: labour standards, health and safety, environment, and business ethics. The methodology uses best-practice ethical audit techniques, enabling auditors to conduct high-quality audits that encompass all aspects of responsible business practice.

2 The following plants are currently excluded from the scope of our environmental reporting: Cameroon – Yaoundé (Ferrero – MFEP), U.S. – North Canton 2017 (Fannie May), Louisville 2019 (acquired from Kellogg's), Florence 2019 (Kellogg's), Augusta 2019 (Kellogg's), Chicago 2019 (Kellogg's), Spain – Alzira 2019 (ICFC), Italy – Castel d'Ario 2019 (ICFC), UK – Halstead 2020 (Eat Natural).



# Climate action

Climate change poses an increasing risk along our entire value chain. We have been involved in climate action for decades, and we are accelerating our efforts, using science-based targets to reduce our impact. Moreover, energy efficiency is fundamental to achieving our carbon reduction goals and is central to our responsible consumption of natural resources.

## Greenhouse gas emissions

As a global business in the food and beverage industry, we play an important role in helping to meet the goals of the Paris Agreement to limit average global temperatures. We work with the Science-Based Targets initiative (SBTi)<sup>3</sup>, set up to validate emissions-reduction targets in line with climate science.

In 2020, we announced a new set of science-based commitments for 2030, which the SBTi validated in December of that year:

- Reduce Scope 1 and 2 emissions by 50% from a 2018 base year.
- Reduce Scope 1, 2 and 3 emissions intensity by 43% per tonne of product produced, from a 2018 base year.

To achieve the first target, we have developed a detailed plan to reduce emissions from our plants, warehouses and main offices. This focuses mainly on measures such as increasing energy efficiency and shifting to renewable energy. Our plan will evolve as changes in the local context (for example,

developments in government policy and local availability of renewable energy) influence how we fulfil our commitments. Detailed Climate Change Action Plan studies are underway at our plants in Poços de Caldas (Brazil), Arlon (Belgium), Cork (Ireland), Alba (Italy), Stadtallendorf (Germany) and Brantford (Canada), defining the decarbonisation scenarios required to reach emissions targets.

For the second climate target, we are working with our suppliers to reduce emissions and develop solutions with a lower carbon impact. To reduce Scope 3 emissions, we aim to optimise supply-chain logistics while supporting the continued growth in quantity and size of shipments to the market. Our strategy focuses on optimising the network and saturation, decarbonising fleets and shifting to varied freight solutions. At our distribution centres, opportunities include renewable and efficient energy use, and internal and network optimisation. Our regional operations set local reduction targets for transport and warehousing.

We are rolling out a digitalisation project on the full scope of our logistics activities, and will collect information on transport and warehousing. Through this, we aim to improve our reporting and alignment with the GLEC (Global Logistic Emissions Council) standard and evaluate our efforts towards continuous improvement.

<sup>3</sup> A collaboration between CDP, the UN Global Compact, World Resources Institute and the World Wide Fund for Nature.

## CASE STUDY

### Use of alternative transport, such as trains, reduces the number of trucks on long distances.

During fiscal year 2020/21, we continued decarbonising logistics and piloted several routes by train. We used these for finished products as well as raw materials (milk and hazelnuts), to cross European countries. Using different modes of transport helps decarbonise due to the lower carbon intensity of combined truck and train compared to traditional truck transport, and it's also an opportunity to partially mitigate the shortage of drivers. Thanks to agreements with some shippers, we were able to overcome challenges such as finding stations near manufacturing and distribution locations, as well as the reduced flexibility of train shipment schedules.



## Climate action (continued)

### What have we achieved?

We measure our total carbon footprint to identify the impact of our activities and the areas offering the greatest opportunity to reduce our emissions.

#### Scope 1

To meet our 2030, target, our approach is focused on reducing emissions from our operations, where we have the most control. We are investing in energy-efficient technologies, increasing the production of on-site renewable energy, improving energy efficiency and aiming to use alternative sustainable fuels to generate energy.

#### Scope 2

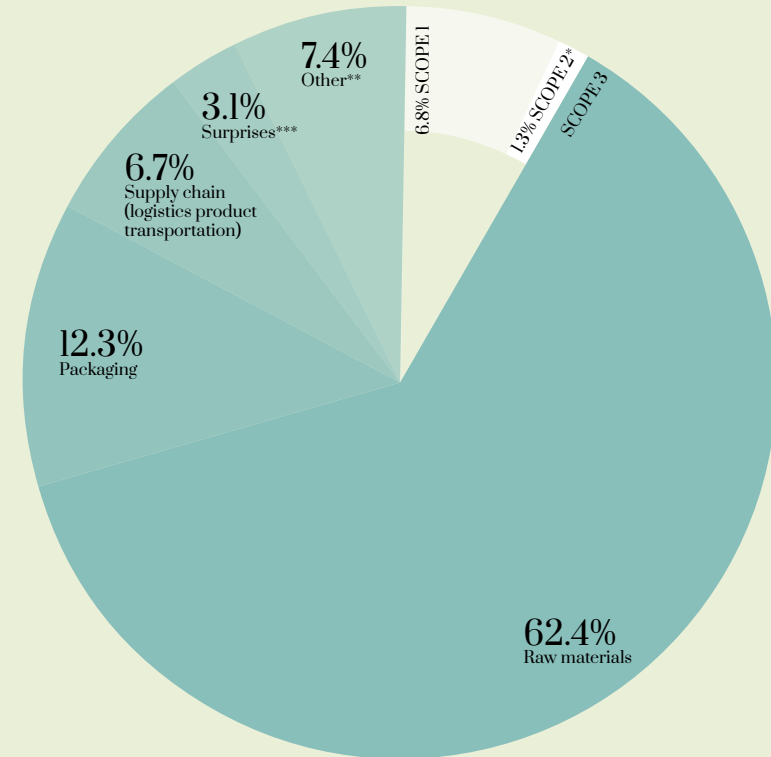
Scope 2 emissions are the indirect emissions arising from purchased electricity, heat and steam, which we can reduce in line with our 2030 target. We continue to increase the amount of renewable electricity our factories buy through green certification mechanisms and, where feasible, Power Purchase Agreements (PPAs).

#### Scope 3

Scope 3 emissions are the emissions where we have only indirect responsibility across our value chain, including raw materials and packaging, accounting for 92% of our total carbon footprint. Because we do not have direct control over many of these activities,

which involve many stakeholders, addressing this part of our carbon footprint is the most challenging. It will involve rethinking products and packaging and engaging with suppliers in reducing emissions. Our current focus is to understand our suppliers' climate commitments and emissions, to establish a baseline for future activities. The main transport projects introduced in fiscal year 2020/21 were related to shipments within the main European countries and the extension of our use of biofuels. During the optimisation of our distribution networks, we evaluated the warehouses for sustainability criteria and their contribution to our climate-impact action plan.

Scope 1 emissions remained constant in absolute value compared to the previous year, even considering a +5.9% production growth, while Scope 2 emissions (market based) significantly decreased thanks to our investment in renewable electricity. Our Scope 1, 2 and 3 emissions intensity ratio remained stable (5.11tCO<sub>2</sub>eq in 2020/21 and 5.09tCO<sub>2</sub>eq in 2019/20).



\* Market-based Scope 2 emissions.

\*\* Employee Travel – Waste and auxiliary products – Capital goods – Leased assets – Downstream transportation and distribution – End of life treatment of solid products.

\*\*\* Emissions are linked to production hubs that deliver KINDER® Surprise products to Ferrero plants, including materials, moulds and transport of the Surprises.

Emissions		FY 2018/19	FY 2019/20 <sup>4</sup>	FY 2020/21
GWP Emissions TOTAL (Total Scope 1 + Scope 2 Market based + Scope 3)	tCO <sub>2</sub> eq	6,500,552	6,724,057	7,007,128
GWP Scope 1 Emissions – Total emissions	tCO <sub>2</sub> eq	469,556	480,351	477,071
GWP Scope 2 Emissions – Market based	tCO <sub>2</sub> eq	116,838	111,144	88,599
GWP Scope 2 Emissions – Location based	tCO <sub>2</sub> eq	264,863	288,391	305,683
GWP Scope 3 Emissions – Total emissions	tCO <sub>2</sub> eq	5,914,157	6,132,562	6,441,458

<sup>4</sup> Data for FY 19/20 were recalculated to present actual following IT system update and further analysis.

## Climate action (continued)

### Energy efficiency

Energy efficiency remains a very important way of tackling climate change. Even when the energy comes from renewable sources, energy efficiency allows part of the energy to be used for other purposes, thus increasing the renewable share of overall energy consumption.

Executive Director of the International Energy Agency, Fatih Birol, says, "We consider energy efficiency to be the 'first fuel', as it still represents the cleanest and, in most cases, the cheapest way to meet our energy needs. There is no plausible pathway to net-zero emissions without using our energy resources much more efficiently."

We truly believe in the effectiveness of energy efficiency in supporting the carbon-reduction goals. We support its development by promoting energy audits and technical assessments, and implementing energy-efficiency projects.

#### Energy efficiency in our operations

Reducing energy consumption in operations means working on two fronts: technical action and individual behaviour. Our factories set local targets to continuously improve energy efficiency. During the pandemic, pursuing projects to support this became difficult, due to problems with the supply of equipment and materials. Nevertheless, we managed to complete most of our projects, including:

- Installing heat-recovery systems and automatically closing steam-valve systems.
- Improving machines' thermal insulation.
- Replacing refrigeration units.
- Installing high-efficiency motors.
- Repairing compressed-air leaks.
- Installing anti-infrared filters on windows to improve heating, ventilation and air-conditioning (HVAC) performance.

We also reduced the impact of Covid-19 on the energy consumption of our HVAC system, thanks to free-cooling projects, natural ventilation programmes, and optimisation of the scheduling of air-conditioning systems.

Also, as part of ISO 50001 certification, we ran training and awareness activities, promoting sensible energy use and the sharing of best practices among our plants.

# 16

plants buying renewable electricity from the grid (FY 2019/20: 14)<sup>5</sup>

# 84%

purchased electricity for our manufacturing plants comes from renewable sources (FY 2019/20: 71%)

# 100%

renewable electricity purchased for the manufacturing plants located in European Union and United Kingdom

<sup>5</sup> ICFC plants (Alzira and Castel d'Ario) are out of the scope of this report and not included in the 16 plants. Both plants purchased 100% renewable electricity.

### CASE STUDY



### Energy efficiency in Balvano

In 2021, our Balvano Plant completed an important project to increase its energy efficiency, supported by a funding programme from the European Union and Regione Basilicata.

The project included the installation of several high-efficiency electrical motors, the renewal of the lighting system, and a major enhancement in the energy-monitoring system. These measures can provide electrical energy savings of 2,600 MWh per year (around 10% of the total annual consumption).

## Climate action (continued)

### What have we achieved?

In fiscal year 2020/21, we increased our energy efficiency and confirmed a central capital-expenditure programme dedicated to reducing our carbon footprint.

We have targeted investments towards increasing the production of on-site renewable energy and the use of alternative sustainable fuels. This year we increased installed photovoltaic plants at Belsk (Poland) and Lithgow (Australia), adding 2.7 MW to the total power installed across our plants. More than 22% of the total capacity of our energy-generation plants is now fed from renewable sources.

We are working towards sourcing 100% renewable electricity for our plants. We extended our renewable-energy purchases for Vladimir (Russia) and Poços de Caldas (Brazil). At the end of fiscal year 2020/21, 16 of our plants used 100% renewable electricity from the grid, accounting for around 84% of the electricity we purchased for all our manufacturing sites worldwide.



Energy	Unit	FY 2019/20 (Full Scope)	FY 2020/21 (Full Scope)	FY 2020/21 (Manufacturing plants only)
Renewable energy consumption	%	20.50%	23.00%	23.19%
Purchased electric energy certified renewable	%	68.30%	80.22%	83.99%
Energy intensity ratio	GJ/t	8.26	7.77	7.70

### CASE STUDY

## Pioneering long-term power purchase agreements (PPAs) in Italy

We signed a ten-year agreement with Falck Renewables for the production of 100% renewable electricity, achieved by installing two photovoltaic systems in Sicily.



# Water management

Water sustains life, and secure access to healthy, clean water is a basic human right. As a company, we recognise the importance of ensuring the availability of water, and of managing it sustainably. We are developing our business in a way that enables effective water stewardship, by ensuring our operations make efficient use of water.

Our long-term success depends on our responsible approach in the areas where we source our raw materials and locate our factories, and where our stakeholders live. This means avoiding adverse effects on local ecosystems and communities. While our products are not water-intensive, our operations require a steady supply of water for processes such as cooling and washing.

With climate change increasing pressure on water resources, especially in water-stressed areas, we use water efficiently, in line with our Group's long-term view on water stewardship. Our factories set local targets for water consumption and develop projects for water-saving and reuse.

## Water consumption

We began carrying out water audits at our plants in 2018, to identify opportunities to improve and create efficiencies. Since then, we have conducted nine audits in our facilities and plan to do the same at all our production sites.

Working with the Polytechnic University of Turin in Italy, we developed a water-scarcity risk assessment for all plants, which we have used repeatedly and improved to include more detail.

During fiscal year 2019/20, we started devising a new tool that includes a water dashboard for identifying improvements in our facilities. This is now under development for all our production sites.

## Wastewater treatment

We guarantee the quality of the wastewater coming from our operations through treatment plants – either municipal or our own. In building or upgrading our treatment plants, we apply the best available technologies and evaluate the possible reuse of water. In each case, we improve washing processes, use more-ecological products, and introduce this approach to our suppliers.

## Reuse and recycling

We continue to investigate and promote opportunities for water recycling and reuse within our production and utilities processes. For example, when replacing cooling towers, a major use of water in our factories, we evaluate options such as dry or adiabatic technologies (where no heat is transferred) that pre-cool incoming air and reduce water consumption. Where we use wet cooling towers, we install treatments such as softening and reverse osmosis to enable water reuse.

# 7%

Water intensity decreased by around 7% compared to the previous year.

## CASE STUDY



## Water saving projects in Baramati plant

Despite an increased production volume compared to last year, the site was able to realise an overall intensity decrease of about 7% of water consumption.

The plant started carrying out water stewardship activities such as: reuse of reject water from ultrafiltration treatments for cooling towers, reuse of treated effluent for gardening, rain water

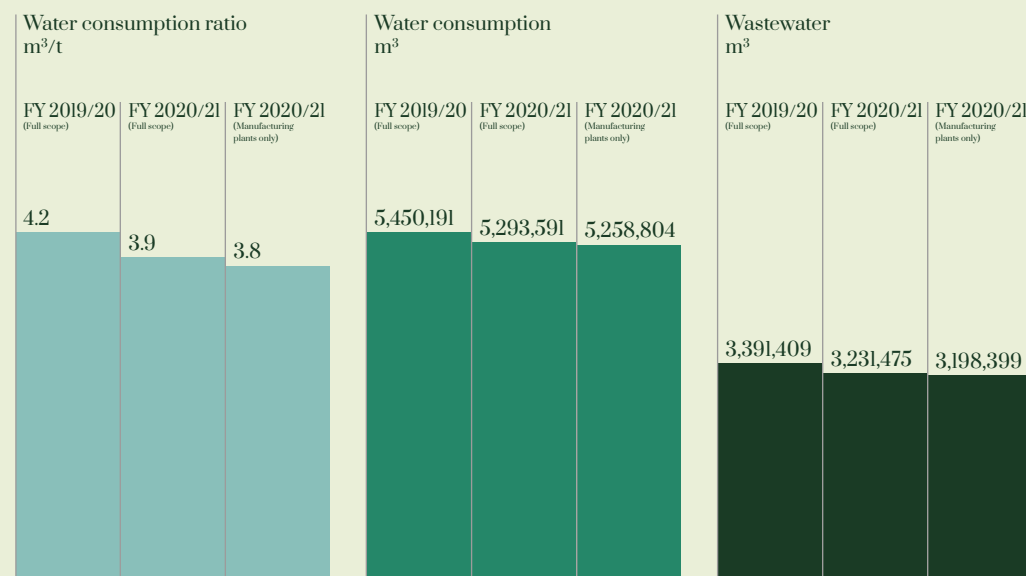
(combined storm drain network for rooftop and roads surface water), control of leaks. This allowed the Baramati (India) plant to save more than 10 000 m<sup>3</sup> of water annually, helping it over-achieve its own yearly water consumption target.

## Water management (continued)

### What have we achieved?

Our global water consumption ratio for fiscal year 2020/21 was 3.9 m<sup>3</sup> per tonne of product. Water intensity decreased by around 7% on the previous year.

Our wastewater discharged for fiscal year 2020/21 decreased by around 4.7% on the previous year, mainly due to constant improvements in our internal wastewater treatment plants and a reduction in water consumption.



Water	FY 2019/20 (Full Scope)	FY 2020/21 (Full Scope)	FY 2020/21 (Manufacturing plants only)
Water consumption (m <sup>3</sup> )	5,450,191	5,293,591	5,258,804
Water consumption ratio (m <sup>3</sup> /t)	4.2	3.9	3.8
Wastewater (m <sup>3</sup> )	3,391,409	3,231,475	3,198,399



# Industrial and food waste

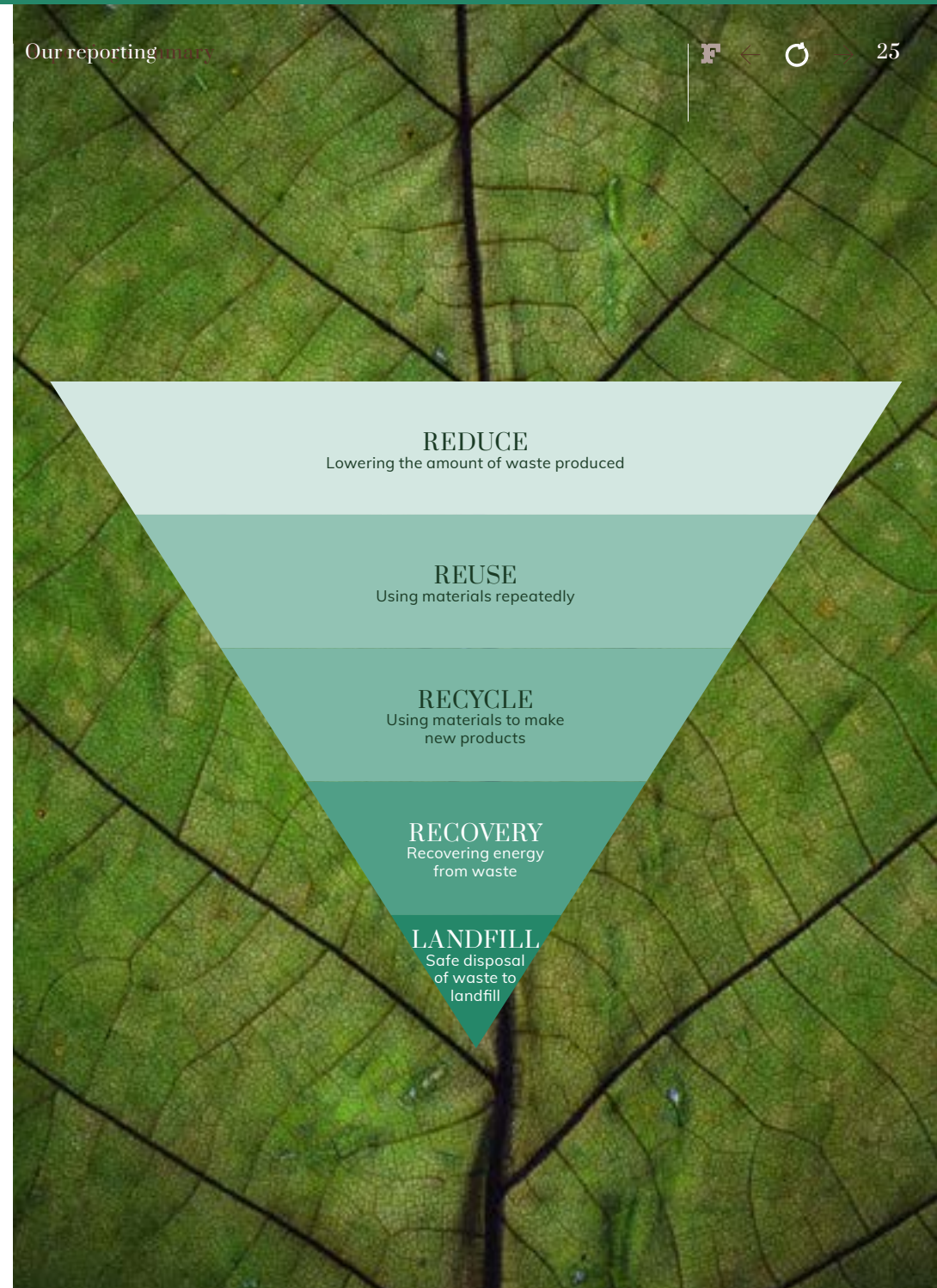
Waste management is a global issue with a local impact, and with cost implications for our business. We adopt a circular-economy perspective in our waste management, considering waste materials as a valuable resource that must maintain their value for as long as possible. We apply the waste management hierarchy, preferring prevention, reduction, reuse and recycling in our operations.

Our main waste streams are paper and cardboard, plastic, and organic waste arising from industrial processes.

Our plants set local targets for waste reduction and work with suppliers to achieve them. We are constantly exploring new ways of using our waste materials, working with suppliers and other industry sectors – for example, by upgrading waste materials to by-products with value in other fields. We also periodically carry out audits at our waste-management suppliers and encourage continuous improvement.

# 12

of our production plants reached a waste-recovery rate higher than 99%, which is two additional sites from the previous year.



## Industrial and food waste (continued)

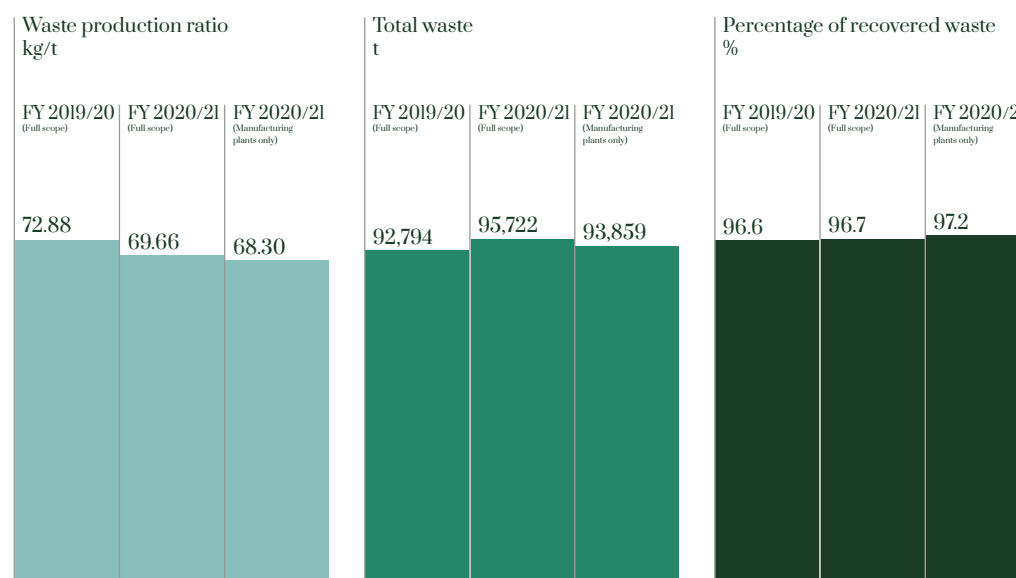
### What have we achieved?

Looking only at our manufacturing sites, the waste ratio decreased by 4.5% from 71.5 kg/tonne in fiscal year 2019/20 to 68.3 kg/tonne in fiscal year 2020/21.

This was due mainly to waste-reduction projects, namely efficiency improvements on production lines and increased reuse of wooden pallets and cardboard. In some cases, local legislation allowed us to upcycle previous waste materials to by-products.

Our waste-recovery rate kept improving. We achieved this through better waste segregation at our plants and by working with suppliers to find more-sustainable treatment solutions.

Five factories have achieved 100% recovery: Alfreton (UK), Baramati (India), Hangzhou (China), Manisa (Turkey), and Villers (France), while seven production sites reached a recovery rate higher than 99%: Arlon (Belgium), Bloomington (U.S.), Cork (Ireland), Franklin Park (U.S.), Poços de Caldas (Brazil), Pozzuolo Martesana (Italy), Stadtallendorf (Germany).



Waste	Unit	FY 2019/20 (Full Scope)	FY 2020/21 (Full Scope)	FY 2020/21 (Manufacturing plants only)
Waste production ratio	kg/t	72.88	69.66	68.30
Total waste	t	92,794	95,722	93,859
Percentage of recovered waste	%	96.6	96.7	97.2

### CASE STUDY

## Waste tracking, back to the source

Digitisation is a new way to improve our waste management further, starting with the internal traceability of waste produced. In fiscal year 2020/21, our Hangzhou plant implemented a system that enables us to track our waste in detail (amount, type, which line and which production shift it comes from). Using this information, we were able to raise awareness of waste reduction among employees from different departments, highlight new waste-reduction opportunities, set waste KPIs for production lines, and encourage contributions from our teams. A series of activities followed, along with improvements to waste performance (11% less waste produced per tonne of product in fiscal year 2020/21 compared with fiscal year 2019/20).

