

# 3

## FERRERO SOCIAL ENTERPRISES



Ferrero Social  
Enterprises  
in South Africa

**FERRERO**

SHARING VALUES TO CREATE VALUE

# FERRERO SOCIAL ENTERPRISES

***“The long-term success of the Group is strongly based on its guiding ethical values.***

*Everyone is talking about corporate social responsibility: at Ferrero it is second nature. We embody it every day in our respect for the people who work with us, our scrupulous preservation of the environment in which we operate, the responsible way we handle our relationships with civil society and in particular the exchange between consumers and our brands, taking care of quality, information and value.*

***Our Social Enterprises' initiatives are the highest and most significant expression of these values.*** *Their inspiration is not charity but enlightened business enterprise. The mission of “United Kinder of the World” is at the centre of my attention, because of its powerful forward movement and the motivational impetus it gives to our managers”.*

**Giovanni Ferrero**, May 2013

Ferrero Social Enterprises are actual “enterprises”, based on a strict business concept and aim to generate profit. In addition, they operate in a “social” spirit, their purpose being to create jobs in some of the poorest areas of the world and contribute to improving the living conditions of the people living there.

Their social spirit also extends to humanitarian initiatives in the areas where the Social Enterprises are operating. These initiatives are primarily aimed at maintaining the health and educational development of infants and children, under the heading:

## **United Kinder of the World**

Ferrero Social Enterprises are present today in Cameroon (Yaoundé), India (Baramati, in Pune District in the State of Maharashtra) and South Africa (Midvaal, in the Province of Gauteng).



Ferrero Social Enterprise - Cameroon (Yaoundé)



Ferrero Social Enterprise - India (Baramati/Pune, Maharashtra)



Ferrero Social Enterprise - South Africa (Walkerville, Gauteng)

## THE MISSION OF FERRERO SOCIAL ENTERPRISES

The mission of Ferrero Social Enterprises is developed along two lines:

### **A) Job creation**

In addition to offering the possibility of earning a wage that meets the cost of living for the employee and his or her family, Social Enterprises

- » give the employee a sense of self-worth and, most importantly, the ability to become the protagonist of their own destiny;
- » provide professional training and skills for the work;
- » create a work culture, which is the source of progress and civic evolution.

Production at the establishments concentrates on unskilled work and involves the industrial enterprises of the territory. In addition, local raw materials are preferred for use in production.

This leads to the creation of further jobs, thus triggering a virtuous circle of the economic development and wellbeing of the entire local community.

**B) The creation of social and humanitarian projects and initiatives**

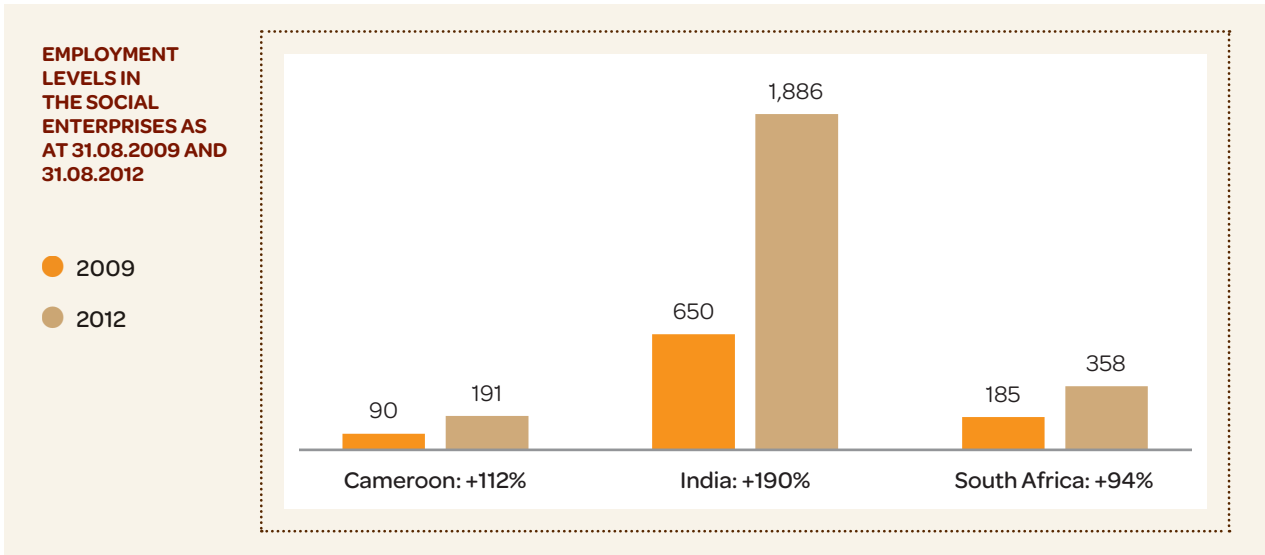
In order to achieve this goal a fund is provided which is dependent on the volumes of annual production at the plant.