At our plant in San José (Mexico), we are monitoring specific waste KPIs for different areas and evaluating performance for different areas. This has helped the plant improve waste recovery by 7% in two years.



# Packaging design and the circular economy

The contribution we can make through packaging is key to reducing our environmental impact. We are conscious of the growing interest consumers have in sustainable packaging, as well as their long-standing expectations on the safety and quality of our products.

Our ambition, and the most important challenge for packaging today, is to increase the circularity of our process without neglecting other relevant environmental impacts – such as reducing our packaging weight, materials, carbon footprint and food waste. To contribute to packaging circularity, we are designing all our packaging to be recyclable, reusable or compostable by 2025.

We will achieve this goal by working with all our value-chain partners and promoting responsible disposal of packaging with our consumers.

In 2021, we set a new challenging target for our plastic packaging – to reduce the use of virgin plastic by 10% and boost the uptake of recycled content in our plastic packaging to 12% by 2025.

## Our roadmap to 2025

We have been working towards more-sustainable packaging for several years now, through our 5Rs strategy (remove, reduce, reuse, recycle and renew).

It is all about removing or reducing our packaging wherever possible, improving its footprint by using recycled content, assessing opportunities to maximise our use of renewable materials, and designing packaging to always be reusable or recyclable.

So far, we have mapped steps, actions to be taken and gaps to be filled by 2025 and are tracking these closely.

Vision and actions towards 2025 goals are:

- R&D and open innovation: Reimagining packaging by using new technologies and global partnerships to maximise the use of recycled materials where it is safe for consumers, as well as looking into compostable materials.
- Partnering with recyclers and national waste-management systems: Developing solutions for hard-to-recycle materials and looking into opportunities to use packaging waste as a resource.
- Existing packaging development and design: Evolving our packaging to ensure recyclability, compostability and reusability through alternative materials and design.

- Educating consumers for a successful transition to a circular economy and how to eliminate waste: Using the power of our brands to share knowledge, offer recycling tips, upcycling opportunities and clear end-of-life information about packaging.



## Our roadmap to 2025

### 01 Existing packaging development and redesign:

Evolving our packaging to ensure recyclability, compostability and reusability through alternative materials and packaging redesign. **Read the case study on page 29 and 30**

### 02 R&D and Open Innovation:

Reimagining packaging by leveraging new technologies and global partnerships, maximising use of recycled materials where it is safe for consumers and exploring compostable materials. **Read the case study on page 28**

### 03 Partnering with recyclers and national waste management systems:

Developing solutions for hard-to-recycle materials and exploring opportunities to use packaging waste as a resource. **Read the case study on page 30**

### 04 Educating consumers for a successful transition to a circular economy and actions to eliminate waste:

Using the power of our brands to share knowledge and tools, offering recycling tips, upcycling opportunities and clear end of life information, recyclability, compostability and reusability through alternative materials and packaging redesign. **Read the case study on page 31**

## Packaging design and the circular economy (continued)

### R&D in packaging

Innovation has an important role to play along the entire value chain: from the materials we choose all the way to the end of life for packaging. Our R&D teams and leading-edge suppliers are developing the ideas and technology to help us fix open issues, and we will continue to invest in opportunities to improve our packaging circularity. We are looking at developing improved materials, more-sustainable inks and adhesives, new compostable materials, and paper with improved barriers. We are in favour of efficient country EPR (extended producer responsibility) systems to encourage sorters and recyclers to upgrade existing technology and expand the market for recycled material.

### New design concepts for advent calendars

To help achieve our 2025 plastic-reduction target, we are looking to reduce the use of plastic in our advent calendars. Advent calendars generally come with a PET thermoformed tray to hold the individual products. We are looking at ways to remove this plastic component without affecting the consumer experience as they open the windows one by one to enjoy each individual product. Our Kinder Advent Calendar Train is made of one long wagon and a locomotive-shaped sleeve that allows consumers to extend the train to full length to play with it. Internally, the train contains an innovative 3D paper structure that keeps all the products in place without the need for a plastic insert. These calendars are designed so the consumer can dispose of the packaging entirely in their paper recycling bin.

We're also testing other paper-based packaging materials. One is pergamin: typically used to protect chocolate and hold it in place in praline boxes. We are testing multi-layer pergamin to create compartments for the individual products in the calendar. A third work stream is looking at new paper inserts designed to fold into a 3D tray.



## Packaging design and the circular economy (continued)

### Existing packaging development and redesign

We continue to follow developments in recycling sorting infrastructure and technology, to build in-depth knowledge and hands-on experience about how design can make an impact on our packaging circularity.

Thus, we design or re-design packaging according to the available design-for-recycling (D4R) guidelines. These D4R guidelines are important for selecting materials, and they are continuously evolving as infrastructure evolves and testing takes place. In this changing and evolving context, it's often difficult to identify the best option. We also face a patchy and complex waste-management environment where consumers receive different instructions depending on where they live, so we need to advocate for more-harmonised rules across geographic regions.

### New Ferrero Rocher box

In September 2021, Ferrero Rocher launched new eco-designed polypropylene boxes. The launch will be phased around the world, starting with the best-selling compact boxes of 16 and 30 pieces, using 40% and 38% less plastic respectively. As well as being easier to recycle, this will save approximately 2,000 tonnes of plastic in its first year. Once implemented across the entire Ferrero Rocher portfolio, the new box design will save an estimated 10,000 tonnes of plastic by 2025. The new boxes also reduce the carbon footprint by at least 30% compared to the previous box, and

when effectively recycled, the CO<sub>2</sub> reduction is 70% compared to the previous box.

### Grand Ferrero Rocher

We are always reviewing our packaging to make it more sustainable. This year we redesigned the shape and thickness of our Grand Ferrero Rocher chocolate shells to be sturdier in distribution and delivery, and withstand potential breakages. This allowed us to remove the two plastic valves that were previously necessary to protect the chocolate, saving around 280 tonnes of plastic.



## Packaging design and the circular economy (continued)

### Signing up to the CGF Plastic Waste Coalition's Golden Design rules

The importance of having an agreed vision and rules across the value chain led us to sign up to the Consumer Goods Forum's (CGF) Plastic Waste Coalition's [Golden Design rules](#). This is another commitment to assessing and redesigning the critical elements of packaging, highlighting the need for alignment and scale to bring positive change globally.

### Paper-based packaging pilot for Kinder bakery products

In Italy, we piloted a new paper-based external wrapping film for the Kinder bakery range, including Kinder Délice and Kinder Brioss. The new packaging is suitable for recycling with paper. Once proven across the entire supply chain, we will roll it out to other bakery products in the Italian market.

It is an important step in reducing plastic use, as we have estimated around 300 tonnes of plastic reduction in the first year of implementation. In line with our science-based approach, we tested the film using the Aticelca test method (UNI 11743: 2019) and the material rates class B, achieving full compatibility with paper recycling in standard paper mills.



### Partnering with recyclers and national waste-management systems

Once packaging enters a recycling stream, we do not have further direct control over it, as:

- Local municipalities or waste management companies collect it.
- Sorters separate it into different material streams.
- It is then sent to recyclers for reprocessing, before being used to make new products (whether the same or different).

Despite having no direct control, we are investing in pilot projects and working with others to upgrade the current sorting and recycling process e.g. developing new sorting processes, testing new recycling technology, and supporting the development and implementation of new effective Extended Producer Responsibility (EPR) systems that will contribute to funding the recycling process.

### Sorting as a first step for better recycling: the Holy Grail 2.0

It is essential to ensure packaging material reaches the relevant recycling stream, and we are always looking for improvements in this area. We joined the Holy Grail 2.0 project in 2021, a project coordinated by AIM – the European Brands Association. We are testing our packaging to see if this new system enables sorters to separate it more effectively, which would, in turn, contribute to creating a closed-loop food-plastic-packaging recycling stream.

## Packaging design and the circular economy (continued)

### Educating consumers for a successful transition to a circular economy

Our consumers play a key role in achieving circular packaging, so we strive to inform and educate them about packaging materials and how to sort them. Through our known and trusted brands, we aim to play a relevant and educational role in sharing knowledge and tools, so everyone can contribute to the transition towards a circular economy. Our end-use label informs consumers about which material the packaging is made of, so it can be easily collected for sorting after use.

### Kinder digital project

The Kinder brand, building on its strong connection with consumers, has created a new digital initiative, The Kinder Digital Sustainability project, which is accessible through your mobile phone. It's designed to teach consumers how to separate and dispose of different packaging items correctly. By scanning a QR code on the packaging, the consumer can access a simple animation providing the necessary information specific to that country. We ran a pilot in Italy, France and Germany for Kinder Joy and Kinder Chocolate, and will extend it to other brands and countries in the near future. The QR code also provides access to Kinder's sustainability content and insights.

The Kinder Chocolate label initiative has been recognised as a best-practice example for implementing the mandatory Italian labelling legislation.

For other brands, we've also used digital communications for consumers on the material used, recyclability tips and other relevant information:

[Nutella \(Recycling the jar | Nutella® UK and Ireland | Official Website\)](#)

[Rocher \(Ferrero Rocher Official Website – ferrerorocher.com\)](#)

[Tic Tac \(tic tac\)](#)



## Packaging design and the circular economy (continued)

### Materials we use for packaging

We believe in reducing the consumption of virgin plastics where possible, and have set a goal of reducing virgin plastic by at least 10% by 2025 from our 2020 baseline. We will achieve this through a combination of initiatives, including eliminating plastic, increasing the use of recycled content, and by adopting reuse models.

#### Flexible plastic

Plastic films are among the best-performing packaging materials for weight and food protection. We are working with value-chain partners to improve their collection for recycling, and with associations to harmonise existing design-for-recycling guidelines for functional packaging – packaging that achieves specific functions to protect the product and avoid food waste. We are making progress in redesigning our film portfolio and proving the recyclability of our materials.

#### Rigid plastic

We are working on specific opportunities identified for each resin group: increasing the recycled content in PET bottles, improving recyclability as we move away from hard-to-recycle resins to recyclable alternatives, replacing mixed plastic, and running sorting tests to assess sorting of dark colours.

#### Paper and board

We aim to maximise the use of recycled paper wherever possible. For safety and quality reasons, we adopt virgin-fibre materials, so our sourcing strategy ensures our virgin paper and cardboard come only from well managed sources.

### Materials used for Packaging Applications (2020-21)



#### Glass

Our suppliers track the amount of recycled glass used in our packaging and on the basis of this information we are able to estimate 35% of recycled content in our Nutella jars.

#### Metals

Metal packaging is usually the first to be sorted for recycling. For our Estathe cans in Italy, we use recycled aluminium thanks to its high collection rate, which also helps us reduce our carbon footprint.

#### Others

This includes mixed elements such as pallets, labels, composite material packaging, and other miscellaneous items. For these, we have specific improvement projects ongoing where relevant.

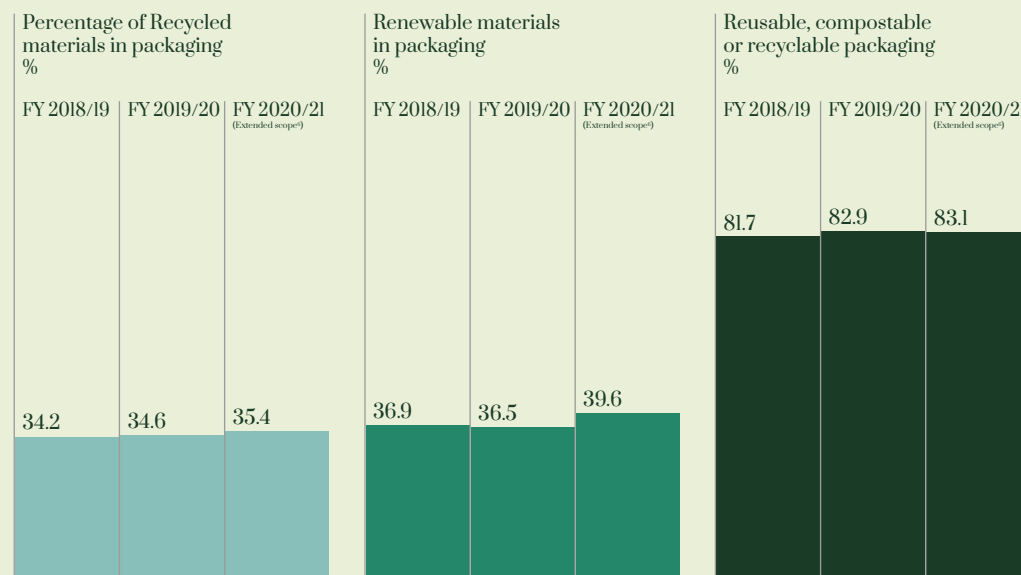


## Packaging design and the circular economy (continued)

### What have we achieved?

We have achieved a number of improvements in our packaging portfolio, in line with our sustainability roadmap to 2025. Our plastic packaging recyclability rate has increased from 36% to 40%, by weight.

When considering specific projects on our plastic-packaging portfolio, we already replaced 1,270 tonnes of non-recyclable plastic boxes with polypropylene boxes, which are a widely recyclable alternative, and eliminated 120 tonnes of multimaterial plastic films, thanks to the re-design into monomaterial alternatives. These improvements will become more and more important, as we plan to gradually extend the changes to all production plants. Furthermore, almost 5,000 tonnes of rigid plastic packaging can now be considered recyclable thanks to design improvements and updates from the recycling infrastructure. Overall, our progress towards recyclable, reusable or compostable packaging by 2025 report a stable rate of 83.1%, as some packaging categories cannot be considered already recyclable in practice and at scale yet.



	FY 2018/19	FY 2019/20	FY 2020/21 (Extended scope) <sup>6</sup>
Percentage of Recycled materials in packaging	34.2%	34.6%	35.44%
Renewable materials in packaging	36.9%	36.5%	39.59%
Reusable, compostable or recyclable packaging	81.7%	82.9%	83.10%

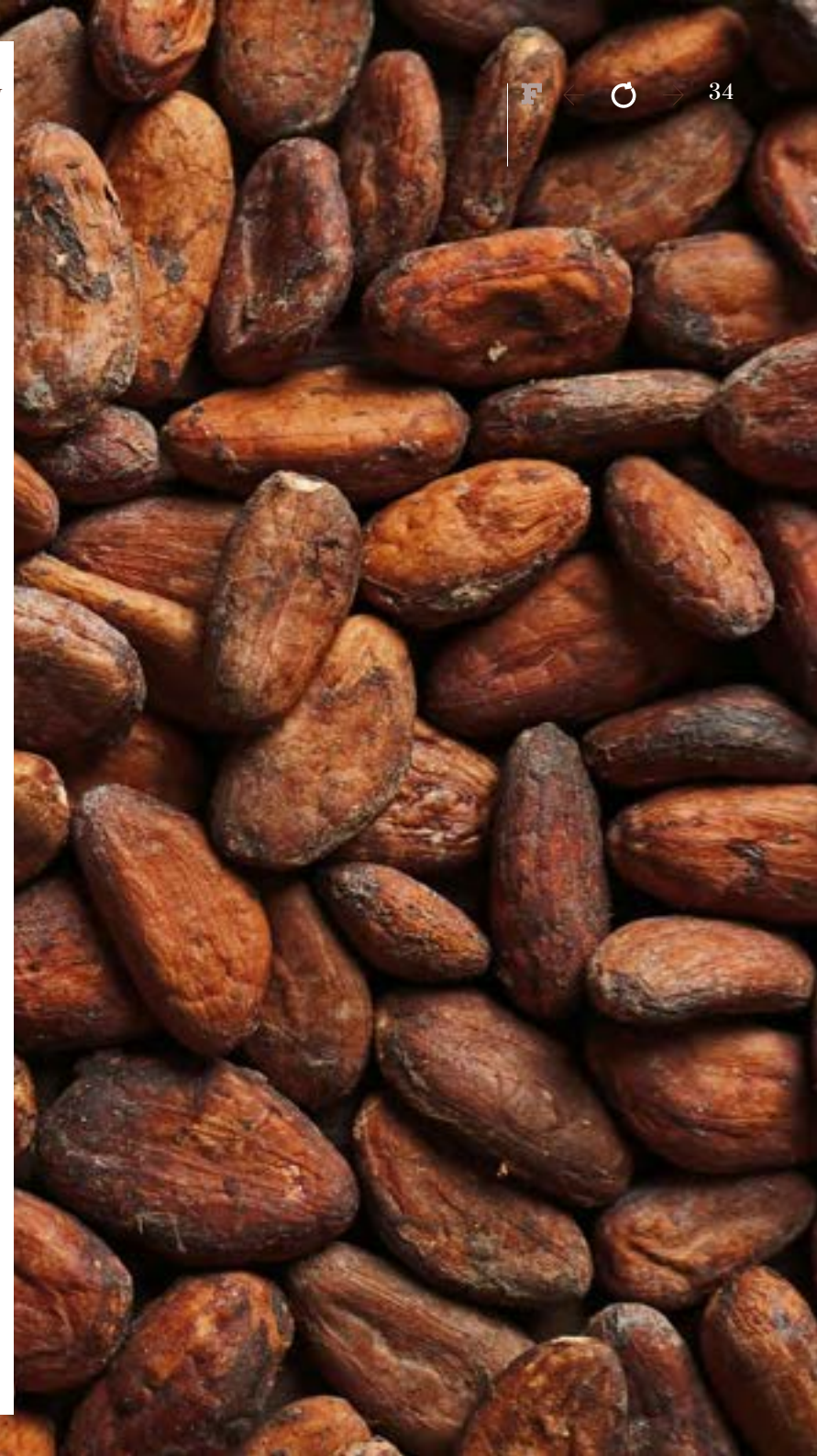
<sup>6</sup> Data from the 23 plants analysed in 2021 and one new plant integrated in 2022 (U.S. – North Canton) are included in this analysis.

# 02



## Source ingredients sustainably

We aim to create a thriving supply chain that benefits farmers and their communities, and protects people and the environment.



# How we source ingredients sustainably

## Why does it matter?

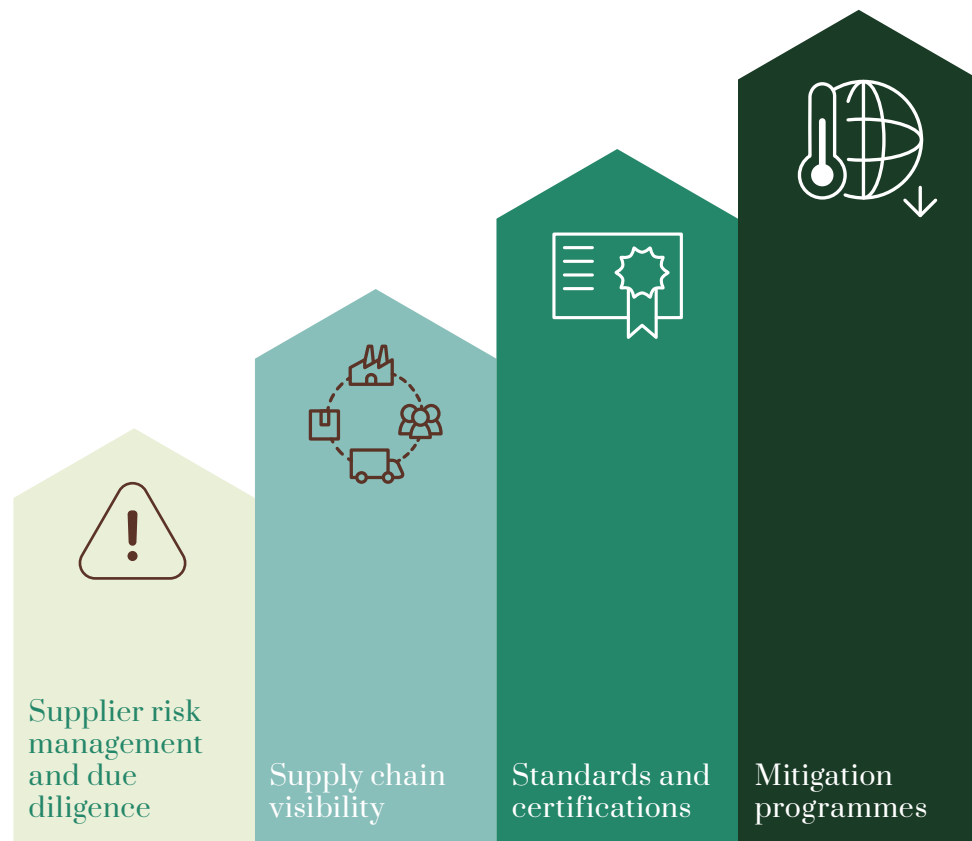
Sourcing safe, high-quality ingredients responsibly and transparently is important for our products and for our stakeholders. The business benefits of this are clear – it helps ensure the quality we are looking to reflect in the product, reduces risks and improves innovation in our supply chains. It also benefits the farmers, communities and landscapes we source from, by improving livelihoods and financial resilience, and by addressing issues such as child labour and deforestation.

## Our approach

Responsible sourcing is the way we do business and the way we build our supply chains across all our categories – it is a non-negotiable requirement. It requires strong due diligence and supplier-management practices, traceability and transparency throughout the supply chain, certification and standards, partnerships and collaboration, these last two being deeply rooted in our business culture.

We take a Four Steps approach – the higher the risk, the stronger our level of understanding and protection of the supply chain needs to be.

## Four Steps approach



We cover each of our categories with a protection level based on its level of risk. All our suppliers undergo a risk assessment and, as such, a minimum level of due diligence. For higher-risk categories, we invest in mitigation programmes to improve standards.

We can trace all our relevant raw materials back to their origin. For example, palm oil and cocoa are mostly traceable back to the plantation or farmer, while milk and eggs have a high level of traceability that we will continue to enhance. Most of the categories we spend directly on, such as raw and packaging materials, follow strict sustainability standards. For example, RSPO for palm oil, independently managed standards like Rainforest Alliance, Fairtrade for cocoa, FSC and PEFC for virgin paper, or Bonsucro for cane sugar. When we decide to apply a standard, we always aim for full coverage of our supply chain.

When these efforts are not enough, we invest directly. Our recent partnerships with Save the Children in Ivory Coast and Ghana, ILO in Turkey, and Earthworm in South-East Asia, are a clear sign we are selecting strategic partners to make a positive difference to our supply chains.



## Supplier risk management and due diligence

Supplier risk management helps us measure, improve and assess supplier practices. It includes analysing risks and opportunities, ensuring compliance, improvement activities and building capability. Our strict due-

## How we source ingredients sustainably (continued)

diligence approach requires suppliers to adhere to our Supplier Code. It has three steps, which apply to all our suppliers:

- Prioritisation, to identify major risks based on ESG-risk scoring.
- Supplier assessment (EcoVadis, Self-Assessment Questionnaire, Sedex SMETA).
- Verification and audit, to monitor and mitigate high-risk issues.

Depending on the risks identified in step one, we may ask suppliers to provide certain assurances, standards or certifications, or undergo third-party audits or other assessments to ensure they are operating in line with our requirements. The Supplier Code applies to all our spending categories and covers three pillars: human rights and social practices, environmental protection and sustainability, and supplier transparency. It defines our minimum requirements and expectations and every supplier must acknowledge it as a condition of working with us. The Supplier Code also fully reflects our Human Rights Policy Statement.

In July 2020, we began to prioritise and assess all suppliers using this approach. We send our Supplier Code and an assurance questionnaire to all prioritised suppliers, to collect adopted certifications and standards. By August 2021 we had enrolled around 4,000 suppliers, and we plan to have covered our whole active supplier base (around 19,000 suppliers) in the coming years. In addition, about 800 suppliers, including all raw-material and high-risk suppliers in other categories, will undergo a risk-assessment process during 2022. We had already enrolled 500 of them by the end of 2021.

We maintain a transparent and accessible grievance mechanism. We provide a round-the-clock 'Integrity Helpline', managed by a third party. We can investigate grievances beyond the physical supply chain, and we inform all parties involved of the outcomes. In addition, we have established a monthly Responsible Sourcing Committee where we manage all cases of non-compliance with our due-diligence process; the committee is chaired by the Group Procurement and HCo Officer. At this committee we apply our Group consequence management, for example: agreement on corrective action plans, exception management where necessary, companies' policies mutual recognition, or suspension of a supplier.

### Assessment third-party platforms

We use the EcoVadis responsible-sourcing platform. Its assessment methodology covers 21 criteria across four main topics: environment, labour and human rights, ethics and sustainable procurement practices. By the end of 2021, we had run EcoVadis assessments on more than 400 suppliers across different categories (from raw material to general procurement). Our suppliers scored on average about 47, compared to the EcoVadis global average of about 44.

We also work with selected suppliers, based on our initial risk assessment, through the audit-management platform, Sedex. Their members platform, Sedex Advance, allows us to request and verify social-audit reports on our suppliers, covering four key areas: labour standards, health and safety, environment and business ethics.



### Supply chain visibility

Traceability is an essential building block of a fair and sustainable supply chain. We can meet our commitments for quality and responsibility only if we know where our raw materials originate from and how they were produced. We obtain our raw materials from a multitude of smallholder farmers and we need to identify and understand the issues they face, and so be able to provide the right support. We expect our suppliers to support this commitment by being open about their activities and those of their own supply chains.

Farmer mapping is a tool for improving the traceability of raw materials like cocoa, palm oil and hazelnuts. Knowing the location and size of each farm makes it possible to trace raw materials to the farm-gate level, so we can target any necessary interventions. Having a greater set of information, data and monitoring also helps us support sustainable livelihoods and prevent risks such as deforestation, child labour and forced labour.



### Standards and certifications

Certification schemes, where available, are an additional lever we can use. They provide third-party assurance that suppliers are meeting specific traceability requirements and sustainability standards set by independent bodies.

In addition, we are developing Commodity Charters which cover requirements in our main categories. In 2021, we published our Hazelnut Charter and Palm Oil Charter and, in January 2022, we published our Cocoa Charter. These charters set out the minimum requirements our suppliers must meet, alongside the Supplier Code and due-diligence process, and define the certifications and standards we require for that category. They also include the level of traceability we aim for, specifying adopted methodology and technology. The Charters also outline the commitments we are prepared to make to further improve conditions, with a three-year plan where we report our progress publicly.

[Link to Cocoa Progress Report on CFI Action Plan](#)

[Link to Hazelnut Progress Report](#)

[Link to Palm Oil Progress Report](#)



### Mitigation programmes through partnerships and collaboration

Because the challenges faced in different supply chains are deep rooted and complex, we work with NGOs, scientists, universities, local and national authorities, peer companies, industry bodies, suppliers and other stakeholders to achieve our ambitions and meaningful changes in our sources of ingredients. When we decide that due diligence, traceability and standards are not enough to improve the quality, we invest directly with trusted partners to make an impact on the ground. You can read more about these partnerships in the following sections.



[Download our Human Rights Policy Statement](#)

[Download the Ferrero Code of Business Conduct](#)

[Download the Ferrero Supplier Code of Conduct](#)

[Download Ferrero Cocoa Charter](#)

[Download Ferrero Hazelnut Charter](#)

[Download Ferrero Palm Oil Charter](#)

## CASE STUDY

# Impact of mergers and acquisitions

We are currently working to integrate recent acquisitions in our supply chain and production. Newly acquired brands and products do not necessarily come with the same level of risk management, traceability and certification as ours. We are therefore working to extend our commitments, approach, and practices to the acquired brands as well, by bringing them up to our overall responsible sourcing standards. This can take some time and depends on the complexities of post-acquisition integration processes, existing supplier relationships and market dynamics specific for each brand and the ingredients used in the products. The first step we are taking is to establish a transition plan for each acquired brand that will guide the implementation of our overall standards and approach for responsible sourcing.



# Cocoa

Cocoa is a fundamental ingredient in our products. Our distinctive sourcing approach is based on our promise of quality to consumers, as well as our ambition for a cocoa industry that's good for people and nature.

## A challenging context

Ivory Coast and Ghana, two neighbouring countries in West Africa, together account for about 65% of global cocoa production, produced by about 2 million mainly smallholder farmers. We source most of our cocoa from these two countries, complemented by Nigeria, Cameroon, Ecuador and Colombia. The challenges in the cocoa supply chain, especially in West Africa, are complex. Many farmers live in poverty, which is one of the root causes of other systemic issues, including child labour, forced labour and deforestation.

Breaking the poverty cycle and supporting farmers in making cocoa farming a profitable and sustainable business is key to improving livelihoods. But to be successful, we need a smart mix of initiatives, including those aimed at increasing farms' resilience to climate change, empowering women, providing children access to good education, and well-rounded community development programmes.

No stakeholder can solve these complex issues alone. We are therefore collaborating closely with industry, government, civil society and others to address agricultural, social, environmental and business issues in cocoa farming.

## Our distinctive sourcing approach

At Ferrero, we do not simply buy materials, we manage and nurture our supply chains. As stated in our [Cocoa Charter](#), published in early 2022, our ambition is to be a driving force in a cocoa sector where:

- Production creates value for all.
- We improve the livelihoods of smallholders and farming communities.
- We respect children's rights.
- We protect the environment and enhance it through sustainable agricultural practices.

FERRERO
COCOA CHARTER



**01**  
Sustainable livelihoods



**02**  
Human rights and social practices



**03**  
Environmental protection



**04**  
Traceability, risk assessment and transparency

The four pillars are built on a DUE DILIGENCE PROCESS which covers all Ferrero suppliers.

<p><b>Ferrero committing to support cocoa farmers</b></p> <p>Farmers receiving support on improved productivity and income diversification</p>	<p><b>Ferrero committing to provide children joyful growth</b></p> <p>Community Development programmes and woman empowerment activities to protect children's rights</p>	<p><b>Ferrero committing to help end deforestation and promote biodiversity</b></p> <p>Farmers supported to apply agroforestry systems in our value chain</p>	<p><b>Ferrero realising a transparent and compliant value chain</b></p> <p>High level traceability, risk assessment, progress disclosure</p>
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Our activity along our supply chain as part of the four pillars of our Cocoa Charter is closely linked and part of an integrated, universal approach.

We are a long-standing member of the World Cocoa Foundation (WCF) and the International Cocoa Initiative (ICI). We are also a founding member of the Cocoa & Forests Initiative (CFI), which aims to tackle deforestation and land degradation in Ivory Coast and Ghana. The CFI model is considered by many stakeholders as a best practice for collective action.

For us, a key priority is to know who and where our suppliers source our cocoa from, and the conditions it is produced under. This supply chain visibility is essential, to assess if

there are any non-compliances we need to address, or action we need to take to improve conditions. Our distinctive sourcing approach puts us in a strong position to achieve this.

We source about 75% of our cocoa as cocoa beans and process them in house for products like Nutella. The beans we buy are physically traceable, also known as 'segregated', which means we know which farmers produced them. This high level of traceability is further strengthened through long-term relationships with our direct suppliers and with farmer groups, and by requiring our suppliers to map the farms of the farmers they get our beans from.



## Cocoa (continued)

In 2020/21, we sourced about 90% of our entire cocoa volume from farmer groups we support through our sustainability programme. Of these, 60% have been in our cocoa supply chain for three years or more, and 10% for seven years or more. This is important, as improving conditions takes time.

The remaining 10% of our cocoa volume, we sourced from the network of our suppliers' sustainable farmer groups. These suppliers know the farmers they get their beans from, and we also provide financial support, but the difference here is that these farmer groups supply customers other than just Ferrero.

In January 2021, we achieved our objective to source 100% of our cocoa through certifications and independently managed standards.<sup>7</sup> The positive result for farmers is the payment of a premium (which is audited) on top of the farm-gate price, as well as enhanced capacity building.

### Ferrero cocoa supply chain: distinctive sourcing approach



7 The main certifications schemes are Rainforest Alliance and Fairtrade. The independently managed standards refer to our Suppliers verified sustainability programmes. The standards we apply to our supply are publicly reported in our [Cocoa Charter](#).

8 Perimeter: Ferrero, Thorntons, Fannie May and former Nestlé U.S. chocolate confectionary business.

9 Cocoa powder, liquor and butter.

10 Minimum GPS waypoint.

## What have we achieved?

It was a difficult year due to the global pandemic, particularly for cocoa farmers and communities, who faced many challenges like access to good nutrition. But despite these challenges, we've managed to make important progress in key areas of our Charter, in some cases quite substantial compared to previous years. A good example is our distribution of trees, which almost tripled from 2019/20, mainly due to additional investments we made.

We know we still have a lot to do, but our results this year, shown here under the four pillars of our Cocoa Charter, provide us with optimism, and contribute in a meaningful way to a cocoa sector that's good for people and nature.

## Sustainable livelihoods

Cocoa farmers face significant challenges in securing a sustainable living. Many factors lead to low yields and incomes: poor farm design and management, small plots, ageing trees, diseases and pests, limited access to affordable and appropriate agricultural tools and materials, lack of financial access and literacy, and limited access to agricultural education, infrastructure, and technologies.

Through our sustainability programme, we provide targeted support to cocoa farmers to improve quality and productivity, aiming to help them earn more from cocoa. As cocoa doesn't provide a year-round income, we also help farmers diversify their income and increase food security.

We provide individual and tailored coaching and support to a large segment of our farmers to help them professionalise and diversify their operations. So far, 30% of farmers have received one-to-one coaching on farm and business planning and 16% have received support to develop individual long-term Farm Development Plans. In addition, 134,000 farmers participated in group training on good agricultural practices. We also supported 27,000 people in diversifying their on-farm and off-farm incomes through additional income-generating activities such as soap-making, chicken farms, beekeeping, grasscutters and small shops.

## Cocoa (continued)

By distributing high-yielding and resilient cocoa seedlings, farmers can rejuvenate and rehabilitate ageing cocoa fields. We distributed 1,500,000 cocoa seedlings in 2020/21 alone, making 5,800,000 in total since 2014/15. In addition, on top of the commercial and farm-gate prices set by some governments, we pay cash premiums to farmer groups, doing so for 150,000 farmers this year. Of these, we paid 16% digitally to increase financial transparency and help farmers become bankable. We are aiming to increase this percentage next year. Finally, we involved 2,100 young adults in community-service groups or 'pruning gangs' to provide farming services to farmers.

### Human rights and social practices

We promote human rights throughout the global supply chain, and tackle child labour in particular. We also support the children of families in cocoa-growing communities by providing access to education, good nutrition and basic necessities like clean drinking water. We do this through an integrated approach that combines activities at the household, community, regional and national level, working with key partners.

Given the critical role of women in bringing economic, environmental and social change, and to ensure child protection, we have a strong focus on empowering women. To support us in achieving our objectives we have a long-term strategic partnership with the NGO, Save the Children, which we renewed in 2021.

To address child labour effectively, we need reliable systems in place to identify households at risk. We want all farmer groups in our supply chain covered with a Child Labour Monitoring

and Remediation System (CLMRS) – or equivalent system. Last season, we reached a 96% coverage. In addition, we informed 194,000 people about children's rights, and 95,000 people about adult forced labour; we monitored 101,000 households and 151,000 children through our child protection systems, and help them obtain 4,700 children official birth certificates.

To improve education prospects, we constructed or renovated 19 schools and nine school canteens in 2020/21, bringing the total respectively to 83 (since 2015/16) and 30 (since 2016/17), and gave 31,000 children school kits. We also supported 170 youth with vocational training in 2020/21, bringing the total to 224 since 2018/19.

On the community side, there were 937 Village Savings and Loans Associations (VSLA) involving 28,500 members, mainly women, that together saved over 1.1 million euro in 2020/21, of which 710,000 euro was loaned to set up small businesses, pay school fees, and similar. We also established three vegetable greenhouses in 2020/21, bringing the total to 10 since 2018/19, and constructed or renovated 35 water pumps in 2020/21, bringing the total to 132 since 2012/13. Finally, we started phase 1 of a Community Development project with Save the Children, involving 32 communities in the Haut-Sassandra region in Ivory Coast.

Part of our approach is also our membership since 2008 of the International Cocoa Initiative (ICI), that aims to ensure a better future for children and to advance the elimination of child labour in Ivory Coast and Ghana. We will support two public-private initiatives – the Child Learning and

Education Facility, and the Early Learning and Nutrition Facility, which aim to promote good-quality education and early childhood development for over 6 million children in Ivory Coast.





## CASE STUDY

# Renewed partnership Ferrero and Save the Children on Cocoa

In December 2020, Ferrero and Save the Children began a five-year project to protect children in 65 cocoa-growing communities in the Haut-Sassandra region of Ivory Coast, building on the successful three-year project (2017-20) in 20 communities in the Nawa region. Through a holistic approach based on four pillars (Child Protection, Community Development, Access to Education and Youth & Adolescents Empowerment) we aim to reach by the end of the project 37,000 direct beneficiaries (15,000 children) and 90,000 indirect beneficiaries (49,000 children). To ensure coordinated action and impact on the ground, Save the Children works closely with local and national authorities as well as other key stakeholders like the International Cocoa Initiative (ICI), the Jacobs Foundation and the World Cocoa Foundation. In 2021 we started phase 1 involving 32 communities with an estimated population of 65,000 people of which 36,000 were children. The other group of 33 communities will follow in 2022.

Key results achieved in the first year:

- Baseline assessment to identify key issues and needs in 32 communities, including identification of the 900 most vulnerable households.
- Two social centres rehabilitated and equipped to ensure integration of Child Protection Committees in the communities in the national systems for Child Protection.
- Child Protection Committee, Bridge Class and VSLA groups have been established in 31 out of 32 communities (note: in one community the process was delayed).
- 779 out-of-school children aged 9 to 14 enrolled in classes.
- 35 foster families identified, trained and legally recognised.
- Total of 4,767 direct beneficiaries reached, including 929 children.

In addition to the project in Haut-Sassandra region, Save the Children is also providing strategic guidance and technical support to Ferrero and our tier-1 suppliers. The objective is to ensure a harmonised approach on child protection in Ivory Coast and Ghana by all suppliers in our cocoa supply chain by aligning their approach with the programmatic framework developed by Ferrero and Save the Children. The first step in this process is a capacity-building programme for our suppliers that Save the Children launched in 2021.



## Cocoa (continued)

### Environmental protection

The rate of deforestation and forest degradation, particularly in Ivory Coast and Ghana, threatens to undermine the resilience of the cocoa sector and the surrounding environment, and accelerate the climate, biodiversity and natural resource crisis. This affects the livelihoods of the millions of smallholder farmers who depend on it.

Working with our suppliers, we're contributing to ending deforestation and restoring forest areas, and to supporting farmers in converting to agroforestry systems and becoming more climate-resilient. We do this through the CFI that brings together companies and governments to act collectively and in a coordinated manner.

To prevent deforestation, we aim for traceability back to farm level and use satellite monitoring to monitor potential deforestation and ecosystem conversion in our supply chain. For all our cocoa in the 2020/21 season, we reached complete traceability back to farmer groups, over 96% back to the farms with GPS locations and 88% polygon mapped<sup>11</sup>. We compare the farm locations with official maps to check compliance with our no-sourcing policy for farms in national parks and protected forest areas. This year, we also covered 356,000 hectares with deforestation risk assessments and restored 3,500 hectares of forest area.

As a cross-cutting solution to many cocoa sustainability issues, agroforestry is one of our primary Charter priorities, and links to other targets such as distribution of seedlings. To date, we have supported the development

of over 111,000 hectares of agroforestry, involving a total of 70,000 farmers. We have trained 46% of farmers in agroforestry conversion and crop diversification, and also 46% in climate-smart farming. So far we have supported the distribution of 5.6 million cocoa seedlings and over 3 million native and multi-purpose tree seedlings. We also supported 10,000 farmers with Payments for Environmental Services (PES).

### Traceability, risk assessment and transparency

Our results demonstrate our strong focus on traceability which, from the very beginning, has been the cornerstone of our responsible sourcing approach.

Supply chain traceability has always been one of the key quality and sustainability pillars at Ferrero. Our ambition is to have full visibility of our cocoa supply chain to understand issues and risks, and address them.

The total cocoa volume we received in 2020/21 was close to 208,000 metric tonnes (MT), of which 74% was cocoa beans processed in house, with the remaining 26% being cocoa derivatives such as liquor, butter and powder, and chocolate products. It was all sourced through independently managed sustainably standards such as Rainforest Alliance, Cocoa Horizons and Fairtrade<sup>12</sup>. In 2020/21, we published for the first time the tier-1 suppliers and farmer groups in our cocoa supply chain. We will update this list annually.

### If we consider the entire cocoa volume, the traceability performance was as follows:

- 100% traceable to origin.
- 99.64% traceable to farmer group level<sup>13</sup>.
- 96% traceable to farm gate if minimum GPS waypoint available.
- 88% traceable to farm gate if minimum requirement polygon-mapped<sup>14</sup>.

### If we consider only the cocoa beans we received:

- 100% traceable to origin.
- 100% traceable to farmer group level.
- 99% traceable to farmgate if minimum GPS waypoint available.
- 93% traceable to farmgate if minimum requirement polygon-mapped.

About 90% of the entire cocoa volume in 2020/21 was from our dedicated farmer groups.

- 6 origins.
- 165 farmer groups.
- 168,000 farmers, of which 153,000 (91%) were polygon-mapped by the end of 2020/21.

### Looking ahead

We will continue to grow and strengthen our cocoa sustainability programme, to achieve a positive and lasting impact on the cocoa value chain. 2021/22 marks the final year of our CFI Action Plan for the period 2018-22, so we will develop a renewed plan with targets for 2025. We will also take important steps to support collective action within the industry, working with key stakeholders from governments and civil society.

### Other key activities will include:

- Further roll-out of our Community Development project with Save the Children in Haut-Sassandra region in Ivory Coast.
- Participating in a CFI pilot with WCF, World Resources Institute (WRI) and other companies, to develop a collective cocoa dataset and test the deforestation risk-assessment methodology developed by WRI. This pilot demonstrates the strong willingness among companies to do something.
- Participating in the public-private partnership Child Learning Education Facility (CLEF) aimed at providing children in cocoa-growing communities in Ivory Coast with access to good education.
- Further increasing the number of farmers who receive their premium digitally, to further improve financial transparency.

<sup>11</sup> Polygon mapping is reached through specially trained people that walk around the cocoa farm with technological devices to collect multiple GPS points through which they can very precisely identify the location of the farm and measure its size. Based on this information it is then possible to verify that a farm is not located in a protected forest, and to do a more accurate estimate of the total volume a cocoa farmer can produce. This method is more precise and robust than other methods, which collect only a single GPS point of a farm.

<sup>12</sup> See p.9 of the [Cocoa Charter](#) for the full list of Standards through which we source cocoa.

<sup>13</sup> Including farmer groups that are not part of Ferrero's dedicated farmer groups.

<sup>14</sup> Farmer groups have on average a 10% annual turnover of farmers. Each year newly joined farmers must be mapped and we also re-map farmers, usually every 3 to 5 years, to ensure the data is still valid.

# Hazelnuts

Hazelnuts characterise the unique taste of many Ferrero products. Thus, we aim to be a driving force behind a hazelnut industry where hazelnut production creates value for all.

## A challenging context

Risks in the hazelnut supply chain arise from several complex, systemic and deeply ingrained challenges in producing countries. For example, Turkey, among other places, attracts seasonal migrant workers who travel with their families and lack access to schools and childcare. This sometimes results in exploitation, such as bonded labour or child labour, poor working conditions and inadequate accommodation.

Traceability is another challenge. Hazelnuts are grown mainly on small family orchards, so production at scale can involve highly complex supply chains with a variety of intermediaries and data-processing systems. We are working to increase supply-chain traceability and transparency through development programmes designed to fully cover our sourcing areas. Tracing our hazelnuts back to farm level gives us confidence in how they were grown, and enables us to support farmers and suppliers in developing better social and environmental practices.

We work hard to minimise the environmental impact of hazelnut growing in all our sourcing countries. We have agreed long-term projects with leading universities, agricultural research centres and international subject-matter experts to improve the sustainability of hazelnut production worldwide. Priorities for the industry include optimising water use for irrigation, improving agricultural inputs, and testing and implementing integrated pest-management practices. We are also investigating innovative approaches to maintaining or increasing the level of organic matter in soil, and so helping minimise the use of mineral fertilisers.



## Our distinctive sourcing approach

Our hazelnuts come mainly from Turkey, Italy, Chile and the U.S. They are sorted, cracked, shelled, calibrated and selected in plants before shipping to Ferrero. We carry out stringent quality checks before the roasting process, to guarantee excellent product quality for consumers.

We have been directly involved in the hazelnut supply chain since 2000, and are encouraging their cultivation in other regions of the world, such as Argentina, Australia, Chile, Georgia, Serbia and South Africa. This is to guarantee a high-quality supply of fresh hazelnuts throughout the year. We grow hazelnuts on our own farms in these countries

through the Ferrero Hazelnut Company (HCo), a fully integrated value-chain company with activities from farm to factory. This integration maximises the potential for quality improvements and innovation.

Our ambition is to help the hazelnut industry evolve so farmers and their communities thrive, workers' and children's rights are unequivocally respected, and environmental values are enhanced through regenerative agricultural practices. We also continue to promote capacity building and improvements along the value chain.

## FERRERO

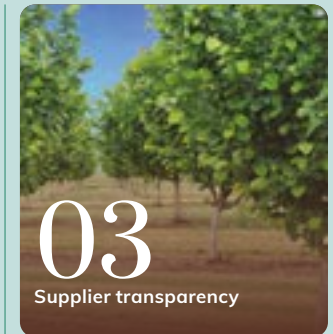
## HAZELNUT CHARTER



01  
Human rights and  
social practices



02  
Environmental protection/  
sustainability



03  
Supplier transparency

The three pillars are built on a DUE DILIGENCE PROCESS which covers all Ferrero suppliers.

Ferrero committing to joyful growth and child protection across its sourcing

Ferrero applying the principles of regenerative agriculture on its farms and across selected territories

Ferrero achieving full traceability to farm level for all its sourcing

## Hazelnuts (continued)

With strategic support from Earthworm Foundation, we developed the [Ferrero Hazelnut Charter](#), published in 2021. This outlines our long-term commitments, with specific short-term objectives (2023), to take the lead in creating a hazelnut industry that benefits everyone involved.

The Charter is based on three pillars that apply to all our hazelnut suppliers, the three themes being common to other Ferrero raw materials and commodities:

Our Ferrero Farming Values (FFV) for hazelnuts works in four ways, tailored to meet local needs, to support our three over-riding pillars above:

- **Agri Competence Centre:** Our experts, together with our partners, create and share scientific knowledge in hazelnut cultivation to improve quality and productivity and enhance sustainability.
- **Agrifarms:** At our Agrifarms, we showcase good agricultural practices and support the sector's sustainable development.
- **Agribusiness Development:** Together with partners such as farmer associations and institutional bodies, we support the development of hazelnut cultivation around the world. We focus on improving quality and yield and enhancing sustainability.
- **Traceability and sustainability:** We aim to achieve full traceability of our hazelnuts to farm level. We support the improvement of working conditions and social practices.

Learn more at <https://www.ferrero hazelnut company.com/int/en/ffv/about-the-programme>

Through our FFV programme, we work with farmers to implement good agricultural and social practices. We employ large FFV teams to do this – more than 100 in Turkey, for example. Additionally, we run educational days on mechanisation, drip irrigation and pruning, along with training on health and safety and sustainability practices.

In Turkey, the Hazelnuts FFV follows a specific production standard for good agricultural and social practices. We created it in 2012, when there was no recognised certification scheme for hazelnuts. It is designed to ensure crops are produced in a way that is respectful and sensitive to nature, human rights and the surrounding environment, and we update it yearly to reflect our changing approach to the subject. Since 2021, the FFV standard has fully reflected the structure of the Hazelnut Charter. In Italy our FFV programme aims at developing a sustainable supply chain with a focus on sustainable agricultural and social practices and enhanced traceability.

To achieve this we are working in collaboration with several Universities (among others Viterbo, Turin, Perugia and Salerno), research institutes (i.e. CREA – Consiglio per la ricerca in agricoltura e l'analisi dell'economia agraria, CNR – Centro Nazionale delle Ricerche), institutions and local farmer's associations.

FFV is also supported by the Comitato Scientifico Nocciola (Hazelnut Scientific Committee) which brings together university professors and well-known experts from across agricultural and scientific disciplines to advance knowledge and innovation in hazelnut cultivation.

### What have we achieved?

At the end of fiscal year 2020/21, we had achieved 57% traceability of our total sourced hazelnuts. Chile, Argentina and U.S. confirmed they were fully traceable after implementing the Sourcemap platform. Italy registered a record increase in its traceability performance, reaching 78% thanks to the continuous partnership with DNV-GL, a third-party enabler that ensured an effective adoption of the new methodology. In Turkey, despite the systemic supply-chain complexity, a tight-knit cooperation with both suppliers and farmers ensured by our FFV field experts, achieved 37%.

For the first time, a traceability audit/survey was conducted in the Turkish and Italian Hazelnut Value Chain by a third party auditing firm (SCS). One of the goals of the on-site visit was to verify the information reported by our suppliers into the Sourcemap platform and to record all encountered difficulties, in order to continuously improve our process.

More than 300 suppliers were interviewed in Turkey, and over 150 suppliers in Italy. Whenever discrepancies were identified between the data collected into the Sourcemap platform and those recorded during the audit, these were corrected in Sourcemap, so to provide the most accurate traceability percentage of the hazelnut value chain.

## CAOBISCO PROJECT RESULTS

### 2021 Harvesting Season:

- Total number of 1,456 children was reached through provision of education services.
- The total number of 648 families was reached in targeted districts of Ordu, Düzce, Sakarya, Samsun and Giresun and were provided with individual counselling.
- Total number of 22 rural intermediaries was reached and provided with counselling and training sessions.
- Total number of 137 orchard owners were reached and provided with counselling and training sessions.

Since 2019, we have worked with Earthworm Foundation to shape our responsible-sourcing approach and create a joint plan of practical work. This has involved interviewing farmers, seasonal workers, labour brokers, village heads, local project partners and others concerned with the value chain. Based on the findings, Earthworm Foundation has made recommendations to continue to strengthen our relationships with stakeholders to develop multi-stakeholder solutions.