This sum is transferred to a local bank account set up for this purpose in the name of *Fondazione Ferrero di Alba* (The Ferrero Foundation of Alba). It is then used every three years to finance particular social projects chosen by the local author-

ities in consultation with the Ferrero Foundation. For a more detailed description of the mission of Social Enterprises the readers can refer to our previous CSR Reports, which can be found on the website [www.csr.ferrero.com](http://www.csr.ferrero.com).

**EMPLOYMENT DEVELOPMENT**

As at 31 August 2012, Ferrero Social Enterprises were employing **2,435<sup>1</sup>** people in its facilities, of whom: **191** in Cameroon, **1,886** in India and **358** in South Africa (for further information on human resources employed in the Group, see the relevant chapter of the present CSR Report).



Ferrero's Social Enterprise, staff during the *Ferrerità* training, Yaoundé, Cameroon

**All workers and employees as at 31 August 2012, had been recruited locally, or their nationality was that of the country in which the relevant Social Enterprise is based.**

According to Ferrero's internal estimates, for every worker directly employed in the confectionery industry, another 3 are unskilled workers. This contributes to the triggering of a virtuous circle which favours the conditions for sustainable development within the communities hosting the Social Enterprises.

<sup>1</sup> This data also includes external workers.

The 4 pillars

The Ferrero Group

Ferrero women and men

Sustainable agricultural practices

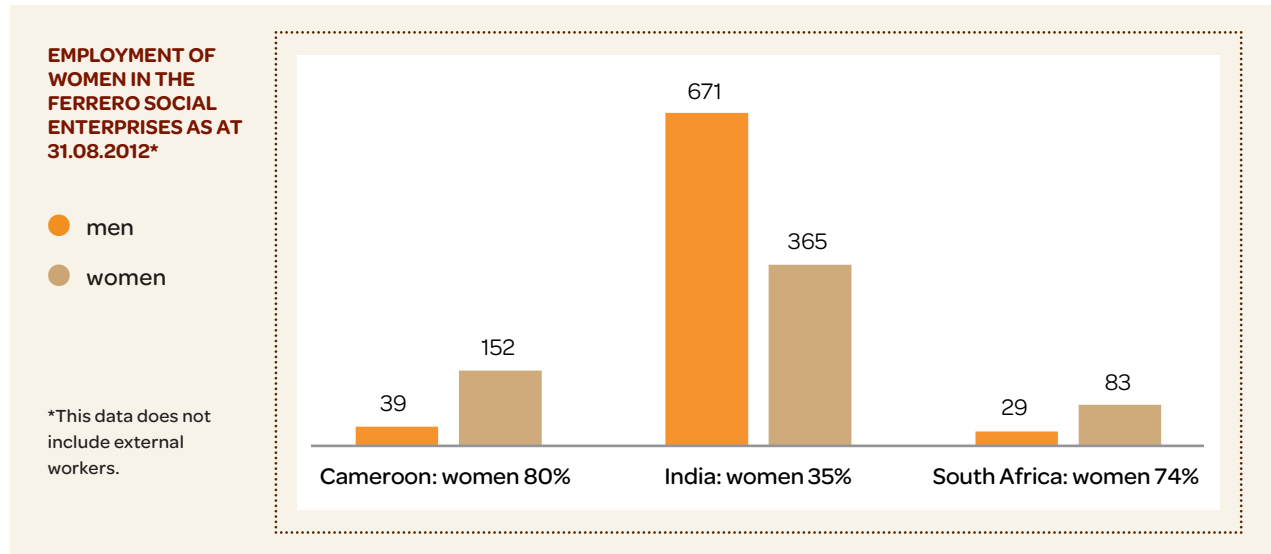
Minimising environmental impact

C. S. R. of the Ferrero Group

Ferrero Rocher

Countries

## EMPLOYMENT OF WOMEN IN THE SOCIAL ENTERPRISES



In line with Ferrero tradition, there is a system of assisted transport for employees of the Social Enterprises.

### CAMEROON

The firm provides 4 vehicles for the transport of employees from several collection points in Yaoundé depending on their shifts and provides an additional voucher for transport costs.

### INDIA

8 buses are provided to enable employees to commute to work from the neighbouring villages during the three daily shifts. This service is provided at a discounted rate. The cost per employee is about 100-150 rupees per month, compared with the 1,400 rupees per month usually paid for public transport.

### SOUTH AFRICA

The firm provides vouchers to every employee to cover the costs of commuting to work.

## REPORT ON PAY

The chart below reports the difference between the annual minimum gross wage of a newly recruited member of the workforce and the legal minimum in the country. In South Africa there is no national minimum wage so the point of reference is the agreement between Ferrero and the national trade union.



<sup>2</sup> The minimum wage is represented from the annual gross minimum wage of the newly hired employees as operator of production. This data does not consider the salary for overtime pay, production bonuses or individual bonuses. When the figure is 1, this means there is parity between the legal minimum wage and the wage paid by Ferrero. For South Africa we need to consider that there is no local minimum wage and the agreement between Ferrero and the national trade union was taken as reference.