In 2021, we launched a community-based development model. This will increase community participation in improving the long-term resilience and productivity of hazelnut farmers, while tackling and preventing serious labour challenges during the harvesting season. We have now started this in four villages in two Turkish provinces (Düzce and Ordu).

## Hazelnuts (continued)

### CASE STUDY

# Children's education and seasonal agricultural workers' living conditions

Since November 2020, Ferrero has been working in partnership with the International Labour Organization (ILO), supporting a multi-year project to contribute to the elimination of child labour in seasonal agriculture in hazelnut harvesting in Turkey. This builds on Ferrero's participation in the CAOBISCO and ILO partnership in Turkey, which has been active since 2013.

These projects aim to build capacity, raise awareness, and establish ways to directly intervene against child labour, for example by providing educational activities and material support (education materials, hygiene kits and clothing sets).

Child protection is also an important part of our Ferrero Farming Values (FFV) sustainability programme, which has been active in Turkey since 2012. Our FFV team in Turkey is present on the ground, engaging with farming communities to raise awareness and improve social practices.

Through our FFV programme and our work with the ILO we now cover all our hazelnut

sourcing areas in Turkey. In the 2021 growing season, a total number of 5,070 children of seasonal agricultural workers in Turkey have been reached and provided with educational activities to promote joyful growth in partnership with the ILO and local NGOs.

Despite the challenges created by Covid-19, our FFV teams visited almost 400 orchards a day during the growing season, reaching more than 20,000 farmers overall.

Our FFV teams in Turkey distributed cleaning-materials for 1,000 households and hygiene kits for 4,000 seasonal agricultural workers, as well as supporting the improvement of sanitation facilities to enhance working conditions during the growing season.

Through FFV we also distributed 2,000 educational kits and in collaboration with local municipalities, supported the creation of playgrounds within the temporary accommodation for children of seasonal agricultural workers.

### Human rights and social practices

Our approach to tackling labour issues covers a range of initiatives and activities, such as supply chain traceability and risk assessments; building capacity at national level and throughout the supply chain; raising awareness; development projects to improve working and living conditions for seasonal workers and their families, including child education and healthy development; FFV training and audits, including on social practices.

To achieve our aims, we invest in various partnerships and projects. For example, we chair CAOBISCO (the European Association of Chocolate, Biscuits & Confectionery Industries) and work with the International Labour Organization (ILO) in Turkey to eliminate the worst forms of child labour in seasonal agriculture. The partnership aligns with the Turkish Government's strategy, aiming to build capacity, raise awareness and intervene where necessary. We focus on three hazelnut-producing regions in Turkey, and the province of Sanliurfa, where many migrant workers come from.

We have extended the CAOBISCO-ILO PPP for another three years (2021-23), expanding it into two new regions: Giresun and Samsun. We will also be investing €3.5 million in a direct partnership with the ILO to complement the CAOBISCO coverage through activities in Trabzon and Zonguldak.

In addition, we have launched several initiatives involving Turkish NGOs, to better engage with local communities and target more affectively their concrete needs.

### Environmental protection and sustainability

We work with farmers and suppliers, fostering the principles of regenerative agriculture to enhance farm biodiversity, improve soil health and farmers' climate-change resilience. We apply the principles of regenerative agriculture in hazelnut farming on our farms and across selected territories, from trials optimising water consumption and soil organic matter, to carbon sequestration assessments, to responsible pest and disease strategies.

## Hazelnuts (continued)

### Supplier transparency

By tracing our hazelnuts back to their origin, we can be confident about how they were grown, and can help farmers and suppliers develop better social and environmental practices. A traceable supply chain also provides a basis for effective monitoring.

The hazelnut supply chain includes specific challenges that may be deeply rooted in the environmental and social conditions of each region. These range from the many intermediaries who sell and process the nuts in Turkey, to the limited availability of technology in many hazelnut-cultivating regions. Addressing these issues is crucial to developing a transparent supply chain, and requires close collaboration among all stakeholders, from farmers to final processors.

To fulfil our ambition of full traceability to farm level by 2023, we have worked with Sourcemap, a leading provider of supply-chain mapping and digital-transparency solutions, aiming to develop a global traceability platform by tracing hazelnuts from farm to factory.

We successfully piloted Sourcemap's platform with a selection of Turkish and Italian suppliers, and then rolled it out to all suppliers in our key hazelnut countries, to use data science to detect incoming agricultural and social challenges, and to ensure improvement.

We are working with a third-party software provider to ensure all the information we need for full traceability is collected and stored safely. Our suppliers provide their data voluntarily, our software provider then anonymises it.

As we require suppliers to work with us towards achieving our traceability target, they must identify where their commodities originate from, and we ask them to retain records and manage this information. To ensure an impartial verification of the data they provide, we have commissioned an independent, international auditing institution.

### Third-party verification and certification Turkey

Since 2012, Scientific Certification Systems (SCS) has overseen the audit programme for the FFV Production Standard in Turkey, and in 2021 it has been updated with a stricter requirement. From an audit planning and execution standpoint, we improved the way we define the sample of the farms to audit. In addition, for statistical purposes, we surveyed a group of farms not involved in the FFV Production Standard (as a control group). The audit and survey programme reached 335 farms in five regions, including 85 from the control group. For the 250 FFV farms, all non-compliances identified were tackled through a corrective-action plan. In addition, for the first year, SCS has also been in charge of auditing and surveying the Turkish value chain for traceability purposes. The programme reached 331 entities, delivering direct support to the value chain in traceability data management.

### Italy

In 2021, we also started working with SCS in Italy and carried out a pilot audit programme to farm level during the harvest period, to implement good agricultural and social practices. For the first year, SCS has also been in charge of auditing and surveying the Italian value chain for traceability purposes. The programme reached 166 entities, consolidating through the value chain the traceability data management.

### Chile

In 2021, SCS carried out the surveillance audit remotely due to Covid-19. It also reviewed employee working conditions, health and safety, and social practices. We retained the Sustainably Grown Standard we have had since 2019, confirming our commitment to the sustainable development of the hazelnut value chain.

### Serbia

Serbia is also certified under the Sustainably Grown Standard, and the certification programme gives agricultural producers technical support in improving sustainable management at their plantations. This also reassures customers that we are meeting the highest environmental, social, and economic sustainability standards, that farm workers and their communities are protected, and that farms are economically resilient.

### Australia

In New South Wales in 2021, we hosted our first SCS Global Services audit. After verification, it obtained the Sustainably Grown certificate, becoming the third internationally accredited Ferrero hazelnut farm.

### Developing a new benchmark for environmental and social standards

We have been working with agronomic specialists and conservation organisations to define specific farming indicators as part of an environmental and social benchmarking system. This system appraises each farm's operations and their effect on our own environmental and social parameters, along with relevant legislation and local standards.

These assessments have provided a foundation to develop and carry out Farm Management Plans (FMPs) designed to evaluate and mitigate any potential impact on people and nature. The FMPs can guide agribusiness advisors by translating Ferrero policy and local country regulation into practical and targeted implementation plans. These consider the resources and time required to achieve meaningful change, while keeping the farm profitable and functional. We see this as an opportunity to test and demonstrate the most promising agricultural practices, and show them to our farmers. FMPs also incorporate the best available science and proven approaches, and support trials of new, more sustainable practices.

## Hazelnuts (continued)

### Looking ahead

Using our Supplier Code and strategic partnerships as a foundation, we will continue working on the priorities defined in our Hazelnut Charter:

#### Pillar 1:

##### Human rights and social practice

Long-lasting meaningful change comes from solutions created with the communities linked to the hazelnut value chain. Thus, we will develop pilot projects with farmers, workers and community members to enhance farmer resilience and reduce social risks during the hazelnut harvest season, including ensuring decent living conditions on farms.

#### Pillar 2:

##### Environmental protection and sustainability

We have defined the details of the Farm Management Plans (FMPs) of our farms in Australia, Chile, Serbia, Argentina, and Georgia, and we are monitoring all related activities.

We are involved in defining the Regenerative Agriculture principle for hazelnuts, which will be promoted among our farmers.

#### Pillar 3:

##### Supplier transparency

After a successful launch in our key hazelnut-sourcing countries, we will continue towards the goal, highlighted in our Hazelnut Charter, of reaching full traceability worldwide by 2023. Over the coming year, we will keep updating the database, generated and managed by Sourcemap, and will extend the positive effects of supply-chain transparency to all hazelnut suppliers and growers.

Building on lessons learned during the roll-out, we will implement a set of initiatives to improve how we support our suppliers, putting our traceability understanding at the service of the global hazelnut community.



# Palm oil

Palm oil has been used for human nutrition for thousands of years and provides a livelihood for millions of people. Over 40 countries produce palm oil, with Malaysia and Indonesia together accounting for around 85% of global production.

Palm oil plays a key role in our products, enhancing the taste and texture of the other ingredients throughout the product's shelf life. It has an excellent yield compared with other vegetable oils, and is an important contributor to the livelihoods of farmers. In 2020/21<sup>15</sup>, we sourced around 237,000 metric tonnes of palm oil. In 2015, we became one of the first global companies to source 100% RSPO-certified segregated palm oil. The segregation model ensures sustainable palm oil is kept separately from non-sustainable palm oil all the way along the supply chain from the plantations and farms.

## A challenging context

Palm oil production has been associated with negative impacts on biodiversity, as it contributes significantly to changes of land use and use of chemicals in tropical forests and other species-rich habitats. Tropical natural forests hold large stores of carbon and function as biodiversity habitats; the carbon is released and the biodiversity lost when these forests are cleared, known as deforestation. There are also social issues involved, and it is often difficult to trace palm oil back to its source to address these. In addition, the land rights of indigenous communities are often not recognised, and land clearance by oil palm companies can displace rural farmers. Labour rights is another issue, as workers often live in poor conditions without access to basic facilities.

## Our distinctive sourcing approach

Our palm oil sourcing and sustainability approach is based on a few key principles, including:

- Sourcing 100% RSPO certified palm oil as segregated for Ferrero products from a limited number of reliable suppliers, enabling us to trace our palm oil back to plantation level, while working together with our suppliers to implement improvements and solutions.



- Building on this high level of traceability to plantation level, monitoring our full palm oil supply chain for deforestation with the Starling satellite technology (covering around 1 million hectares of land).
- A Palm Oil Charter and a Supplier Code with standards and requirements, which are also based on POIG requirements and verification indicators and HCSA.
- Disclosing our palm oil supply chain, both for the Ferrero historical perimeter and the acquired products.

In June 2021, we updated our Palm Oil Charter, originally published in 2013. The new Charter outlines our ambition to achieve a palm oil industry that is good for both people and nature by going beyond high certification standards.

We have improved the ambitions and commitments in our Charter by including what we have learnt through our close collaboration with stakeholders at every level, from suppliers to NGOs through to academic partners. Through this updated Charter, we re-state our ambition for a palm oil industry that is good for people and nature. We will make this ambition a reality through responsible palm oil sourcing.

Through our Charter, we aim to be a driving force behind a palm oil industry where production creates value for all: where smallholders and farming communities thrive;

<sup>15</sup> The Palm Oil KPIs data collection is related to the period 07/2020 to 06/2021

FERRERO
PALM OIL CHARTER

 <p><b>01</b> Human rights and social practices</p>	 <p><b>02</b> Environmental protection/sustainability</p>	 <p><b>03</b> Supplier transparency</p>
<p>The three pillars are built on a <b>DUE DILIGENCE PROCESS</b> which covers all Ferrero suppliers.</p>		
<p>Ferrero committed to improved working conditions across its value chain</p> <p><b>Workers with fair recruitment, working &amp; living conditions</b></p>	<p>Ferrero actively monitoring and verifying that its value chain is deforestation free</p> <p><b>Satellite verification</b> to ensure zero deforestation in our value chain</p>	<p>Ferrero achieving a fully transparent value chain</p> <p><b>Full traceability to plantations,</b> publication of mills and estates list, time bound Action Plan and Progress reports</p>



## Palm oil (continued)

where workers in mills, refineries and plantations have rights that are unequivocally respected; and where environmental values are protected and enhanced through sustainable agricultural practices.

The Charter is based on three pillars that apply to all our palm oil suppliers, the three themes being common to other Ferrero raw materials and commodities:

### Human rights and social practices

Our overall aim is to foster a more equitable value chain for the people involved in palm oil production at every level. Unethical recruitment practices are identified as one of the major labour risks within the palm oil industry, and these include passport retention and restriction of movement, debt bondage and unfair recruitment, wage-related issues and forced overtime, restriction of freedom of association, and poor living conditions and standards.

Through selected programmes, we aim to improve working conditions and build the resilience of workers on small to medium-sized plantations. The challenge is to measure the level of social non-compliance and provide adequate support to intervene. We work closely with our suppliers and partners to ensure they follow our strict requirements and guidelines outlined in our Human Rights Policy Statement, Supplier Code and Palm Oil Charter. We also source RSPO-certified segregated palm oil, which is produced according to a set of stringent environmental and social principles. However, we go beyond these baseline requirements, working closely with smallholders to train them and help them change to more-sustainable business models.

If we identify non-compliance among our suppliers, we immediately put remediation in place and work with them to implement it. But if issues are not resolved, we can terminate the business relationship.

### The Earthworm project in Malaysia

Earthworm Foundation aims to transform people's relationships with nature and use the influence of leaders in the supply chain to create a market for responsible oil. Its traceability efforts help businesses map their palm oil back to mills, farms and plantations.

We launched a new project with Earthworm in 2021, with a focus on human and worker rights. Starting in January 2021, the programme supported two of our third-party suppliers in adapting their labour practices and ensuring fair, safe and decent living conditions. Then, starting in January 2022, a second programme started with one key direct palm oil supplier, with a clear focus on ethical recruitment practices.

### Environmental protection

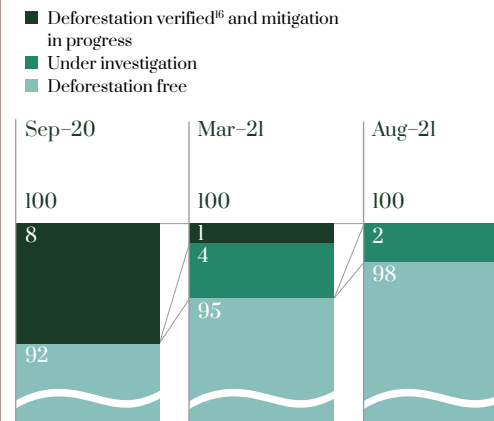
Working with our suppliers, we aim to protect standing forests or restore natural forest areas, to generate positive carbon and biodiversity impacts. This means having a clear map of the high conservation value (HCV) and high carbon stock (HCS) areas associated with the palm oil we source. We also use a satellite monitoring system to ensure our suppliers protect these areas.

We recognise the role natural habitats, soil, and water play in regulating our climate and ensuring a healthy, biodiverse home for

humans, plants and animals. We also recognise the palm oil plantations we source from are connected to this wider landscape. The health of these plantations is linked to the farming and production practices adopted, as well as the wellbeing of the surrounding environment. Here you can read about some of the programmes we are involved in this year to protect our environment.

### Using Starling

Building on our strong investment in RSPO SG and thereby traceability to plantation level, we monitor all of our palm oil supply chain for deforestation and conversion with the Starling satellite technology, covering more than 1 million hectares of land. This enables us to identify deforestation in near real-time and where exactly it occurs, enabling fast and targeted management of deforestation.



<sup>16</sup> or Deforestation within 20km radius only when estate not mapped; <2% of volumes

### TRAILS

Since 2020, Ferrero has supported the TRAILS project in Sabah, Malaysia. The project is funded by Ferrero and the French Ministry for Europe and Foreign Affairs. It aims to create landscapes where people and wildlife can coexist peacefully. It links academics, NGOs, and private and public stakeholders to enable integrated approaches to reforesting wildlife corridors (one of the key components in preserving biodiversity and climate resilience in fragmented plantation landscapes) while also tackling rural poverty. Its activities include: identifying and replanting areas with mixed forest species and selected oil palm seedlings; monitoring wildlife recolonisation; studying different oil palm methods and yields; providing environmental services to aid climate resilience; and studying the socio-economic impact of change in agroforestry systems. One aim is to involve local communities in preserving orangutan habitats within landscapes dominated by oil palm plantations. Another important project activity is to help local women establish a nursery to produce tree seedlings for reforestation and oil palm systems.

### Integrated pest management (IPM)

For a sustainable supply chain, we need to ensure we reduce the impact of pesticides and other agri-chemicals, so we can develop resilient, nature-based and biodiversity-friendly production practices. We are part of a pilot project led by the Sustainable Agriculture Network (SAN), a global collaborative focused on helping farmers and rural communities thrive, and companies progress their sustainability agendas. SAN is conducting a pilot project on integrated pest management

## Palm oil (continued)

(IPM), to reduce the pesticide footprint of oil palm production in peninsular Malaysia, and improve biodiversity conservation practices at farm level.

The pilot is surveying current IPM practices, as well as insect diversity of both pest and beneficial insects, on palm oil farms. It will develop Malaysia-specific pesticide data, and a hazard and risk categorisation, to include in a 'pesticides and alternatives' app, designed to enable less chemical-intensive ways to manage agricultural pests and diseases. Ultimately it will identify gaps in biodiversity-friendly practices, and suggest how to improve them with more sustainable practices.

### Supplier transparency

We aim to always know where our raw materials come from, right down to estate and farmer level. Aside from enhancing the transparency of our supply chain, this exercise helps us foster a deeper relationship with our partner businesses and farming communities, and understand any challenges we need to address.

We aim to source only RSPO-certified segregated palm oil so we can trace our palm oil back to mill and plantation level. We are currently working to extend this commitment to products we have acquired in recent years: Fannie May and the brands that were part of Nestlé's chocolate business in the United States. This process can take some time, as it depends on the complexities of post-acquisition integration processes.

Looking at the full scope (Ferrero, Thorntons, Fannie May and former Nestlé U.S. confectionary business between July 2020 and June 2021, the palm oil we sourced was 99.6 % RSPO-certified segregated palm oil and 0.4% conventional palm oil. Of this total, 99.8% is traceable back to plantations.

Specifically for our legacy products (Ferrero only), 100% used RSPO certified segregated palm oil (of which more than 6% is POIG verified), with 100% traceability to 115 palm oil mills and 99.9% traceability to 579 plantations.

We decided to further increase transparency by disclosing on our website every six months the [full list of mills](#) we source our palm oil from.

Our main palm oil suppliers for the 2020/21 reporting year were: AAK, Agropalma, Cargill, Daabon, Fuji Oil, ISF, Lipidos Santiga, Musim Mas, Unifuji and Unigra.

### Our alliances and partnerships

We are members of many important organisations through which we contribute to the development and adoption of stronger standards for sustainable palm oil.

### RSPO

The [Roundtable on Sustainable Palm Oil \(RSPO\)](#) was established in 2004 to promote the growth and use of sustainable palm oil products. Ferrero is a certified member and on the RSPO Board of Governors since June 2020. The RSPO has developed a set of environmental and social criteria for producing Certified Sustainable Palm Oil (CSPO). It has

more than 4,000 members worldwide; they represent all links along the palm oil supply chain and will produce, source or use only CSPO.

### POIG

The [Palm Oil Innovation Group \(POIG\)](#) focuses on creating and promoting innovations in the palm oil industry to build on RSPO standards and address additional critical issues. Founded in 2013, it was developed in partnership by leading NGOs and progressive palm oil producers. We have been a member since November 2015.

### HCSA

The [High Carbon Stock Approach \(HCSA\)](#) is a methodology that distinguishes between forest areas needing protection, and degraded lands with low carbon and biodiversity values that may be developed. The aim is to provide a practical, accepted and scientifically credible approach to halting deforestation in the tropics, while respecting the livelihoods of local people. We have been a member since October 2019.

### EPOA

The [European Palm Oil Alliance \(EPOA\)](#) strongly supports the uptake of 100% sustainable palm oil. It's a business initiative that collaborates with national initiatives in different European countries, facilitating science-based communication and creating a balanced view on the nutritional and sustainability aspects of palm oil.

### FONAP

As a member of the [Forum for Sustainable Palm Oil \(FONAP\)](#), we have worked closely with WWF Germany and NGO Wild Asia. We voluntarily sponsored Wild Asia's Group Scheme, which ran until March 2021, to support smallholder farmers and integrate them into a sustainable supply chain, while also tackling conservation and deforestation issues.

### Looking ahead

We are now designing early-warning systems to identify and resolve grievances through a transparent grievance mechanism, while we continue to work with our direct suppliers to resolve complaints. To evaluate our progress and ensure it is adequate, we have engaged civil society experts on our approach.

Further, we continue to maintain and build full traceability from factory gate to palm plantations and growers, and we are working with our suppliers to prevent any unsustainable practices, in line with our Palm Oil Charter.

# Milk and eggs

Animal welfare is an important element of our ethical responsibility. In our animal-product supply chains, one of our main objectives is to ensure we continue to improve welfare standards.

## Milk

We have developed and nurtured long-term relationships with dairy partners we select according to strict standards, to ensure control of the entire chain, and constant freshness, taste and safety. This helps us assure and improve the quality of our milk. We use these relationships to strengthen our 'controlled, short supply chains', and pay particular attention not just to milk quality, but to our suppliers' animal welfare and environmental responsibility.

We adhere strictly to national production regulations on raw milk and other dairy products. These regulations may vary from country to country, and cover milk-quality



parameters such as the absence of antibiotics, as well as its classification and composition. We apply our high standards globally, regardless of the level of local regulations.

Through the controlled supply chain, we create a streamlined system of traceability, going beyond current industry practices, to provide a clear picture of the path from farm to product.

## Our VisionDairy programme

Building a comprehensive programme for animal welfare and the sustainability of our dairy supply chain is a challenging objective. It involves ensuring high standards of animal welfare, reducing carbon emissions and managing the impacts of dairy farming on water and biodiversity.

Working with [FAI Farms](#), and key stakeholders such as [Compassion in World Farming](#) and our dairy suppliers, we have further developed our VisionDairy programme, using science to shape our strategy. Every year, FAI Farms provides us with the latest scientific research: a comprehensive review of the hundreds of scientific papers recently published in the area of dairy sustainability, and a report divided into the '3E' areas of ethics, environment and economics.

This VisionDairy programme aims for continuous improvement in three main areas of our dairy farms:

1. Cow welfare: To identify and demonstrate best practices in cow and calf welfare.
2. Farm performance: To support efficient, resilient and ethical business practices.
3. Environmental stewardship: To protect and enhance our shared environment.

These three areas cover 15 separate principles, as follows:

Animal welfare	Farm performance and social practices	Environmental stewardship
Optimise animal welfare	Build healthy and productive herds	Reduce carbon footprints
Provide sustainable diets	Produce safe, high-quality milk efficiently	Protect water quality
Provide quality calf care	Uphold human rights	Support soil health
Practise responsible medicine use	Support the health and wellbeing of workers	Minimise fresh-water use
Welfare-friendly animal transport and slaughter practices	Develop the knowledge and skills of workers	Conserve and enhance biodiversity

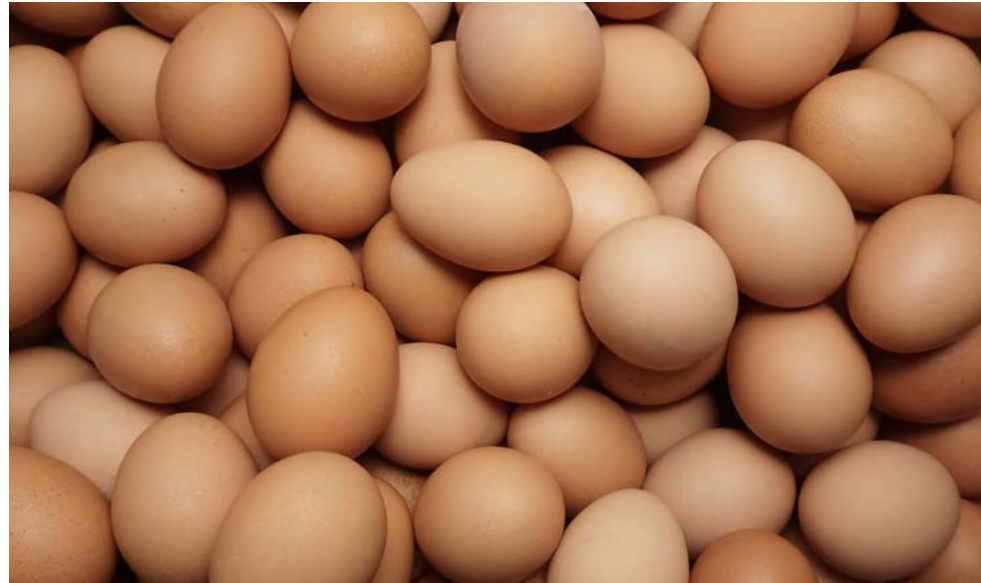


## Milk and eggs (continued)

We recognise that to create a shift towards sustainability in dairy farming, we have a role in bringing relevant stakeholders together, engaging in constructive dialogue and identifying shared causes and solutions. Using the experience we accumulate during our VisionDairy programme, including a pilot study with European suppliers to understand their performance on these issues, we will be able to create a 'Milk Charter'. This Charter will state our ambition for a milk industry that does good for people and nature, and our aim to achieve this through our milk sourcing.

### SAI Platform

Ferrero has been a member of the [SAI Platform](#) since April 2016. SAI Platform was created by the food industry in 2002 to promote the worldwide development of sustainable agriculture. It involves more than 150 members representing different parts of the food chain, such as cooperatives, traders, retailers, processors and brand companies. The platform supports agricultural practices and production systems that meet a definition of sustainable agriculture as "the efficient production of safe, high-quality agricultural products, in a way that protects and improves the natural environment, the social and economic conditions of farmers, their employees and local communities, and safeguards the health and welfare of all farmed species."



### Eggs

While our European egg supply chain accounts for around 95%<sup>17</sup> of all the eggs we use, we aim to be sourcing eggs from cage-free systems for our global supply chain. This will involve working with our suppliers to provide cage-free eggs for the two plants responsible for the remaining 5% – those we opened in Turkey and Mexico in 2013. Our egg supply chain is fully integrated, in that suppliers control the lifecycle of their animals and their feed.

<sup>17</sup> For fiscal year 2020/21 the eggs used in the European plants production were 93.7% of the total.

### CASE STUDY



## Ferrero calls on the EU to "end the cage age"

The Ferrero Group, building on our commitment to 100% cage-free eggs, joined other food companies across the EU in sending a letter to the EU Commission and Members of the EU Parliament asking them to phase out the use of cages in animal farming, starting with cages for laying hens. We commended the aims of the 'End the Cage Age' European Citizens' Initiative (ECI).

Learn more [here](#)

# Sugar

We have a long-standing commitment to building strong, trusting relationships with the agricultural cooperatives and producers that supply our sugar.

In fiscal year 2020/21, our sugar purchases were approximately 23% refined cane sugar and 77% beet sugar. We source beets mainly from European producers, and our sugarcane comes mainly from Brazil, India, Mexico and Australia. To help us source from other sugar-producing countries, we have created a selection procedure for new suppliers to guarantee that the raw sugar always meets our high-quality criteria.



## A challenging context

World production of sugarcane is rising, which brings several socio-economic and environmental challenges. There is a risk of poor working conditions in some producing countries, as well as the potential for low wages and poor health and safety. Sugarcane production can also have a negative environmental impact, including loss of biodiversity and pollution of land and water.

## Our distinctive sourcing approach

We have developed long-standing partnerships with suppliers who provide us with high-quality sugar. To expand our sustainable sugarcane supply chain, we systematically evaluate potential new suppliers and their sustainability strategies, assessing available certification schemes to understand their strength, impact, and cost-efficiency.

Since 2010, we have been a member of Bonsucro, a global multi-stakeholder non-profit organisation that promotes sustainable sugarcane production. Bonsucro supports approximately 27% of all the world's sugarcane land, and that proportion is growing. We see Bonsucro as a strong partner in promoting and accelerating sugarcane sustainability in different countries.

## Tacking environmental and social issues in sugarcane Certifications and standards

Collaboration has been vital to improving our sustainability, and we have developed long-standing partnerships with trusted suppliers.

Initially aiming to reach a target of all our sugarcane Bonsucro-certified by the end of 2020, we reached our target in August 2020.

As one of the biggest chocolate-producing companies in the world, we can influence meaningful change with our suppliers, and our leadership encourages improvement at many sugarcane origins. Because of our market importance, we can inspire others to follow suit.

## Industry-wide changes

As upcoming regulations in developed countries bring stricter requirements for supply-chain due diligence and human rights, it is more urgent than ever that other consumer-goods manufacturers follow suit.

With the climate crisis already affecting us, and food systems accounting for one-third of emissions, responsible sourcing of all commodities is an urgent matter, both for the planet and for business. Earlier this year, a report by CDP revealed environmental supply chain risks could cost companies \$120 billion by 2026.

There is also a growing spotlight on social and labour issues in global supply chains, with a greater expectation for transparency. Besides legal compliance, working with suppliers towards sustainability has important reputational benefits, as well as helping to build longer and stronger business relationships, which ultimately help improve business resilience and performance.

This is why we have a long-standing commitment to building strong, trusting relationships throughout our sugar supply chain.

## What have we achieved?

All our refined cane sugar is certified by Bonsucro (through the accepted mass balance method and through credits<sup>18</sup>).

<sup>18</sup> Bonsucro credits are proof that a unit of sugarcane has been sustainably produced to Bonsucro's Production Standard. Credits reward Bonsucro Certified Mills and Farms for their commitment to sustainability, and a portion of fees from Bonsucro credit sales are invested directly in local impact initiatives for other farms and mills to adopt more sustainable practices. In fiscal year 2020/21 they accounted for around 63% of the total certified volume.

# Other ingredients

In addition to our main raw materials presented in the previous pages, we source several other ingredients from supply chains, where we promote the same sustainability criteria.



## Coffee

We source 100% Rainforest Alliance/UTZ certified coffee from four origins: Brazil, Colombia, Costa Rica and Dominican Republic.

## Soy lecithin

We source our soy lecithin from Brazil, India and EU countries. More than 75% of our sourcing is Proterra-certified.

## Coconut

We adhered to the industry [Coconut Charter framework](#), and we are working on the application of the ambition and principles of coconut sustainability programmes.

## Shea

Shea butter is processed from shea nuts and is used to enhance the taste and consistency in our products. The shea tree grows wild and can be found only in the Sahel belt of West Africa. The tree is very important for countries in the region, as its fruit provides nutrition and income for the population in rural areas, and the bark, leaves, sap and roots are used for traditional medical purposes. The trees also contribute to the prevention of desertification.

Traditionally, women collect the shea fruits, which make up a significant proportion of the local diet. The kernels are boiled, shelled and dried. Some kernels are kept for household use, and the rest are sold. The income from selling the kernels enables families to pay for school fees, clothing and farm equipment.

Nearly 2 billion shea trees grow naturally on parklands in 21 African countries stretching from Senegal to South Sudan, while 16 million women living in rural communities individually collect fresh shea fruits and kernel for processing. Shea offers technical and health benefits as cooking oil and is used as a food and cosmetic ingredient. Today, more than half of all shea export is processed in West Africa as shea butter, shea stearin and shea olein. With approximately 800,000 tonnes collected each year, global demand for shea has grown significantly due to new shea applications in food and cosmetics, and increased investment in supply expansion and processing. The shea industry provides a critical source of jobs and incomes to often poor and under-served communities.

In 2018, Ferrero became a member of the Global Shea Alliance (GSA).

Established in 2011, the GSA is a non-profit industry association with 560 members from 35 countries, including women's groups, brands and retailers, suppliers, and NGOs.

The GSA aims to be the premier platform to satisfy the strategic interests and practical needs of its members, shea stakeholders large and small worldwide.

The GSA's mission is to design, develop and run strategies that promote a competitive and sustainable shea industry worldwide, and to improve the livelihoods of rural African women and their communities.



## Other ingredients (continued)

### CASE STUDY

# Kolo Nafaso

We support Kolo Nafaso, a direct sourcing programme that is empowering women and is enhancing responsible sourcing of shea kernels through our shea supplier AAK, of whom we are the largest customer and contributor. The programme provides support, interest-free micro loans, training and direct trade for woman who collect shea kernels.

### Why has Ferrero chosen to support Kolo Nafaso?

The primary difference between Kolo Nafaso and other sustainable sourcing programmes in shea is its sheer scale. AAK reaches more than 350,000 women through the programme – plus their families, or 9% of the women estimated to work in the shea export trade. It is estimated that Ferrero supported about 57 000 women directly through the partnership. This is not a niche project; it is a full-scale sustainable supply chain.

Secondly, Kolo Nafaso is founded on true direct trade, with a network of AAK’s own employees working closely with relatively small groups of women, ranging from seven to 400 members. This differs from larger cooperatives, because it maintains the element of daily exchange and builds strong relationships between AAK’s extension

officers and members. In short, AAK knows the women in the programme personally.

Thirdly, the partners are committed to Kolo Nafaso and the members for the long term. Kolo Nafaso has been running since 2009 and has evolved way beyond a project. It is a preferred way of doing business.

And finally, Kolo Nafaso runs in line with a standard operating procedure which has been verified through an external audit by Proforest on a yearly basis since 2020. Further professionalising this sustainable business model.

On top of that, 96% of women confirmed in a survey in 2021 that the prefinancing through the programme is good for them, with 81% of women saying the money supported them at the right time of year.

### What makes it special?

Large-scale impact	Truly direct	Long term	Fully verified
As many people as possible should benefit from Kolo Nafaso or any intervention added	Extension officers facilitate every existing and new activity	No short-term projects; we’re in it for the long run	It follows transparent procedures and has been fully verified by an external party



# 03



## Promote responsible consumption

We strive to offer high quality products and freshness  
and always endeavour to communicate responsibly.





# How we promote responsible consumption

## Why does it matter?

Consumers enjoy our products in more than 170 countries. It's our responsibility to ensure these products meet high standards of safety and quality, and to recommend that people consume them as part of a balanced diet within an active lifestyle.

Food plays a central role in our lives and societies, both as a necessity and a pleasure. So the way it is produced, marketed and eaten should contribute to wellbeing and health. As one of the world's biggest chocolate and confectionery producers, we consider nutrition, health and lifestyles to be material issues for our sustainable approach. Obesity rates are rising around the world, including among children and adolescents. It's a complex issue with many causes, but the increasing focus on diet and health has put a spotlight on food producers' marketing and communications.

As a leading producer of sweet, packaged food, we must ensure our marketing communications and product labelling help consumers make appropriate choices about the food products they buy and consume. Marketing to children can be a sensitive area, as children can be highly receptive to messages but lack the maturity to form well-considered judgements. Thus, we aim our product marketing

communications at adults and parents and ensure it is consistent with the principles of conscious consumption, physical activity and personal choice.

## Our approach

Our Quality Policy is designed to ensure high quality and maximum freshness when each product is consumed, as well as product and packaging design that complies with environmental standards and avoids unnecessary waste.

All our production sites are subject to internationally recognised quality certifications such as Quality Management System certification, ISO 9001, and FSSC 22000 for food safety. Safety-oriented design is particularly important for developing Surprise toys, and all KINDER® Surprises must comply fully with international regulations and our own standards. To ensure the quality and freshness of our products, we measure perceived product quality at many different stages, including point-of-sale. Our Ferrero Supplier Code also requires inspections at our suppliers' production sites to ensure security and quality of supplies. With regards to the marketing and labelling, the annual

performance against our commitments is certified by independent, third-party organisations.

Our approach addresses both diet and lifestyle and is shaped by the latest science on food nutrition. We focus on:

- Offering serving sizes that let consumers manage their daily energy needs within their overall diet.
- High-quality ingredients that provide essential energy and micronutrients.
- Food education, including information on ingredients, and suggestions for balancing meals and snacks.
- Encouraging active lifestyles through our educational programme, Kinder Joy of moving.



# Product quality and safety

A quality product requires high standards of performance and seamless execution. Attention to detail and consistent quality does not only matter in our manufacturing, but throughout the entire Ferrero supply chain.

## Product and ingredients quality and safety

Our Quality System operates through our central function, alongside local quality departments throughout the Group. The central Quality Organisation supervises the entire value chain from raw materials to market. It works closely with local teams to define quality and food safety objectives and monitors performance through a complex system of indicators and audits. We publish results regularly for all relevant departments and corporate management.

### Our quality and food safety policy

As stated in our Quality and Food Safety Policy, we develop strategy, competencies and people, working with the entire Ferrero team to ensure safe, responsible, sustainable, high-quality products that offer the best consumer experiences.

To achieve this, we aim to:

- Promote a quality and food safety culture throughout Ferrero.
- Achieve product quality and freshness all along the value chain in all markets.
- Integrate our quality and food safety management system across the business.
- Protect our brand reputation by managing risks effectively.
- Ensure continuous improvement by standardising the monitoring and analysis of our primary processes, and our quality and food-safety objectives.
- Manage information on quality, both internally and externally.

### Quality and freshness

During fiscal year 2020/21, we carried out 847,350 store visits worldwide to monitor the freshness of finished products and their temperature in-store. In 355,420 of these visits, auditors acting as shoppers assessed the perceived quality of our products at the point of sale, checking for visual defects from a list defined specifically for each product.

To ensure each product complies with its sensory profile, we carry out an evaluation in addition to the usual laboratory tests. This assesses all attributes of how a product affects the sense organs, as well as its aesthetic appearance and presentation.

Tasting and sensory evaluation activities include:

- Raw-material taste tests.
- Taste tests of semi-finished and finished products from the production line.
- Quantitative descriptive analysis by a panel of trained tasters in our central product observatory and at production units.

In fiscal year 2020/21, our production sites and central observatory carried out 79,990 sensory tests globally on Nutella, to verify and guarantee the excellence and consistency of the sensory profile we offer our consumers.

Our quality-tasting panel involves 2,081 testers around the world, all assessing the sensory performance of our products according to our Group Tasting Procedure. We have developed customised software, designed to ensure all sites and business units can access all the results and will introduce this globally during fiscal year 2021/22.

Through our consumer complaints function, we provide consumers with feedback and support. This also helps us continually improve product quality, by systematically analysing consumer feedback. The function is also responsible for our customer relationship management (CRM) tool, Ferrero CARE, and our Contact Management Quality System, based on a uniform set of definitions, procedures and operating methods that apply to all our affiliates.

In November 2021, we introduced a corporate Contact Us page, giving all our consumers, all over the world, a direct means of contacting us.

### The advanced standards of Ferrero plants

Our rigorous quality system strives to guarantee product excellence at all production sites. In our production plants and those of our main sub-contractors, we use integrated SAP software to monitor centrally all data on quality-control processes.

We also aim to improve the quality standards of our sites through a structured quality-monitoring system that covers all processes across the value chain. This includes standardised inspections by qualified personnel in all our plants, warehouses and contractor premises, assuring our standards are applied correctly and identifying opportunities for improvement.

Our corporate quality audit system is the ultimate level of assurance, assessing compliance to our standards throughout the value chain.

All our production sites are subject to internationally recognised quality certifications by accredited third-party bodies. The international standard we use for quality-management-system certification is ISO 9001, and our food-safety-management system has been certified to the FSSC 22000 standard. In addition, we follow other certified management standards based on local market demands or statutory requirements.

## Product quality and safety (continued)

As part of a continuous process of adaptation, for each new production plant, we promptly activate the certification procedure for the two international standards above. ISO 9001 now covers all manufacturing plants except Bloomington, Franklin Park and North Canton in the U.S. All manufacturing plants are certified FSSC 22000 except Alfreton in the UK, and North Canton (U.S.). These are our most recent acquisitions.

### Traceability and safety of raw materials

We have always taken great care when selecting raw materials and packaging.

In fact, it's the quality and freshness of our ingredients and materials that determine the sensory attributes of our products, which is why we have developed innovative internal procedures to ensure high quality. An example is our 'sacco conosciuto of historical suppliers', which controls all the procedures our food technicians carry out, such as sensory evaluations and analysis, supplier inspections, and food-safety practices, to guarantee a raw material's traceability across the chain of custody.

We select and evaluate all our suppliers using a defined set of criteria and an electronic platform that connects them with our food technologists.

The Ferrero Commercial Code of Conduct also requires continuous inspections at suppliers' production sites, where we implement specific controls on systems and procedures to ensure the security and quality of the supplies.

All plants use a specific internal Group protocol, in line with modern risk-analysis standards, to define the type and frequency of the physicochemical, microbiological, and sensory controls that must be performed on samples from incoming materials.

In fiscal year 2020/21, across 25 Ferrero production plants and six HCO manufacturing plants, we carried out:

1,458,120 controls on raw materials, including physical, chemical and microbiological analysis, in addition to controls on semi-finished and finished products.

- 1,235,626 controls on primary and secondary packaging, including organoleptic and defect-detection tests. During fiscal year 2020/21, we held the first World Quality Week for all Ferrero employees, under this year's motto, Passion and Science for Excellence. The main aim was to promote the importance of quality, and the role each employee plays towards three pillars: raw material and product excellence, food-safety culture and awareness, and customer satisfaction. During the week, we organised activities including insight-sharing sessions, videos from Ferrero top management, and sensory evaluations.



<sup>19</sup> In April 2022 Ferrero suspended operations at its plant in Arlon, Belgium and recalled the entire production of Kinder products made there due to a contamination issue. Quality is absolutely at the heart of our business and we immediately collaborated with food safety authorities. Thanks to their valuable guidance and a detailed action plan, Ferrero obtained a conditional authorization in June 2022, in order to resume activities in July 2022. In April 2022, as a consequence, Arlon plant FSSC Certificate was suspended, and Ferrero is currently working to reactivate in line with the planned restart of the activities. Results and data presented in this Report are not impacted by this event, as they refer to the period 1st September 2020 – 31st August 2021.

### What have we achieved?<sup>19</sup>

**ISO 9001:2015 – Certification of the Ferrero quality-management system.** All our plants in the reporting scope, except for Bloomington, Franklin Park and North Canton, are certified.

Within the framework of ISO 9001 certification, the third-party body sampled four plants last year. They carried out surveillance audits at Arlon (Belgium), Baramati (India), Hangzhou (China) and Stadtallendorf (Germany), and at the company headquarters in Luxembourg. Alfreton (UK) received its initial certification audit. All six HCO manufacturing sites were audited: Agrichile (Chile), Duzce, Entegre, Izmit and Keles (Turkey) and Korvella (Italy). Overall, the external audit results were positive, with no major 'non-conformity' issues.

**FSSC 22000 – Certification of the Ferrero food-safety system.** All our production plants, except for Alfreton and North Canton, have been certified and were audited in fiscal year 2020/21 to verify compliance with FSSC 22000. The overall outcome was positive, with no critical 'non-conformity' issues.

**IFS – International Food Standard Audits** were carried out in fiscal year 2020/21 to verify compliance with the IFS standard at production sites in Alba, Arlon, Belsk and Stadtallendorf. These reported a 'Higher Level' of compliance.

## Product quality and safety (continued)

### Quality and safety of our Surprises

Safety-oriented design is one of the key pillars of Surprise toy development. The Ferrero Toys Testing Protocol says KINDER® Surprises must comply fully with international toy regulations and standards and with internal requirements. We trust all our toy-certification tests to independent, accredited laboratories that are world leaders in safety research, testing and certification.

#### International standards and regulations

We apply the following international regulations:

- European directive on toy safety 2009/48/CE.
- European toy safety standards on mechanical, flammability and chemical requirements (EN71).
- International toy safety standard ISO 8124.
- National toy regulations and standards of all the countries where we commercialise KINDER® Surprises (i.e. ASTM F963 standard for the U.S, Mercosur standards, Korean standard).
- Plus other regulations (i.e. REACH regulations).

#### Ferrero internal requirements

Within the Ferrero Toys Testing Protocol we carry out voluntary tests over and above those required by international regulations, carrying out 75 tests compared to the required 48.

We enforce strict guidelines for dimension, shape and structure of any KINDER® Surprise toys, and avoid button-cell batteries and magnets. Also, we select only high-quality materials, to avoid breakages and guarantee high design standards.

We carry out a thorough analysis on all KINDER® Surprises at the different stages of design development:

**Safety assessment:** we run an extended safety assessment of every toy, using accredited external laboratories and doctors.

**Medical check:** a special team analyses and evaluates all toys based on accepted medical criteria.

**Age-grading evaluation:** an independent third party evaluates all toys to internationally recognised age-grading guidelines to confirm they are suitable for, and appeal to, only children over three years old.

**Toy-certification tests:** five independent laboratories accredited in safety research and certification test all toys against safety standards.

We implemented a Code of Conduct, the “Ethical, Social and Environmental requirements for Suppliers of KINDER® Surprise toys” to ensure that KINDER® Surprise toys suppliers operate in compliance with our requirements on working conditions. This Code is as rigorous as the most advanced international ethical codes. Manufacturers undergo a strict audit performed according to the four pillars of SMETA methodology – labour rights, health and safety, environment, and business ethics.

Two certified and globally recognised third-party bodies – Bureau Veritas and Intertek – inspect KINDER® Surprise toy manufacturers to ensure they comply with our ethical requirements.

### CASE STUDY

## The ‘edutaining’ world of our Surprises and the Applaydu app

For over 40 years, we’ve been bringing a smile to kids’ faces with the buildable Surprise toys inside Kinder eggs.

We work with experts in child development to design toys that can promote joyful growth through shared family play moments. To support these moments, we develop ‘edutainment’ themes. For example, the buildable animal toys of our Natoon collection are designed to catch children’s imagination and support storytelling and discovery while playing.

#### The Applaydu app

Kids can bring the Natoon toys to life on the Applaydu app, where they can learn about animals and the unique beauty of nature and our planet. Kids’ play is evolving, and they switch naturally between the digital and physical worlds. This is why we launched the Applaydu app where all toys come to life in augmented reality to offer a new physical playing experience within the family.

To design Applaydu, we worked with Gameloft to develop a fun and engaging digital gaming experience, and Oxford University to ensure every detail is accurately crafted to support a child’s development

All aspects of the app comply with the EU Pledge, and it does not contain KINDER® branding or products, ads, marketing messages, or in-app purchase features. Also, Applaydu reassures parents about the way kids spend their time on digital devices, both in the length of time and the quality of the contents. This is in line with the KINDER® brand promise: “Delight kids while reassure parents”.

The app is COPPA<sup>20</sup> certified and received the highest score on the Educational App Store. It is tested carefully with children and parents, integrating their feedback before any major release.



<sup>20</sup> The Children’s Online Privacy Protection Act.

# Nutrition, health and lifestyles

By 2050, the global population is expected to reach 10 billion. As it stands, the way we produce and consume food as a society is pushing the planet and its systems to the limit.

To ensure enough safe, nutritious and sustainably produced food for all, we need a new approach, one that follows the concept of sustainable nutrition – a theory that optimises health and nutritional outcomes while respecting the ecosystems the world depends on.

These are complex issues that cannot be solved in isolation. As one of the leading companies in confectionery, we want to help bring about the necessary changes. We believe in this concept of sustainable nutrition, applied through a system-wide approach encompassing agriculture, food, nutrition, health, livelihoods and the environment.

We also believe that, when considering the effects of food on health, we must consider the overall composition of macronutrients and, as shown by the most recent scientific studies, the role of the food matrix – the complex assembly of physical and chemical interactions that take place between the compounds in food.

## Our approach

We produce and market some of the world's best-loved confectionery products. We

believe all food types can be part of a varied and balanced diet, without excluding or condemning specific ingredients or nutrients.

One of our goals is to help consumers make proper food choices, and adopt a varied and balanced diet that provides essential nutrients and the right amount of energy from every food type.

In line with scientific evidence, our strategy is based on the following key principles:

- Offering our products in suitable serving sizes that allow consumers to manage their daily energy needs within their overall diet.
- Careful selection of high-quality raw materials that provide essential energy and micronutrients. We preserve the quantity and importance of these ingredients' natural components by strategic industrial processes, maintaining their physiological role.
- Promoting ingredients, foods and structured eating occasions that can be integrated into food-education programmes for consumers and the medical-scientific community.
- Educating on the importance and benefits of an active lifestyle.

## CASE STUDY

### How can we guarantee enough safe and sustainable food for a world population which, by 2050, could reach 10 billion people?

To answer this question, in 2020 Nutella established, and continues to support, the Sustainable Nutrition Scientific Board (SNSB): a group of renowned international experts brought together to independently investigate and share the importance of a Sustainable Nutrition.

The main objective of the Board is to conduct independent scientific research with a holistic approach, from Sustainability to Nutrition. Thanks to the broad expertise of the Board members, the research has an interdisciplinary approach, focusing on three main areas: nutrition, health, and sustainability. The research will be developed by experimenting with innovative methods for data metrics, such as Big Data and Artificial Intelligence (AI).

The first topic of the research activity is the role that vegetable oils and fats have on humans, exploring not only daily intake nutrition, but also environmental and socio-economic effects of production processes. The SNSB research is carried out independently, with the financial support of Nutella. The funder has no role in study design, data collection and analysis, decision to publish, or preparation of any manuscript.

## Nutrition, health and lifestyles (continued)

### Our products' consumption

We continue to expand and refine our analysis of the nutritional impact of our products. In fiscal year 2020/21, our analyses included the products of our recent acquisitions (Thorntons, Fannie May and former Nestlé U.S. confectionary business). We are aligning these, step by step, within the pillars of our historical range of products. We assessed 102 product data records<sup>21</sup> (PDRs) covering 95%<sup>22</sup> of our core marketed volumes.

Breakfast and 'between-meals eating episodes' (BMEE) are confirmed to be the most common eating occasions for our core products, covering around 80% of our marketed volumes. This role of our products within consumers' eating habits aligns with the sweet, packaged food sector. We contribute to efforts to promote the importance of having breakfast regularly as a good eating habit, and to encourage moderate food consumption among all age groups, especially young people.