## PRODUCTION TECHNOLOGY AND RAW MATERIALS USED IN THE SOCIAL ENTERPRISES

The technology used by the Social Enterprises in their production sites is:

- ▶ **Innovative and automated** for the edible part of the product, to ensure the same quality achieved in the rest of the world.
- ▶ **Manual** for the assembling of the “surprise” in Kinder Joy and other accessory activities, in order to provide work for the maximum number of people.

At all three production plants, the production of the edible part of Kinder Joy is achieved using automated “easy line” technology. The valve containing the surprise, however, is made by hand and the toy inserted manually in the plastic wrapper.

In India and South Africa, the Tic Tac sweets are made by proprietary Ferrero automated technology, the packaging phase, however, is semi-manual.

In the trading year 2011/12, **75% of the raw materials used at the Social Enterprises** were sourced from local producers in which the production plants are situated. In order to comply with the quality standards of the Group, the facility at Baramati has been equipped with a laboratory to analyse the raw materials locally acquired.

## “UNITED KINDER OF THE WORLD” SOCIAL INITIATIVES

Among the social projects supported by the Social Enterprises and described in our third CSR Report, we focus below on the **complete restoration of the Japie Greyling School** (at Daleside, Gauteng, South Africa) carried out in July 2012.



The Project is part of the Programme called **94 + school projects for Madiba**, launched by the South African Ministry of Education to provide support in various forms to at least **94 South African schools and celebrate at the same time Nelson Mandela’s 94<sup>th</sup> birthday**. Japie Greyling School is a medium-sized elementary and secondary school with 13 classes. Before its restoration it was attended by about 300 pupils. Thanks to the work being done, 1,400 pupils are now able to attend the school.

The South African Social Enterprise chose to restore this school for several reasons, including:

- » of the 47 schools in the school catchment area of Walkerville – where Ferrero’s establishment is situated - none were equipped for disabled pupils;
- » some of Ferrero management’s children were already enrolled at this school, which is a few kilometres from the production site.



Choir of the “Japie Greyling” School in South Africa

The project accomplished:

- ▶ **restructuring buildings and fixed machinery** (repairing and painting **3,600 m<sup>2</sup> of roof**; thermal insulation of the lofts; repairing the classroom floors; internal and external painting of the classrooms; external cleaning of the walls using a high pressure hydraulic system; repainting canopies, guttering, fixing and replacing more than 400 metres of the lofts' façade; **replacing more than 500 broken glass panes**; installing a new hybrid electric-photovoltaic heating plant; installing a new gas cooker);
- ▶ **renewal of the buildings** (entire make-over of **four toilet blocks**; installation of four new disabled toilets; creation of a **new 80 m<sup>2</sup> cafeteria** with an equipped kitchen; demolition of an old external pavilion replaced by a new pavilion; **construction of six access ramps** for the disabled);
- ▶ **restoration of the schoolroom furnishings** (**hundreds of benches and chairs** were dismantled, damaged parts replaced, wooden components sanded and repainted, metal components re-polished with a special long-lasting polish);
- ▶ **improving, securing and renovating the external spaces and fixtures** (painting the walls, re-paving, installing a new fiberglass guard house at the school entrance; laying down 50 m<sup>2</sup> of new turf around the nursery; removing a dilapidated 70 meters long metal fence around the playing field and replacing it with a new metal mesh fence; demolishing a rusted stairway at the entrance of the nursery and replacing it with a solid



Students of the "Japie Greyling" School in South Africa

staircase; repainting all the equipment in the playground; fixing a flagpole; removing 50 tons of rubbish);

- ▶ **renovation of the sports fixtures** (repainting the steps and replacing the canopy; repainting the rugby goal posts and installing new portable soccer goals; rehabilitating entirely the cricket practice equipment; replacing the turf of the central area of the cricket playing; weeding, fertilising and preparing the sports ground turf for spring; creating a new external toilet block accessible from the playing fields).

The purpose of this initiative was not only the restoration of the buildings but also enable the school management to reduce maintenance costs and facilitate the sustainable management of the ventilation and heating plant. The main technical innovations included:

- ✓ Installation of a **new hybrid electric-photovoltaic heating system for the classrooms** which requires low maintenance and reduced running costs. For the first two hours, in the early morning, it works on electricity. Subsequently, the hot air located under the roof is circulated in the classrooms using ventilators activated by the photovoltaic system. It can also be used in the summer to cool the classrooms.
- ✓ Painting of the roof with the **latest generation paint** (Ceratech – developed with NASA technology) which has anti-rust and heat-resistant effects, thanks to internal ceramic components that reduce

the temperature by up to 45%, thus helping to limit the energy costs for cooling the internal spaces. This paint also ensures a more effective and durable maintenance of the roof thanks to its consistency (two coats of this paint provide a thickness of 250 microns as against 50 microns from traditional paints).

- ✓ Installation in the toilet blocks, of pressure taps with timer valves to restrict the consumption and waste of water.

**Thanks to this initiative, Japie Greyling School now offers a connected set of services - teaching, sporting, recreational etc. to 1,400 pupils.**



Students of the "Japie Greyling" School in South Africa during the "Nelson Mandela Day" event