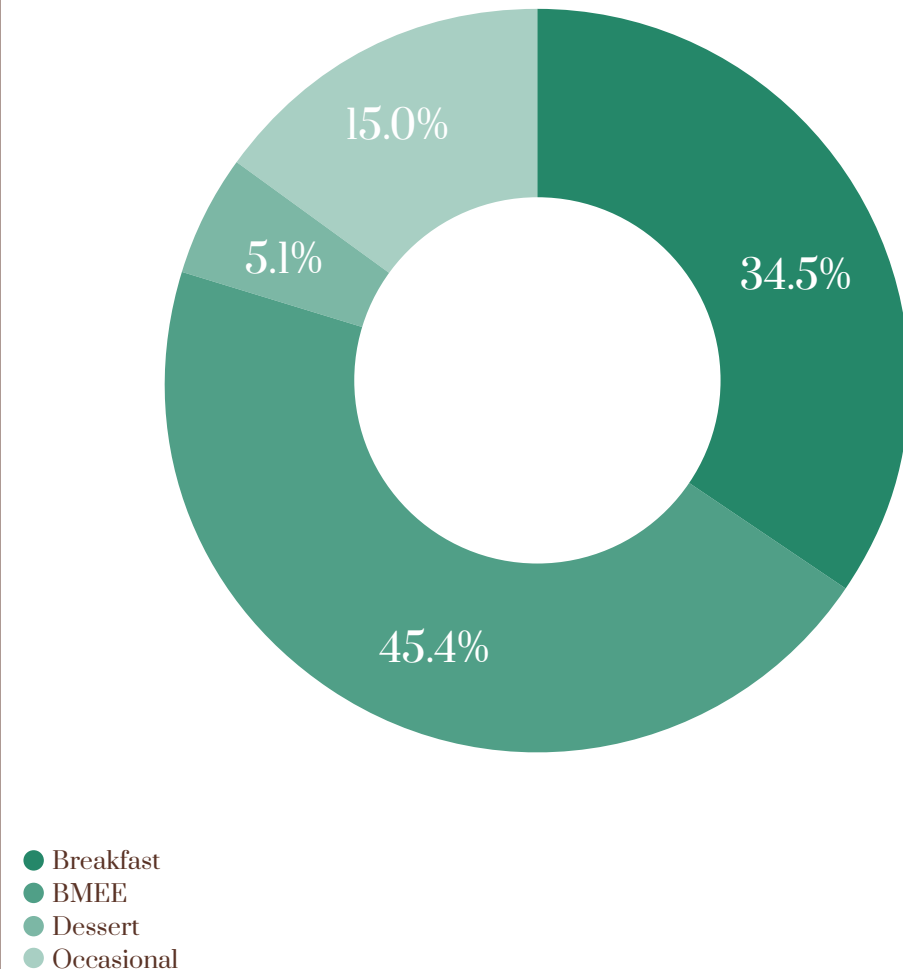
### Great brands in small servings

We offer most of our products as single-wrapped servings. This lets people enjoy them within a varied diet, in serving sizes of a reasonable calorie content. In accordance with our nutritional principles, 86% of our marketed volume has a serving size containing 130 kcal or fewer.

Of our marketed volumes in fiscal year 2020/21, around 64% were marketed in a serving size of 100 kcal or fewer, and around 7.5% exceeded 150 kcal per serving, up from 7% in fiscal year 2019/20. We are working to apply the common standard of our historical Ferrero products to the newly acquired commercial brands and entities. Our focus on consumers means we take a step-by-step approach to changing the standards of new brands, to let those who buy them adapt gradually to our core nutritional principles.

We have scientific data on the Glycaemic Index (GI) of 84% of the core marketed volumes eligible for our Sustainability Report. The GI is a relative ranking of carbohydrate in foods according to how they affect blood glucose levels. Carbohydrates with a low GI value (55 or less) are more slowly digested, absorbed and metabolised. They cause a lower and slower rise in blood glucose (and, therefore, usually insulin levels), and there is a general scientific consensus supporting the positive effects of a 'low-GI' diet<sup>23</sup>. Due to their composition and structure, the vast majority of our analysed PDRs have a low (55 or less) or medium (56–69) GI: 88% are rated low GI, 7%

Repartition of the PDRs according to the target eating occasions on marketed volumes<sup>24</sup>



<sup>21</sup> Product Data Records: aggregated products with similar nutritional characteristics (delta Energy <5% on average value among 'flavours'/'version' of the same product).

<sup>22</sup> Exclusion criteria concern mixes (seasonal and stable products of which marketed values do not refer to a specific product), mini versions (when they do not report a codified portion) and some seasonal products (marketed for specific occasion for sharing and festive moments without a codified portion).

<sup>23</sup> <https://www.sciencedirect.com/science/article/pii/S0939475315001271>

<sup>24</sup> Volumes of PDRs marketed worldwide in the FY 2020/21. Ferrero group internal source.

## Nutrition, health and lifestyles (continued)

medium, and only 5% high GI (70 and above). We determine the GI of new products when they are launched and stabilised on the market.

### Our science-led approach

Food education is an efficient and effective way to promote conscious nutrition and healthy diet choices. Our research and education programmes are constantly expanding to include new ways of improving food and nutrition knowledge and information, including within our own company. We work with recognised experts in different scientific fields to spread knowledge among our employees. We also keep up to date with the latest science-based data on the impact of ingredients and our products on human and planetary health. Consequently, we are improving our definition of the nutritional quality of raw materials and their processing, and increasing our knowledge and control through innovative food-quality markers, such as oxidised sterols. A still growing body of scientific evidence supports the use of this class of oxidised compounds in assessing the quality of animal-based ingredients in manufacturing and the shelf-life of finished products, and offers valuable support for evaluating the quality of plant-based food or ingredients.

In fiscal year 2020/21, we carried out and supported scientific research with internationally recognised scientific institutes. We select and work with university research groups and well-known international experts, recognising their expert standing and the importance of guaranteeing impartiality, independence and intellectual freedom. These collaborations aim to create solid scientific evidence to be disseminated

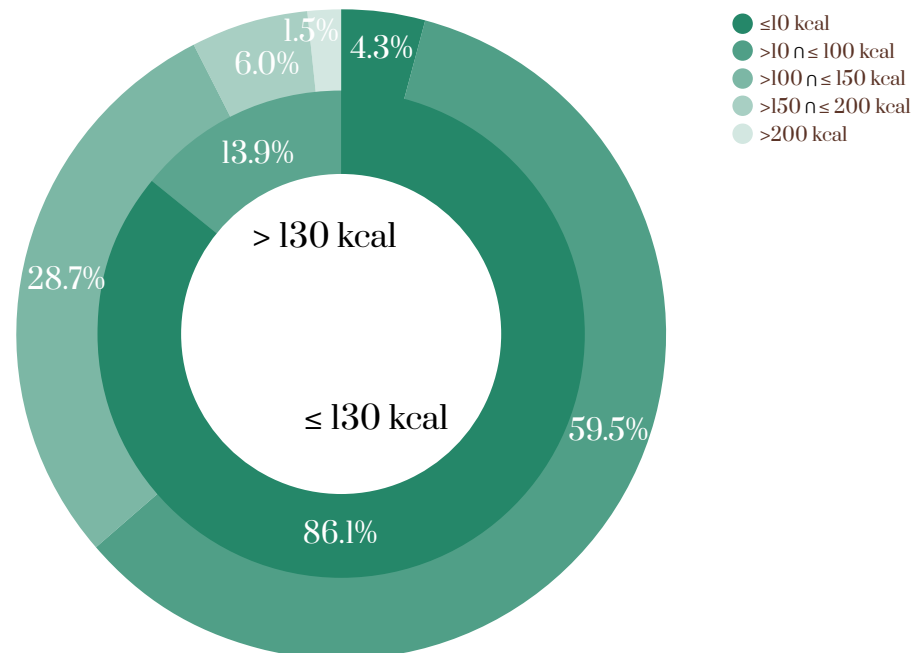
through conferences, congresses and workshops, and published in scientific journals.

We publish an official list of research results on our website, showing the scientific work we have undertaken in the last year.

[Download the list of scientific research and conferences for fiscal year 2020/21](#)

	FY 2019/20	FY 2020/21
≤10kcal	3.6%	4.3%
>10 – ≤100kcal	61.9%	59.5%
>100 – ≤150kcal	27.9%	28.7%
>150 – ≤200kcal	5.5%	6.0%
>200kcal	1.1%	1.5%
≤130kcal	89.2%	86.1%

### Repatriation of the PDRs according to the energy delivered by portion, on marketed volumes<sup>25</sup>



<sup>25</sup> Volumes of PDRs marketed worldwide in the FY 2020/21. Ferrero group internal source.

### CASE STUDY

## Commitments for products

Controlling the serving size of our products is a good way to limit the intake of nutrients typical in confectionery, such as sugar and fats.

The majority of our PDRs within our historical brands already have 7.8 g or fewer total sugars per serving, 4.7 g and 2.5 g per serving of total and saturated fatty acids respectively, and 14.2 mg or fewer of sodium per serving.

We stopped using partially hydrogenated fats in our products in 2006; this is also in line with our IFBA (International Food and Beverage Alliance) commitment on product formulation and innovation, and with recent WHO requests to limit industrial trans-fats at a global level. We are working with all other involved stakeholders to achieve this objective. In addition, we are working with WHO and the IFBA towards the commitment on sodium reduction.

Learn more [here](#)

# Responsible communications, marketing and labelling

We aim to use responsible messages that help consumers make appropriate choices about what they eat and drink. Communications and labelling help consumers understand the role of nutrition, diet and movement in achieving a healthy and active lifestyle, and there is an increasing focus on this around the world.



As a leading producer of sweet, packaged foods, we must ensure our communications are consistent with these principles and help consumers make responsible choices.

Responsible marketing can be a powerful force for behavioural change. We go beyond legal requirements by adopting industry standards on nutrition labelling and advertising, aiming to improve our positive social impact. In Europe, legal standards include the Unfair Commercial Practice Directive and the Misleading and Comparative Advertising Directive. These work alongside global, regional and local industry self-regulatory codes. We also subscribe to industry codes of conduct on responsible marketing to children, such as the EU Pledge and International Food & Beverage Alliance (IFBA) Global Responsible Marketing Policy.

## Our approach Voluntary self-regulation

As a member of IFBA with other leading food companies, we commit to self-regulation, and we apply the 'Framework for responsible food and beverage communication' adopted by the International Chamber of Commerce (ICC), as well as relevant regional and national self-regulatory codes. Effective self-regulation serves the interests of consumers by providing truthful and accurate communications, and we recognise the need for enforcement, so we amend advertisements that don't meet requirements.

## Responsible marketing to children

As part of the IFBA policy and the EU Pledge, from January 2022, we will not advertise any of our food products, and ensure our advertising is not designed to appeal to audiences primarily composed of children under the age of 13. We work to ensure we achieve the highest possible level of compliance, and we

have internal guidance and training tailored to the specific needs of different markets and regions.

In 2020, we created and launched a responsible marketing to children e-learning module as part of the Ferrero University, which includes real case studies and a test for putting the principles into practice. We frequently update the [Ferrero Advertising and Marketing Principles](#), available on our corporate websites, to stay aligned with the latest developments in self-regulatory frameworks.

## How responsible is our marketing and advertising?

Our compliance with the EU Pledge is monitored annually by two independent organisations: Ebiquity<sup>26</sup> for television advertising and the European Advertising Standards Alliance (EASA) for brand websites, social media profiles and influencer marketing posts.<sup>27</sup> In fiscal year 2020/21, our overall compliance rate was 98.7% for television advertising and 97% for online advertising.

## Supporting healthy lifestyles

We promote physical activity through national Ensemble Prévenons l'Obésité Des Enfants (EPODE)-based programmes in selected countries. The European Commission recognises EPODE as a best-practice model for bringing stakeholders together – including local authorities, health professionals, teachers, private partners and local communities – to prevent childhood obesity. We also provide financial support for the French project 'Vivons en forme', a series of initiatives to promote the benefits of physical activity, nutrition and personal wellbeing among children and adults.



## Responsible communications, marketing and labelling (continued)

### Open and honest labelling

Our labels provide consumers with accurate nutrition information on the front and back of packs as per relevant legislation in different countries, and our voluntary commitments. Globally, we meet the IFBA Principles for a Global Approach to Fact-based Nutrition Information on eligible products. Its general principles are that nutrition information should be:

- Objective, based on facts and science.
- Presented in a legible, clear and visible format.
- Understandable to consumers so they can make informed dietary decisions about the food and drinks they choose.

In Europe, we voluntarily provide nutrition information on the front of pack of all<sup>28</sup> our eligible products in the EU – Kinder and Nutella ranges, Ferrero snacks and ice creams – in line with regulations and the labelling recommendations of [FoodDrinkEurope](#). We also offer voluntary nutritional information on the front of packs outside the EU in line with the IFBA principles.

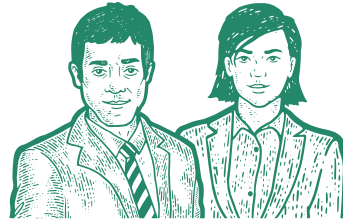
The nutrition information displayed includes the energy value and – when appropriate – amount of nutrients per portion or per 100 g of product, as well as an indication of what this amount represents as a percentage of the guideline intake.

In countries where a recognised intake guideline does not exist or is not permitted, we display only the calorie content per 100 g or per portion on our packaging.

- 26 Ebiqity monitored TV advertising broadcasted in Bulgaria, France, Germany, Italy, Poland and Spain.
- 27 In 2020, EASA monitored brand websites, social media profiles and influencer marketing through evaluations carried out by the national advertising self-regulatory organisations in The Netherlands, France, Germany, Greece, Italy, Poland, Spain and Sweden.
- 28 This percentage does not cover small packs or seasonal products, as the recommendation explicitly exempts such categories.



# 04



## Empower people

We care about our people, and aim to build a culture of trust, respect, diversity and opportunity for all. We believe it is essential that we work at all times to create an inclusive company culture that uses the full range of its talents to respond to our business priorities.



# How we empower people

## Why does it matter?

As Ferrero grows and diversifies, we need to engage and inspire our global workforce to support our growth. To ensure this, we encourage a culture of managerial excellence and an inclusive mindset.

## Our approach

We introduce Ferrero employees to the company vision when they join, and continue our employee engagement as guided by our People Centricity Strategy:

- Evolving our relationship with our employees, helping them be proactive about their career development, including through digital channels.
- Developing expectations of line managers as catalysts for change, through our Line Managers Excellence manifesto and programme.
- Enabling HR professionals to play a transformative role while helping managers be accountable and proactive.

With this people-centric mindset, we are better positioned to support colleagues throughout their careers with us. We encourage everyone to be keen on growing and thriving as we enter a new, digitally enhanced era.

Our focus on people extends across the whole value chain, ensuring we uphold high standards of safety, human and labour rights, both in our

operations and global supply chain. We apply a due-diligence-based approach that ensures our employees, suppliers and collaborators adhere to the standards set out in the Ferrero Code of Ethics, Code of Business Conduct, Supplier Code and Human Rights Policy Statement (see page 37).

We also achieve an impact on society through our social activities:

**The Ferrero Foundation** – offering Ferrero Seniors (Group employees who have retired) a programme of creative, recreational, and social activities, accompanied by social and healthcare services and investments in promoting individuals and culture (page 75).

**Michele Ferrero Entrepreneurial Project** – creating jobs and supporting social initiatives that safeguard the health, education and social development of children and young people in the least developed areas of emerging countries (page 76).

**Kinder Joy of moving** – our international social responsibility project that aims to bring the joy of movement into the life of every child, by promoting physical activity and an active lifestyle, in an easy, engaging and joyful way (page 78).

## What makes you different makes us great!

*Ferrero's diversity and inclusion are assets. We believe that when we work, think, and act to leverage those assets, we're seizing one of the greatest opportunities of our age. But saying it is easier than doing it. It requires leadership, from every one of us. It requires us to inspire, to influence, to challenge, to have the will and to be determined.*

Mr Giovanni Ferrero,  
Mr Lapo Civiletti

For over 75 years, we have believed that a diverse and inclusive workforce, and strong values, are crucial to long-term business success. We motivate and develop our employees to improve their decision-making and consumer focus. Their safety and wellbeing are paramount, so we strive to manage the associated risks to them and our business.

We must engage all our people to continue our success – that's over 38,000 employees in more than 50 countries. We do this by listening and responding to their views and creating a working environment where people feel valued and able to grow.

Respect for human rights is a key value within our operations and supply chains. We work with many parties to address worker safety, labour rights and children's rights, and to contribute to inclusive and thriving communities.

## What have we achieved?

During 2021, we've continued to ensure the health, safety and mental wellbeing of all colleagues working in our offices, factories and stores, and to provide support for those working from home for extended periods. To the measures already in place, we added arranging vaccination facilities where possible, alongside other pandemic-based support.

# Engaging our people

At Ferrero, we constantly work on creating a company culture that is inclusive and makes use of all our talents to make our business a success.

The year 2020/21 brought a significant shift in our approach to managing and enhancing the employee experience at Ferrero. In response to the ongoing impacts of the pandemic, we continued to prioritise the health and safety of our employees.

We launched a global Wellbeing programme to promote the long-term health and wellbeing of all our employees. It's based on four central pillars (Health, Energy, Protection and Community), with the flexibility for different countries to focus on local priorities, rules and needs.

Wellbeing focused on the following in fiscal year 2020/21:

- Including a Wellbeing programme in our Human Resources and Organisation & Improvement three-year Strategic Plan.
- Designing and communicating a global Wellbeing governance model, with a team at headquarters and Wellbeing focal points in the regions to lead local implementation and initiatives. These focal points are assisted by local teams from various functions and Centres of Expertise.
- Launching a global Employee Assistance Programme (EAP) to help employees manage their daily lives while remaining productive, even during challenging circumstances. The programme provides

a range of options, including counselling and psychological support, as well as access to articles, videos, webinars and self-help tools on wellbeing topics. The EAP is also available to our employees' close family members.

In addition, during the year we continued the Your Life in Ferrero Action Plan following our 2020 engagement survey. Using the five dimensions of the Great Place To Work (GPTW) model (credibility, respect, fairness, camaraderie and pride), we identified improvements and activities in each area. During the last two years we have been working to develop the programme in all the geographies. We have focused on diversity and inclusion, our rewards system and open communication and cascading, all identified as areas of interest and improvement by the Ferrero employees.

We continue to facilitate open and consistent communication. Forward is our digital platform, available in ten languages to provide a place for company news, tools and applications, for everyone to access on any device, anytime, anywhere.



# Diversity and inclusion

We aim to build a diverse and inclusive culture where all employees feel welcome, appreciated, and have equal opportunities. Diversity and inclusion (D&I) is part of the Ferrero Group's Strategic Plan and is key to our business success in the next decade.

Last year, we focused on advancing the culture of D&I, which embraces the full spectrum of diversity at Ferrero, as expressed in our four pillars: gender, nationalities, generations and working culture.

Continuing our three-year plan from 2020, we established 17 Regional D&I Councils to pursue the local D&I agenda under the leadership of the Regional Managers. 150 senior leaders are involved as council members in the different countries.

**31%**  
of managerial positions<sup>29</sup>  
worldwide are held by women

**100**  
More than 100 nationalities represented

**Five**  
generations in the workplace

We have been transforming our approach to D&I and implementing it in our daily work, with initiatives wide in their reach and impactful in their results, engaging Ferrerians in all functions, countries and levels.

For example, in recruitment, we have revised every stage of the process from a D&I point of view, including creating a structured interview guide. In our training, the subject of Cultural Intelligence drew over 13,000 attendees, while Preventing Harassment and Discrimination for Line Managers had over 2,000 attendees. We also distributed our first global policy on Anti-discrimination and harassment worldwide.

We organised a global virtual event, D&I Month, which attracted over 65,000 views and promoted our D&I slogan, 'What makes you different makes us great' and provided D&I brand communication guidelines to our marketing teams.

Our employees' compensation is aligned with the market median<sup>30</sup> and overall, we don't record significant gaps by gender. We have been, and will continue, improving our D&I data analysis, metrics, gaps assessment and the Pay Equity Analysis.

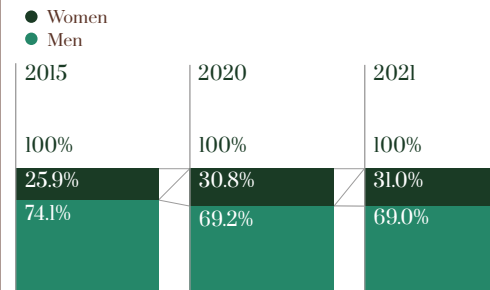
Externally, we became a member of the D&I taskforce of the World Federation of

Advertisers, renewed our global partnership with Catalyst to promote gender equity in the workplace, signed up to the Business Disability Forum for the first time, and became a signatory of the Gender and Diversity KPI Alliance.

Our initiatives have been wide in their reach and impactful in their results. By targeting recruitment, promoting training and raising awareness through collaboration with our leadership, our regions and external partners, we have engaged Ferrerians across all functions, countries and levels.

2015		2020	
Men	Women	Men	Women
74.1%	25.9%	69.2%	30.8%
2021			
Men	Women		
69.0%	31.0%		

## Managerial positions gender distribution



We have made progress but recognise there is more to do. We will continue to develop our D&I goals, including the representation of women in managerial positions, the promotion of a different workplace culture, the level of inclusion of different generations, the representation of different nationalities, and a specific focus on people with disabilities.

<sup>29</sup> Managerial positions mean Middle Manager and above roles.  
<sup>30</sup> Competitiveness is assessed in a range of +/- 20% around the benchmark.

## CASE STUDY




Ferrero welcomed Allyson Zimmermann, EMEA Director of Ferrero partner, Catalyst, to the Company's first D&I month.

At our global virtual event, we held a series of panel talks on the D&I pillars, led by experts, with viewers able to ask questions, including those specific to Ferrero. In the presentation, Allyson Zimmermann from Catalyst introduced several topics on gender parity, such as unconscious bias and allyship, with the support of research and theory. The events raised several salient points, including strategies to interrupt bias and to reframe gender stereotypes, and that everyone has a role to play in supporting the advancement of women in the organisation – because progress for women is progress for everyone.

# Continuous learning

As our Company becomes increasingly international and we evolve our governance and business model, it is imperative we also change our approach to developing people.


## FERRERO UNIVERSITY PILLARS



**WELCOME TO FERRERO**

DISCOVER AND EMBRACE FERRERO CORPORATE CULTURE, VALUES, AND BUSINESS MODEL


- Ferrerità
- JOIN
- Ferrero Fundamentals



**COMPANY KNOW-HOW**

IDENTIFY, PROTECT, AND DISSEMINATE THE PROFESSIONAL KNOW-HOW COVERING THE FERRERO WAY OF DOING BUSINESS


- 12 Know-How Academies





**LEADERSHIP**

STRENGTHEN AND DEVELOP FERRERO CORE COMPETENCIES AND LEADERSHIP

- MIM – Master in International Management with Bocconi
- LEAD – Newly appointed Senior Manager Program
- Line Managers Excellence Trainings



Discover more on:

## Ferrero University

During the fiscal year 2020/21, Ferrero University continued to present our learning programmes virtually. This included maximising the use of MS Teams as our virtual classroom and, as MS Teams enhanced its functionality, changing how we used the tool.

The seven Ferrero University programmes included in the three pillars and spread across three dimensions – online resources, virtual classroom sessions and e-learning channels – help us maximise the blend of learning. We also launched a series of six mandatory e-learning modules – the Ferrero Fundamentals – aimed at supporting our established compliance processes. We were happy to see that almost 90% of employees completed these courses.

To develop our learning while employees are working remotely due to the pandemic, we quickly taught our subject-matter experts and trainers how to use MS Teams to create and run virtual training sessions. We also built online learning channels to support our Line Managers Excellence programme, curating content from Harvard Business Review, getAbstract and Skillsoft's Percipio Platform to provide information on topics like resilience, how to manage and lead remotely, how to work in a virtual, multi-cultural team, and trust and empathy. As a result, usage increased greatly, including over 300% across the fiscal year for the Harvard content. Also, during the first months since the Percipio launch (April 2021), over 4,000 people accessed the site, with 70% returning after their first visit.

Many employees used the information in the catalogues in our YourLearning@FerreroUniversity platform, with a steady stream of people accessing the tools throughout the day.

We quickly converted content from the Know-How Academies, the Leaders, and Welcome to Ferrero pillars with the LEAD, JOIN, and some Finance content when virtualising learning. Over time, we have virtualised 30 complete courses or programmes and will retain our blended-learning model. We will launch our flagship programme, Ferrerità, virtually this calendar year, highlighting what makes Ferrero, Ferrero.

Key training KPIs for the fiscal year 2020/21:

- 707,920 hours of training.
- 26,225 training participants.
- 19.7 training hours per head.

## Performance evaluation process

Our performance evaluation is based on employee achievement and behaviour across three dimensions: individual performance, contribution to the team and contribution to the multifunctional team – all of which must reflect the Ferrero values and core competencies. Employees receive feedback from their professional and managerial heads and internal clients. In fiscal year 2020/21, 13,367 employees, from 58 countries (73% employees, 19% middle managers and 8% senior managers and above) were involved in performance evaluation, of which 41% were women and 59% were men.

# Employee rights

Ferrero has a long history of upholding employee rights and maintaining positive and constructive industrial relations.

Taking advantage of our long experience of good industrial relations, and with a clear target to ensure we manage any challenges at a global level, during 2021 we launched a new Centre of Excellence focused on setting common global principles in line with our values and the SMETA ethical audit methodology.

Another important target is to create and maintain the capabilities needed in any region to manage our challenges, with a specific focus on North America. We have completed over 14 collective agreements with employee representatives around the world.

We continued the annual ethical audit programme in 2021 despite the difficulties posed by the pandemic. We have examined the areas identified, using the four pillars of the SMETA 6.1 methodology. We are evaluating whether to extend the use of this methodology to other Company areas, to monitor the overall situation regarding labour conditions, health and safety, environment and business ethics, and to launch specific projects to further raise the Group's ethical standards.

## The activities of the European Works Council (EWC)

We were able to continue developing industrial relations and maintaining collaborative relationships through virtual meetings. The joint training on economic sustainability and strategic eco-efficiency held in April worked well, allowing an interactive debate between the experts and participants of the EWC.

In autumn, the meeting was dedicated to renewing a five-year agreement with EWC, which confirms the basis of mutual collaboration with the unions. The meeting also allowed the countries to provide a comprehensive view of their local contexts and the development of specific Ferrero companies.

At the end of 2021, the EWC involved more than 19,700 workers, including employees of the commercial network and the ten plants in Italy, Germany, Belgium, France, Poland, Ireland and the UK.



# Health, safety and wellbeing

Our vision is to foster a proactive culture that protects and continuously improves the health, safety and wellbeing of everyone associated with our business.

## Our approach

We go beyond our commitment to keeping all our employees and associates safe and free from harm, by creating and promoting conditions that aim to improve our people's long-term health and wellbeing.

Accountability for the health, safety and wellbeing of our employees and partners ultimately lies with the relevant line manager, supported and advised by our global Health and Safety function. The global function provides strategic direction and leads the development of Group-wide initiatives, tools and frameworks, and defines the minimum H&S requirements for all Ferrero sites. In the regions, H&S teams and Wellbeing focal points are assigned to coordinate, oversee, support and advise on matters, as well as to ensure local implementation of Group policies, initiatives and programmes and local laws, all of which we adhere to.

Our Supplier Code also sets out clear expectations for health and safety. All third parties must comply with the same rules and regulations as Ferrero employees when working on Ferrero premises, and we communicate these before contractors enter our premises. We evaluate suppliers' H&S performance and

systems at various sites in North America and Europe and communicate these across the network.

## Strengthening H&S operational management

In fiscal year 2020/21, we grew and restructured our H&S function to align with the Ferrero organisational model and to be able to provide the support and expertise required for our rapidly growing organisation. Coordinating and managing the SMETA audit and Wellbeing programmes also came under the umbrella of the H&S function. In addition, we assigned H&S managers for most regions and strengthened existing local teams both in number and capabilities. For example, all H&S professionals must have completed the NEBOSH International General Certificate. At the same time, we developed and released an H&S Fundamentals e-learning module, mandatory for all employees. Working with the Ferrero Operational Excellence (FOX) organisation, as well as the quality and environmental departments, the H&S function improved the existing problem-solving approach by introducing a sophisticated root-cause-analysis methodology (Apollo RCA) to ensure the best possible outcomes from incident investigations.

We continued to deploy the Ferrero Operational Requirements (FOR) H&S programme and started to establish more detailed requirements for H&S-critical activities and processes as part of this, with ten documents formally released in 2020/21. It aims to implement a long-term standardised H&S management system step by step, taking into account the different levels of maturity of H&S at individual sites. We further improved our central H&S tool, ICE (Incident Create Experience), expanding its capabilities and establishing it as the mandatory platform for all Operations sites to report and follow up injuries, near misses, and unsafe acts or conditions. We also strengthened sharing of best practices across the Company's H&S functions.

Creating the annual H&S Strategic Plan represents a key moment in the year when we define the strategy for aligning all areas of the business within a common framework. We revised the plan 2020/21 in line with H&S function, expanding our strategic direction to include the following:

- Developing:
  - A comprehensive training curriculum for H&S professionals.
  - H&S training specific to leaders and managers, HR business partners and front-line operators.
  - A comprehensive machine-safety concept aimed at upgrading the safety of older machinery and developing H&S design guidelines for new machines and buildings.
- Continued development and implementation of mandatory Group H&S procedures for the highest-risk activities, and minimum requirements for all sites to adhere to.
- Integrating the SMETA audit into the H&S organisation and expanding its scope to cover all Operations sites.
- Revising and completing the FOR programme to align with newly released Group procedures and ISO 45001 requirements, to prepare for an eventual Group certification.
- Step-by-step global roll-out of H&S activities for the commercial and non-manufacturing parts of the organisation, focusing on office safety and safe driving.
- Introducing KPIs based on data reported in the H&S tool ICE.
- Updating the engineering project manager handbook to include H&S criteria and including H&S in other management tools and processes.



## Health, safety and wellbeing (continued)

### Developing our safety culture

We offer occupational health services as part of our Wellbeing programme and are in full compliance with regulations in the countries where we operate. Depending on work type and place, these include access to works doctors, nurses, first-aid services and medical counselling. We employ H&S professionals in our biggest factories to ensure we identify occupational health hazards and minimise risks by developing occupational health services. We offer additional activities and benefits to employees, aimed at prevention and wellbeing, free of charge at various sites, including:

- A nurse and doctor on-site service for first aid, and other services such as children's doctor.
- Employee care assistant on site.
- A balanced restaurant food offer with a nutritionist on site.
- Regular medical check-ups.
- Promotion for sports clubs.
- Fitness on site, with various classes.

### What have we achieved?

Overall, the trend for H&S in 2020/21 was positive. We completed the integration of new plants in North America coming from the acquisitions, by adopting the Ferrero H&S organisational model programmes.<sup>31</sup>

In 2020/21, our Company LDIR decreased from 6.7 accidents per million hours worked to 5.9 (-12%) compared to the previous year. The Company TRIR stood at 7.7 compared to 8.9 in the previous year (-14%).<sup>32</sup>

#### H&S Key Performance Indicators<sup>33</sup>

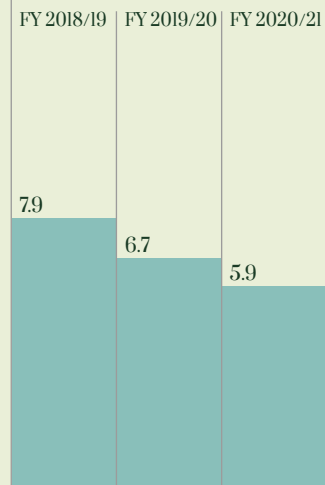
	2018/19	2019/20	2020/21
Frequency Rate – LDIR (1,000,000 hrs)	7.9	6.7	5.9
Frequency Rate – TRIR (1,000,000,hrs)	10.0	8.9	7.7

<sup>31</sup> Integrating H&S has not started for Eat Natural and ICFC, therefore the figures shown below do not include them.

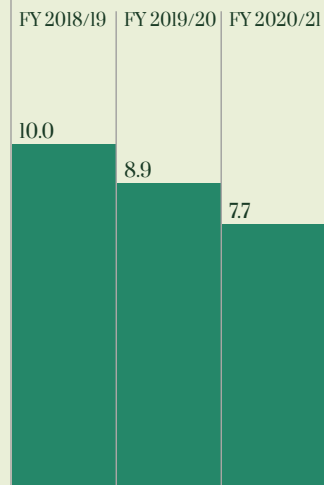
<sup>32</sup> The main H&S KPI we have used since September 2019 is the Total Recordable Injury Rate (TRIR). We continue to also monitor the Lost Day Injury Rate (LDIR). The TRIR includes all lost-day injury cases, medical treatment cases and restricted worked cases. The LDIR is calculated including temporary workers, excluding commuting accidents. Statistical data on the occurrence of workplace accidents in the area considered, not including contractors and third-party business relationships.

<sup>33</sup> Data for 2018/19 and 2019/20 have been recalculated to reflect the new scope.

Frequency rate – LDIR (1,000,000 hrs)



Frequency rate – TRIR (1,000,000 hrs)



# Human rights

Alongside our Company values, our respect for human rights guides our strategy, policy and activities throughout our own operations and our supply chain. We respect and promote human rights along the entire value chain, adhering to the Ten Principles of the United Nations Global Compact, the United Nations Guiding Principles of Business and Human Rights, International Bill of Human Rights and International Labour Organization Fundamental Labour Conventions. We are determined to eliminate all forms of modern slavery, human trafficking, forced, compulsory and prison labour, and child labour – beginning with its worst forms.

Ferrero's Human Rights Policy Statement sets out our response to these issues and highlights our approach for our employees, business partners and other relevant stakeholders.

To strengthen our human-rights approach, we work with Shift, the leading centre of expertise on the UN Guiding Principles. In 2018, Shift identified the ten main human rights risks that occur across the value chain, and on which we focus our efforts:

You can find specific disclosures of our activity in different sections of this report, corresponding to where the impact may occur in the value chain.

To increase transparency and accessibility of this public disclosure, we recently published our first [Human Rights Report](#), further describing our approach and results.

## Looking ahead

In future, we will be looking to review our human-rights-related policies, including setting up a review process and strengthen our audit programme and introduce a Consumer Goods Forum due-diligence plan in our own operations. We will continue tracking and assessing our activity, and improving our responsible-sourcing supplier-risk-management, by deepening local strategic partnerships on specific commodity and country challenges and strengthen our human-rights grievance and remediation mechanisms. In order to achieve this, we will focus on building internal capability, including human-rights workshops for the Sustainability Operative Committee and continuously review our activities and programmes to access the effectiveness of our approach and inform our path forward.

## The top 10 issues and where main impacts may occur



## Salient issues

- |   |   |
|---|---|
| 1 Child protection and no child labour.                     | 8 Privacy.  |
| 2 Forced labour.  | 9 Environmental related human rights issues.                    |
| 3 Fair wages  | 10 Rights relating to consumer health and responsible marketing |
| 4 Working hours   |   |
| 5 Diversity and inclusion, no discrimination or harassment. |   |
| 6 Freedom of association and collective bargaining          |   |
| 7 Health and safety.  |   |

# Ferrero Foundation

“My family’s determination, and mine, has pushed us to establish a foundation that honours the contribution of work, the sense of responsibility and the invaluable loyalty of many employees.”

Michele Ferrero, 1983

## About the Ferrero Foundation

The Ferrero Foundation was established as a pioneering social initiative in 1983 by Michele Ferrero and became a foundation in 1991. Under the guiding values of ‘Work, Create and Donate’, it supports employees with 25 years of work experience, known affectionately as Ferrero Seniors, with a programme of creative, recreational, and social activities, accompanied by social and healthcare services.

The Foundation reports by calendar year, and in 2021 restrictions caused by the pandemic inevitably affected all its social activities and cultural projects. Sports and fitness activities were suspended in March 2021, though resumed in summer, and Nordic walking also resumed, with 3,568 participants. We have also created a new building to support improved services in the medical and physical exercise areas.

Medical services continued at Alba, with 590 examinations carried out during the year, lower than normal due to the need for additional disinfection of areas and equipment after each visit. An additional triage area and waiting rooms were added to allow for the extra

precautions needed. The clinic was able to add a range of diagnostic tests to fight the Covid-19 epidemic, including lateral flow, rapid antigen tests and rapid molecular tests, certified by ASL, the local public health body. Since April 2021, the Foundation’s vaccination hub has also administered 4,047 doses of vaccine.

Throughout the year, we have continued our research project with the Karolinska Institutet, Stockholm, into the effects of the physical exercise offered by the Ferrero Foundation on the ‘successful ageing’ of our members. We have supported by collecting, managing and analysing data.

Under the patronage of the European Parliament, we hosted Healthy Ageing Week in November 2021, five days of reflection on ageing issues, with international speakers from the fields of medicine, scientific research and communication contributing to issues such as Covid-19 in the elderly, immunosenescence, oncogeriatrics and social geriatrics. We also held three medical scientific conferences during the year, where we hosted leading academics alongside other special guests.

In October 2021, we opened an exhibition to celebrate one of the great twentieth-century artists, Alberto Burri. It attracted over 30,000 visitors, despite the limitations of the pandemic. This included 3,000 kindergarten and primary school children who joined the educational workshops and another 2,000 students from older school years.

## Future initiatives

In spring 2022, the Foundation will dedicate an exhibition to the Turin painter Giacomo Soffiantino (1929 – 2013). In addition, 2022 will be the 100th anniversary of the birth of Alba writer Beppe Fenoglio. We will hold celebratory initiatives throughout the year and, in autumn, host a convention and a commemorative exhibition.

## The Ferrero nursery

The Ferrero nursery in Alba can look after 80 children up to three years old, and has become established as a popular location, providing meeting space and creative activities. The Ferrero Seniors act as ‘grandparents’, participating in activities with children and parents and offering their time, experience and affection. The Foundation’s medical service also provides advice to the nursery.



Giovanni Di Perri at the  
Healthy Ageing Week 2021

# Michele Ferrero Entrepreneurial Project

The entrepreneurial and philanthropic spirit that has always characterised our business was the inspiration behind Ferrero Social Enterprises, established in 2005 in Cameroon, and later in South Africa and India. In 2015, to honour the founder, we renamed it the Michele Ferrero Entrepreneurial Project (MFEP).

When a commercial enterprise joins the MFEP, it is because it shares the goal of earning profits with a social motive and spirit. It could be creating job opportunities, carrying out humanitarian initiatives or safeguarding the health, educational and social development of young people in emerging economies.

## Mission

### Be a catalyst for local socio-economic development

The MFEP helps foster a modern workplace culture in communities with low employment rates and a high incidence of 'informal' economic activities (i.e. work that is not subject to government regulation or taxation).

Our production plants in Cameroon, India and South Africa provide business opportunities for a variety of companies in the area.

## Ferrero South Africa: finalisation and launch of a modern school sports centre, accessible to over 5,000 pupils of disadvantaged rural primary schools

Although our 2020/21 social projects were significantly hampered by the pandemic, we did not stop altogether.

In South Africa, the impact of the pandemic in disrupting education has been devastating. This is especially true for pupils in disadvantaged communities who, before the pandemic, were already having to cope with overcrowded classrooms and poor facilities.

Between March 2020 and June 2021, South African primary school pupils lost about 70% of their year's schooling due to extended closures. The rate was even higher in many rural schools, in a country where, nationally, only 22% of households have a computer and 10% an internet connection.



## Michele Ferrero Entrepreneurial Project (continued)

In South African primary schools, sports provision is severely lacking. In 2018, 42% of the country's school infrastructure did not have sports facilities. This affects the development and health of entire generations of children and adolescents, as highlighted by recent studies indicating that only about 50% of South African children are active enough.

Working closely with local school authorities, we offered to fully renovate and upgrade the existing sports facility at the Laerskool De Deur primary school, near Walkerville (in Sedibeng district, Gauteng province, where our plant operates). This rural school is attended by around 1,600 pupils, many benefiting from the National School Nutrition Programme, a government initiative that provides a nutritious meal for pupils from disadvantaged families. It is also the only school in the area with open space suitable for sports and outdoor activities.

We then agreed to set up a modern sports centre, accessible to a further 4,000 pupils from surrounding rural schools that have no sports facilities. The school now disposes of a football pitch, a pitch for rugby and a field for athletics, three netball courts, covered stands, new changing rooms, and private bathrooms for children with special needs. The scheme also includes irrigation systems and independent external access for the entire local school community.

On 30 March 2021, a tour of the new facility by representatives of local schools, the Ministry of Education, the local council, the construction company and Ferrero's local senior management was followed by a handover ceremony.

On 29 April 2021, a digital function celebrated the launch of the project. This was attended by school principals, representatives of the Ministry of Education, and senior managers from Ferrero Luxembourg, Ferrero South Africa and Kinder Joy of moving.



# Kinder Joy of moving

Since 2005, Kinder Joy of moving has encouraged children worldwide to enjoy their natural inclination to move, play and be active. We strongly believe that a positive attitude towards movement will make today's children better adults tomorrow.

Despite limitations due to the Covid-19 pandemic, the project has a global reach with initiatives in 28 countries, moving 2.6 million children around the world with joy. It works with public and private partners, institutions, universities, 121 sports federations and associations, and 5 Olympic committees, with an investment of more than €10.4 million.

Throughout this past year, when conditions allowed, many on-field events were held safely worldwide, getting children excited about playing their favourite sports again. Among these events were the 39th edition of the Lake Garda Meeting Optimist and the 5th edition of the Kinder Joy of moving Tennis Trophy, an international tournament involving 13 countries in 150 national events, with a grand finale at the Rafa Nadal Academy in Spain.

The project is based on 'Joy of moving', a scientifically recognised educational method that inspires kids to move through play, while developing key skills in four major areas: physical fitness, motor coordination, cognitive function and creativity. It also teaches life skills to increase kids' autonomy and their ability to face the challenges of everyday life.

The Village Joy of moving in Alba, Italy, is a sports research centre promoting innovation and education in the field of motor activities

and is entirely dedicated to the Joy of moving method. It employs a team of professionals with degrees in sports sciences and specific training in the methodology. Under the guidance of the International Scientific Committee, the team is helping to spread the philosophy and method throughout the world by training teachers and children's entertainers.

For several years, the method has been included in school programmes in Italy, Australia, Brazil and Saudi Arabia, thanks to partnerships with ministries of education and universities – while in the UK, extracurricular activities have been carried out with the English Football League Trust. Thanks to our agreements with local institutions, the method has also been included in the school curricula of the Guanajuato region in Mexico. Here, the four-year project, which started in September 2021, will involve, and contribute to the growth of, more than 50,000 children. From 2021/2022 Joy of moving is also a university course for motor-science students at the Universities of Turin and Brescia in Italy. This gives motor-sciences graduates, and the sports coaches of tomorrow, the opportunity to acquire skills in motor activities for children aged 4 to 10.

Kinder Joy of moving has always worked hard to be close to families, on and off the playing



## Kinder Joy of moving (continued)

field, with initiatives designed to make children move together with their parents, relatives, and friends. The news of these initiatives has been featured on the Kinder, Kinder Joy of moving and Ferrero social channels in different countries, reaching 150 million users all over the world.

With the experience gained during the pandemic, the project has taken a further step and has been working on defining a new project dedicated to families and to the important role they play in children's education. A new handbook, entitled 'Joy of moving Family, let's play and have some serious fun', contains 40 games that are inspired by the Joy of moving method, entirely conceived, designed, and dedicated to parents.

The games support and help the parents in their primary role of educating children through play and movement, as a fundamental milestone of their growth.

To promote the games, a communication campaign, promoted under the claim "Growing up active, growing up great!", has been created to bring the contents to families in a positive, funny, and recognizable way.

The project will continue in the coming months on Kinder Joy of moving and Kinder brand social channels and through digital touchpoints to reach families around the world and spread #Joyofmoving.

# 150.3m

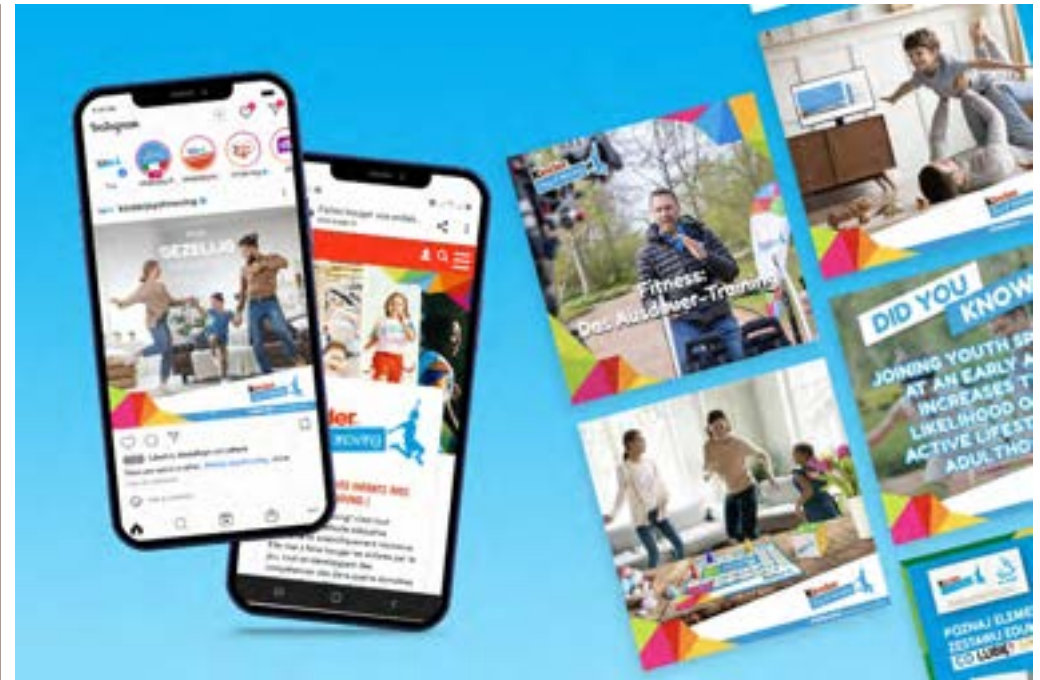
users enjoyed Kinder Joy of moving contents on social channels. Period: September 2020 – August 2021

### Partnership with Save the Children

In Italy, a partnership with Save the Children is bringing the Joy of moving to two Punti Luce (high-density educational centers) in Rome, offering children an enriched experience with play and movement. In the United States, a similar partnership with the NGO includes 29 Summer Boost Camps in California and Tennessee, and a 'Stuff the Bus' event in Chicago, involving children, families and Ferrero employees.

### Our motto: Whatever the game, let joy win

No matter what sport or the level of ability, all Kinder Joy of moving activities are based on the joyful aspect of play.



### Kinder Joy of moving and the right to play

Every child has the right to rest and leisure, to engage in play and recreational activities appropriate to the age of the child, and to participate freely in cultural life and the arts. UN Convention on the rights of the child. Article 31, November 1989.

### VISION: TO INSPIRE

future generations to adopt the culture of physical activity and to lead a life full of joy.

### MISSION: TO FACILITATE

physical activity as a simple, daily practice for children all over the world.

### OBJECTIVE: TO MOVE WITH JOY

the largest possible number of children worldwide.

# Reporting summary

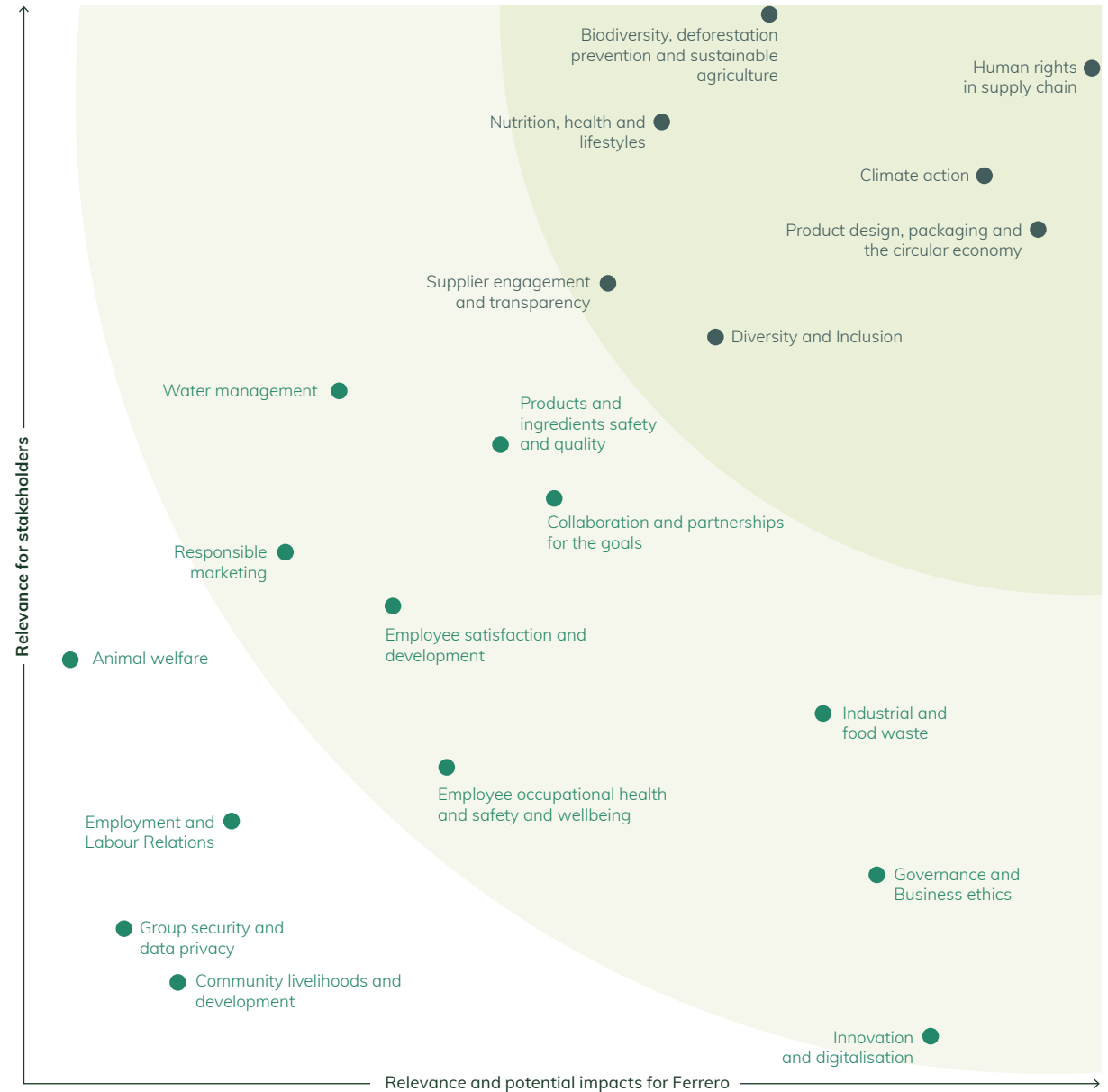




# Materiality

To succeed in a changing world, we must identify, respond and adapt to the sustainability issues that matter most to our stakeholders and our business.

This understanding defines our strategy and shapes our reporting to meet the needs of diverse audiences. During fiscal year 2020/21 we have carried out a detailed materiality analysis to identify and assess the relative importance of different sustainability topics for their impact on our ability to create value and their relevance to key stakeholders. We analysed internal and external stakeholder perspectives and ranked key material topics following a stepwise process. To learn more about the process please refer to [Sustainability Report 2020](#).



# Governance

We have evolved our governance structure to ensure we establish sustainability fully across the Ferrero Group as we continue to expand into new markets.

We develop policies and programmes to guide our practices and manage impacts at all locations where we operate around the world.

## Ferrero corporate governance<sup>34</sup>

Ferrero is a family-owned company, and adopts a traditional corporate governance model. The Shareholders' Meeting, Board of Directors, Executive Chairman and Chief Executive Officer (CEO) guide projects and initiatives in line with the long-term strategic objectives of the Group, promoting transparent and consistent communications towards stakeholders.

The Board of Directors includes Ferrero family and non-family members. It is assessed on a regular basis to ensure appropriate balance of knowledge, skills and expertise, and a proactive contribution from all the Board members to achieve the Group's goals.

The Executive Chairman, Mr. Giovanni Ferrero, reviews and approves the Group's long-term direction and strategy in line with our culture and values, defining new business directions and breakthrough innovations. He leads the Strategic Staff (composed of Strategic R&D, Strategy and Sustainability, Financial Planning & Control and Mergers & Acquisitions, and New Business), Group Leadership Team (GLT), the Audit Committee and the following Group Boards: Human Resources (HR) & Organisation

Development Board; Industrial & Supply Board; Product Board; Procurement Board; Reputation Board.

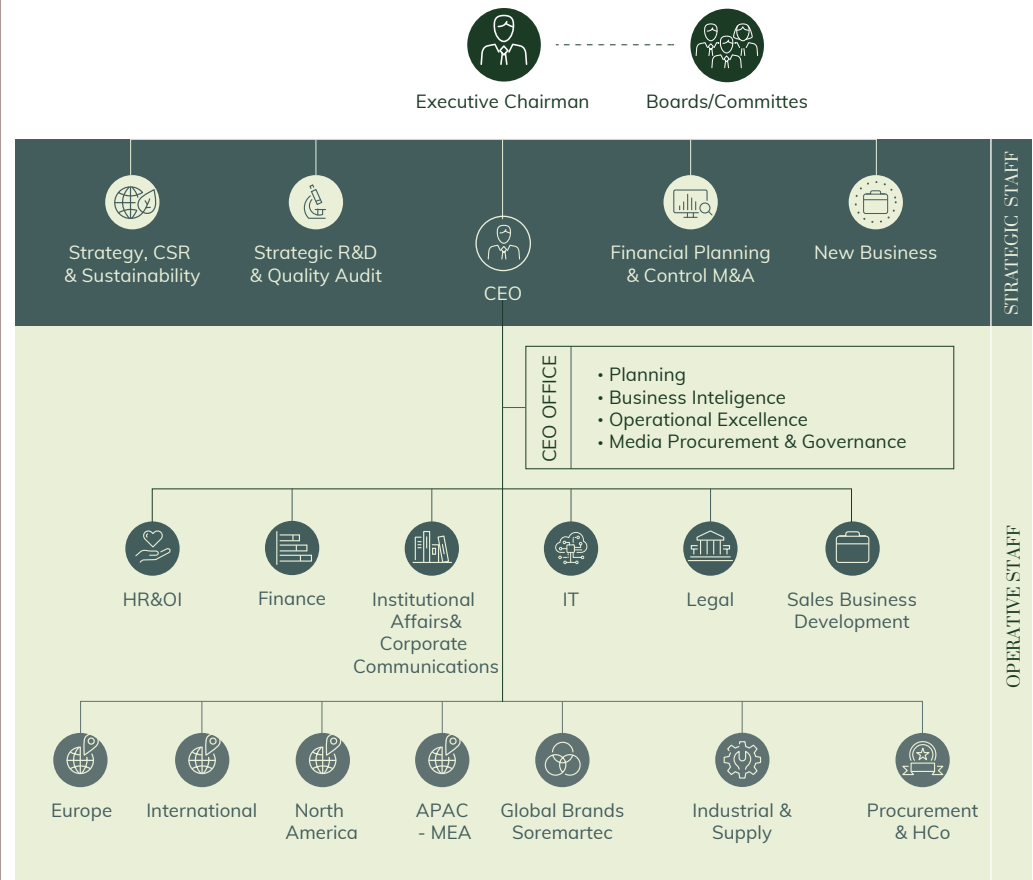
The CEO, Mr. Lapo Civiletti, focuses on achieving short- and mid-term results in line with the Executive Chairman's long-term direction, ensuring business continuity and maximising our managerial capabilities to:

- Contribute to the definition of business targets, in line with the long-term guidelines.
- Secure the achievement of business targets by operations (budget and one to three-year plan).
- Oversee and manage trade-offs and sales among functions and areas.
- Enhance the protection of Group know-how and foster its development.
- Ensure continuity in Ferrero values and promote our innovative product development culture.

The CEO leads the Group Management Team (GMT). It comprises the heads of the following functions: Areas – Europe, International, APAC-MEA, North America; Global Brands; Industrial & Supply; Information & Technology; Institutional Affairs & Corporate Communication; Finance; Human Resources and Organisation & Improvement; Legal; Procurement & HCo; Sales Business Development. As of 31 August 2021, the Group

was composed of 107 consolidated companies, managed under Ferrero International S.A., the parent company based in Luxembourg.

<sup>34</sup> The information in this paragraph refers to the organisation in place since 1 September 2021.



## Governance (continued)

### Sustainability governance

A strong sustainability governance structure ensures we define the Group's sustainability strategy based on key sustainability and consumer trends. The CSR & Sustainability organisational unit is part of the Strategic Staff and interacts with business functions to provide strategic guidance on all sustainability topics. Its responsibilities include:

- Pursuing the sustainability agenda within Ferrero Group by integrating sustainability principles into strategies, policies and procedures.
- Successfully steering responsible business practices.
- Contributing to create positive impacts within the communities where we operate.

Its objectives are to:

- Define the Group's sustainability strategy based on key sustainability and consumer trends, integrating it into the Group's strategic long-term guidelines.
- Support all business functions in implementing plans and monitoring sustainability initiatives, with a main focus on monitoring key social and environmental sustainability initiatives.
- Develop long-term corporate sustainability projects.
- Develop and maintain a transparent reporting system.

### Guiding principles for business ethics

Our guiding principles are set out in the Ferrero Code of Ethics and Code of Business Conduct. Employees must respect these principles, and they all receive a copy of the Code of Ethics when joining the Group. The Ferrero Integrity Helpline is available for employees, and anyone who works with us, to report concerns and ask questions related to the above codes. Managed by an independent third-party, the confidential helpline is available 24 hours a day, 365 days a year in 43 languages, via a website and toll-free local numbers in 55 countries. Reports are made available to a Ferrero Steering Committee for review and investigation. The Ferrero Group Anti-Bribery and Corruption Policy sets out our commitment to ensuring no detrimental treatment of any person as a result of reporting in good faith their suspicion that an actual or potential violation of the standards has taken place.

### CASE STUDY

## Sustainability Operative Committee

As part of our governance structure, we established a Sustainability Operative Committee, made up of managers from across the Group representing different departments working on sustainability topics, including packaging, operations, human resources, brands' social responsibility, risk management, communications, institutional affairs and sourcing. The committee is involved in key decisions on sustainability, and is responsible for ensuring implementation of the strategy, guaranteeing coordinated effort and alignment between the functions involved.



# About this report

This Report explains the Ferrero Group's sustainability strategy and global activities during Fiscal Year (FY) 2020/21 (from 1 September 2020 to 31 August 2021).



We are a member of the GRI Community and support the mission of GRI to empower decision makers everywhere, through GRI Sustainability Reporting Standards and its multi-stakeholder network, to take action towards a more sustainable economy and world.

Along with the objectives set out in previous reports, the issues in this 13th edition have been selected via a materiality process involving internal and external stakeholders (described in our 2020 Sustainability Report). This report has been prepared in accordance with the GRI Standards: Core option; the GRI Content Index is available in the section 'Sustainability Reports' of our website: [www.ferrerosustainability.com](http://www.ferrerosustainability.com)

Previous reports are available online at: [www.ferrerosustainability.com](http://www.ferrerosustainability.com)

The following points of reference were also taken into consideration:

- The 'Ten Principles' of the United Nations Global Compact (UNGC).
- The GRI and the UN Global Compact publication 'An Analysis of the Goals and Targets'.

It was prepared by the CSR & Sustainability organisational unit with the contribution of several internal departments.

The scope of financial data included in the report corresponds with Ferrero International's consolidated financial statement.

With regard to the qualitative and quantitative data on social and environmental aspects, the following entities were excluded from the scope of reporting:

- The companies belonging to Kellogg Company's cookie, fruit snack, ice cream cone and pie crust businesses (except where specified), Ice Cream Factory Comaker (except where specified), Eat Natural, acquired in 2020 (except where specified).

Information on the Piera, Pietro and Giovanni Ferrero Foundation ('Ferrero Foundation') is included in a specific chapter.

This report was the subject of a limited assurance engagement (under the International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information') by PwC Luxembourg in some of its parts.

The details of the scope of the assurance are reported on page 86.

Changes of calculation methodologies of previously published figures, provided for comparison, are clearly indicated as such.

The Sustainability Report is also accessible online at [www.ferrerosustainability.com](http://www.ferrerosustainability.com), where our previous ten reports (named 'CSR Reports' in the editions from 2009 to 2018, 'Sustainability Report' starting from 2019) are also available.

The previous edition (12th Ferrero Group Sustainability Report) was published in July 2021.

We will continue to publish reports on an annual basis.

## About this report (continued)

### A note about disruption

For Ferrero, many of our goals are set as 100% achievements. This comes from our real and honest intention to implement credible and sustainable practices across our supply chain and within the spheres of our control and ability to influence.

Whenever we report that we have achieved or aim to achieve 100% sustainable supply of a raw material, our commitment is to always maintain minimum operational levels above 95%, considering that farmers can face many types of issues and supply chain disruptions can affect the supply of our own plants.

Where we encounter situations that temporarily disrupt our sourcing volumes, and hence drop our achievements below 100%, our commitment is to quickly understand and mitigate the conditions that affect us and our suppliers – all the way to our farmers – so that we can return to the desired 100% achievement as quickly as possible.

### About our environmental data

#### Data collection

We manage the collection and analysis of plants' data through an internal platform called SuRe (Sustainability Reporting). This tool allows better management, flow optimisation and data transfer. Moreover, we have developed with Exentriq, a dedicated platform to aggregate, validate and manage all Group environmental data, using innovative technologies and allowing more complex analyses.

### Standards and methodologies

Our carbon footprint is fully compliant with the Corporate Accounting and Reporting Standard – GHG Protocol – developed by the World Resources Institute (WRI) for the World Business Council for Sustainable Development (WBCSD), today used globally as the main internationally recognised measurement tool and carbon reporting standard. We account our GHG emissions using an operational control approach. The environmental impact assessment is carried out following the ISO 14040 and ISO 14044 LCA standards, including the relevant Principles and Reference Framework, Requirements and Guidelines. The emission factors related to the conversion of energy from fuels come from Ecoinvent 3.4 database datasets and EPA Centre for Corporate Climate Leadership – GHG Emissions Factors Hub (March 2018). Products made in-house from renewable sources and the electricity supply from a marketplace certified by renewable sources do not contribute to greenhouse gas emissions, which follows best practice examples stated in GHG protocol. Emissions from cooling gases have been calculated using the IPCC Fifth Assessment Report, 2014 (AR5) emission factors, 100-year horizon. The emissions resulting from leased cars were calculated based on data collected internally from all 30 countries in which we have leased cars.

### Calculation details

The percentage of recycled materials in packaging represents an estimate on the quantity of recycled content, as per our total packaging materials. For paper and cardboard, the data is based on a calculation based on the composition of the materials purchased. For

rPET and rPP, the data is the exact calculation of the recycled material purchased in the reference year of this report. For glass and aluminium the data comes from the suppliers' surveys and takes into account the different plants the materials were sourced from and is therefore linked to the efficiency of collection and recycling of the countries in which the packaging suppliers are located and operate. The CO<sub>2</sub>eq emission coefficients used for the assessment of Location-based and Market-based emission factors come from the Ecoinvent 3.4 database, except for the 2019 Location-based data (Ecoinvent 3.6). For Scope 3 GHG calculations, the sources are mainly commercial databases (i.e. Ecoinvent 3.1, International Energy Agency) as well as some specific datasets developed internally. Data was collected in May 2018; values have been calculated for the whole fiscal year. The emissions resulting from capital goods are based on estimations.

### Data perimeter

The data is related to 23 production plants, excluding Yaoundè (Cameroon), North Canton (U.S.), HCo manufacturing plants and the plants already defined as out of scope in the 'About this Report' note ICFC, Kellogg's cookies, crust and cones business, and Eat Natural manufacturing plants.

Data also includes warehouses directly managed by Ferrero except where clearly indicated.

### GHG emissions updated baseline/ Science Based Targets

We developed our GHG emissions reduction targets (SBTi approved) by 2030 considering a FY 2017/18 baseline that includes also recently acquired companies and other significant contributions which are not part of the disclosure of this report.

#### Climate Change targets

	Base year data	Most recent year data	Delta
Scope 1 and 2 (Abs.) <sup>35</sup>	724,697 tCO <sub>2</sub> e	620,133	-14.4%
Scope 1, 2 and 3 (Int.) <sup>36</sup>	4.6 tCO <sub>2</sub> e/t prod.	4.4	-3.6%

<sup>35</sup> Market based Scope 2.

<sup>36</sup> Includes key purchased goods (such as packaging, hazelnuts, cocoa, flour, palm oil, dairy, sugar), upstream logistics, upstream fuel and energy related activities and end of life.

Note: data including recently acquired companies is not subject of the third-party external assurance, however, a large percentage (more than 90% of total value) of the reported number is covered by the audit activities.

# Assurance letter



## Independent Limited Assurance Report on a selection of Key Performance Indicators disclosed in the 2021 Sustainability Report

To the Board of Directors of  
**Ferrero International S.A.**

We have performed a limited assurance engagement with respect to a selection of Key Performance Indicators disclosed in the 2021 Sustainability Report (the "Sustainability Report") of Ferrero International S.A. (the "Company" or "Ferrero") as set out in the "Scope" section below.

### Scope

The scope of our work was limited to provide limited assurance over the selected Key Performance Indicators as set out in the table attached below in Exhibit 1 (the "Selected Information").

Our assurance is with respect to the year ended 31 August 2021 information only and we have not performed any procedures with respect to other periods or any other elements included in the 2021 Sustainability Report and, therefore, do not express any conclusion thereon.

### The Assessment Criteria

The Selected Information was prepared in accordance with certain sections of the Global Reporting Initiative (GRI) standard and additional methodologies defined by Company policies (together the "Assessment Criteria") for the year ending 2021, which are accompanying the KPI disclosures in the Sustainability Report.

Management considers the Assessment Criteria relevant for the purpose of the Company's business and for the ultimate users of the Sustainability Report.

### Responsibilities of the Board of Directors

The Board of Directors of the Company is responsible for:

- developing appropriate Assessment Criteria against which to assess the Selected Information and applying these consistently;
- ensuring that those Assessment Criteria are relevant and appropriate to the Company and its shareholders;
- designing, implementing and maintaining internal control procedures that provide adequate control over the preparation and presentation of the Selected Information that is free from material misstatement, whether due to fraud or error;

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- selecting and applying appropriate policies, and making estimates that are reasonable in the circumstances;
- the preparation of the Selected Information in accordance with the Assessment Criteria; and
- the retention of sufficient, appropriate records to support the reported data and assertions included in the Selected Information.

### Inherent limitations

The Selected Information needs to be read and understood together with the Assessment Criteria which the Company is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. In addition, greenhouse gas emissions (GHG) quantification is subject to inherent uncertainty because of such things as emissions factors that are used in mathematical models to calculate emissions and the inability of those models, due to incomplete scientific knowledge and other factors, to precisely characterise under all circumstances the relationship between various inputs and the resultant emissions. Environmental and energy use data used in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques may result in materially different measurements.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 as adopted for Luxembourg by the CSSF and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Assurance letter (continued)



### Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a limited assurance conclusion on the Selected Information as set out in the table below based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the "International Auditing and Assurance Standards Board" (IAASB) as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Selected Information has not been prepared, in all material aspects, in accordance with the Assessment Criteria.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Assessment Criteria as the basis for the preparation of the Selected Information, assessing the risks of material misstatement of the Selected Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Selected Information.

In a limited assurance engagement, the procedures vary in nature and timing and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Within the scope of our engagement, we did not perform an audit or a review on external sources of information or expert opinions, referred to in the Sustainability Report.

Within the scope of our limited assurance engagement, we performed, amongst others, the following procedures:

- We gained an understanding of the Selected Information and related disclosures;
- We gained an understanding of the Assessment Criteria and their suitability for the evaluation and/or measurements of the Selected Information;
- We gained an understanding of the internal control procedures in place supporting the gathering, aggregation, processing, transmittal of data and information and reporting of the Selected Information, including controls over third party information (if applicable), and performing walkthroughs to confirm our understanding;
- Based on that understanding, we assessed the risks that the Selected Information may be materially misstated and determination of the nature, timing and extent of further procedures;
- We inquired relevant Company management, personnel and third parties;
- We performed analytical procedures related to the Selected Information;
- We considered the significant estimates and judgements made by management in the preparation of the Selected Information;



- We inspected, on a selective basis, documents to verify the representations made by the management and senior management in our interviews; and
- We reviewed the presentation of the selected information and related disclosures included in the 2021 Sustainability Report.

### Limited Assurance Conclusion

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Selected Information for the period from 1 September 2020 to 31 August 2021 has not been prepared, in all material aspects, in accordance with the Assessment Criteria.

### Restriction on Use and Distribution of our Report

Our report has been prepared for the Board of Directors of Ferrero, and solely for the purpose of reporting to them the "Selected Information" disclosed in the Sustainability Report and must not be used for any other purpose. We do not accept nor assume responsibility or accept any liability to any other person for this report.

PricewaterhouseCoopers Société coopérative  
Represented by

Luxembourg, 7 July 2022

Tal Ribon  
Réviseur d'entreprises agréé

## Assurance letter (continued)

**Exhibit 1**  
Table of the "Selected Information"

Key Performance Indicators - Environment	Units	Values
Renewable energy consumption	%	23
Purchased electric energy certified renewable	%	80.22
Energy intensity ratio	GJ/t	7.77
Total energy consumption	TJ	10,681.25
Total fuel consumption	TJ	9,378.00
Total fuel consumption from non-renewables	TJ	8,511.66
Total fuel consumption from renewables	TJ	866.34
Total electricity consumption (electricity sold excluded)	TJ	1,527.45
Total electricity consumption (electricity sold excluded) from non-renewables	TJ	- 62.95
Total electricity consumption (electricity sold excluded) from renewables	TJ	1,590.40
Steam or hot water consumption (sold streams excluded)	TJ	- 224.21
GWP Emissions (Total Scope 1 + Scope 2 market based + Scope 3)	tCO2eq.	7,007,127.73
GWP Sc.1 Emissions - Total emissions	tCO2eq.	477,070.74
GWP Sc.1 Emissions - (Of which) for energy streams sold externally	tCO2eq.	63,640.49
GWP Sc.1 Emissions - Net total emissions	tCO2eq.	413,430.25
GWP Sc.2 Emissions - Market based	tCO2eq.	88,598.76
GWP Sc.2 Emissions - Location based	tCO2eq.	305,683.32
GWP Sc.3 Emissions - Cat (1-9, 12)	tCO2eq.	6,441,458.23
Water consumption	m³	5,293,591.38
• of which Water consumption from water main	%	63.27
• of which Water consumption from well	%	31.82
• of which Water consumption from river	%	4.91
• of which Water consumption from other sources	%	0.01
Water consumption ratio	m³/t	3.85
Wastewater	m³	3,231,475.02
• of which Wastewater sewage	%	94.15
• of which Wastewater surface water	%	3.82
• of which Wastewater ground and underground	%	2.03
Waste production ratio	kg/t	69.66
Total waste	t	95,721.83
Percentage of recovered waste	%	96.72
Non-hazardous waste recycled	t	91,263.84
Non-hazardous waste disposed	t	2,409.54
Hazardous waste recycled	t	1,314.37
Hazardous waste disposed	t	734.09

**Exhibit 1**  
Table of the "Selected Information"

Key Performance Indicators - Raw Materials	Units	Values
Cocoa sourced through certification schemes and other independently managed standards	%	99.85
Cocoa traceability to farmer group	%	99.64
Cocoa traceability to farm-gate level if minimum GPS waypoint available	%	95.57
Cocoa traceable to farm gate if minimum requirement polygon-mapped	%	88.01
Hazelnuts traceability to farm gate	%	56.53
RSPO Certified palm oil as Segregated (Ferrero, Thorntons)	%	100
Traceability to palm oil mills (Ferrero)	%	100
Traceability to plantations (Ferrero)	%	99.90
RSPO Certified palm oil as Segregated (Ferrero, Thorntons, Fannie May, former Nestlé US confectionary business)	%	99.57
Traceability to palm oil Mills (Ferrero, Thorntons, Fannie May, former Nestlé US confectionary business)	%	99.57
Traceability to plantations (Ferrero, Thorntons, Fannie May, former Nestlé US confectionary business)	%	99.84
Cane sugar supply certified by Bonsucro	%	100
• of which % certified via Bonsucro credit system	%	63.46
Cage free eggs	%	93.66
Total raw materials used	t	2,183,821.87
<b>Key Performance Indicators - Packaging</b>	<b>Units</b>	<b>Values</b>
Recycled materials in packaging	%	35.44
Renewable materials in packaging	%	39.59
Reusable, compostable or recyclable packaging	%	83.10
<b>Key Performance Indicators - Nutrition</b>	<b>Units</b>	<b>Values</b>
Repartition of the Product Data Records according to the target eating occasions, on marketed volumes (Breakfast, Dessert, BMEE, Occasional)	%	Breakfast = 34.5 Dessert = 5.1 BMEE = 45.4 Occasional = 15.0
Repartition of the Product Data Records according to the energy delivered by portion, on marketed volumes (values from >10 to >200 kcal)	%	<=10 = 4.3 10-100 = 59.5 100-150 = 28.7 150-200 = 6.0 >200 = 1.5 <=130 = 86.1
Core marketed volumes covered by Glycaemic Index analysis eligible for the Sustainability Report	%	84
<b>Plants Certifications</b>	<b>Units</b>	<b>Values</b>
ISO 14001 certified plants and warehouses	n. of facilities	30
ISO 50001 certified plants and warehouses	n. of facilities	21
FSSC 22000 certified plants	n. of facilities	23
<b>Key Performance Indicators - Occupational Health and Safety</b>	<b>Units</b>	<b>Values</b>
Accident frequency rate (LDIR)	-	5.9
Accident frequency rate (TRIR)	-	7.7
<b>Key Performance Indicators - Workforce Data</b>	<b>Units</b>	<b>Values</b>
Group HC (headcount) as of 31 <sup>st</sup> August 2021	employees	38,767
Ferrero Foundation HC as of 31 <sup>st</sup> August 2021	employees	12
External workforce HC as of 31 <sup>st</sup> August 2021	employees	13,154



## Assurance letter (continued)

**Exhibit 1**  
Table of the "Selected Information"

<b>Key Performance Indicators - Kinder Joy of moving Program</b>	<b>Units</b>	<b>Values</b>
Countries covered by the program	n. of countries	28
N. of children reached	n. of children	2,566,077
Investments	€	10,469,118
Sports federations involved	n. of sports federations	121
<b>Key Performance Indicators - Ferrero Added Value</b>	<b>Units</b>	<b>Values</b>
Depreciation	%	5.37
Operating costs reclassified	%	66.36
Net added value	%	28.27
Distribution of the net added value:		
• Human resources	%	62.56
• Capital remuneration	%	17.59
• Public sector	%	9.63
• Community	%	0.85
• Value retained - Enterprise system	%	9.37

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