

## 1. Our products



## Our products

The value chain of our products: a path to responsibility.



The Ferrero Group's distinctive feature is the passion for its products and its primary and indispensable objective is the satisfaction of consumers. To this end, **Ferrero is committed** to the constant pursuit of the highest **quality, uncompromisingly and unconditionally**, while investing in its brands for the long term.

The following pages, dedicated to **our products**, will therefore explain quality in all its facets:

- **quality of brands:** an attentive selection of all raw materials, no use of oils or hydrogenated vegetable fats, no additives, the creation of a unique and elegant taste, balanced portions to manage energy intake, a packaging that can keep the product fresh even in challenging climatic conditions, the control of products up to the point of sale and the withdrawal during summer months;

- **quality of traceability and safety:** an ongoing control of raw materials and of the product, through physicochemical, microbiological and organoleptic analyses, careful selection, inspections and audit of suppliers, certification of production plants from third parties and the sharing and integration of quality control data;

- **quality of surprise toys:** the design and production of small toys meant to encourage cognitive, emotional, relational and motor development, with a higher safety level than the national standard of the countries in which they are distributed and with periodical audits and certifications of surprise toys;

- **quality of communication:** no advertisement directed at children younger than 12 years of age, with third-party monitoring of commitments, transparent communication and information to consumers and informative labels complying with the related laws.

We strive to ensure the quality of our products with such dedication and passion because we have a profound sense of responsibility towards those who have always been **at the core of our attention: the consumers.**

## Great Brands in small portions

Ferrero offers some of the world's most famous confectionery products, while respecting the artisanal tradition.

According to the vast majority of researchers and scientists, in matters of nutrition, three principles are of the greatest importance:

1. having a diverse diet;
2. eating moderated quantities of food;
3. engaging in regular, balanced and moderate physical activity.

Ferrero's nutritional policy is based on these three principles, and can be summarised as follows:

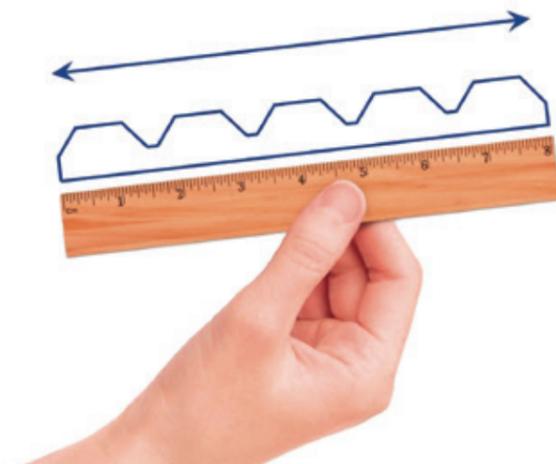
- nourishment is the result of eating all foods, so that talking about single "good" or "bad" foods has no scientific basis;
- **the size of the portion** is increasingly being seen as the decisive factor in controlling food consumption. Ferrero has always presented its products in pre-wrapped portions, with excellent quality;
- a **varied**, not prescriptive or punitive, **diet**, together with physical exercise, is key for:
  - developing a positive psychological and physical balance;
  - making family and social gatherings more enjoyable;
  - instilling and maintaining correct dietary habits;
- breakfast is fundamental for a general nutritional balance. Offering appetising products helps combat the bad habit of skipping breakfast and as a result improves the quality of the whole diet;
- breaking down daily consumption into five or more episodes is now scientifically established;
- of these five occasions, the two daily BMEE (Between Meals Eating Episodes), should concentrate on tasty products with reduced calorific content per portion;
- a good diet must be planned in connection with **regular physical exercise** in order to complete the benefits derived from it;
- education in nutrition, with a solid scientific basis, must be given from early childhood so that a person may develop an informed attitude towards his or her own eating habits and diet;
- the information provided to consumers must be complete, accurate and objective;



- simple recipes, based on tradition, using ingredients that already contain fibre and micro-nutrients such as vitamins and minerals, removes the need to add them artificially.

Ferrero's nutritional policy translates itself into company manufacturing practices applied daily with stringent internal rules. It's important to recall the most relevant ones:

- the **careful selection** from a qualitative, ethical and environmental point of view of **all the raw materials** used, starting with: milk, hazelnuts, cocoa, eggs and coffee;
- the **creation of a unique flavour** quality for each product by blending different natural sugars, fats and milk of the highest quality, coffee, cocoa and hazelnuts selected and roasted directly at Ferrero's plants;
- the presentation of **products in small, individually wrapped portions**, resulting in a reduced intake of sugar and fats;
- the internal engineering development of manufacturing plants and industrial processes in order to preserve the original **characteristics and nutritional values of the ingredients as much as possible**;
- **absolutely no use of hydrogenated oils or hydrogenated vegetable fats**, which are the carriers of trans-fatty acids (TFA's). This exclusion has applied to all Ferrero products for years;
- **zero use of preservative additives**;
- **optimizing the presence of fibre and micro-nutrients**, such as vitamins and minerals, derived directly from the raw materials used, without artificial additives.



The Ferrero Group deeply believes that a better education in nutrition is needed, as an integral part of a healthy lifestyle! There is no need for further legislation or taxes on single ingredients or on categories of components that are indispensable to our food culture; in fact such measures are counterproductive.

**Ferrero's individually wrapped small portions**

A balanced diet is the key ingredient to a healthy lifestyle. For this reason, Ferrero offers food products that are of the highest quality, unique, flavourful and available on the market in individual pre-wrapped portions. The Group considers that:

- the individually wrapped portions,
- the use of ingredients that are naturally rich in high quality nutrients,
- Ferrero's simple recipes,
- the organoleptic quality of the products

are key factors that make Ferrero's products suitable for a mid-morning or mid-afternoon treat. A truly balanced diet is not one that merely excludes certain foods but rather one that includes, in correct portions, those products that consumers love best, so as to enable them to maintain, over time, a complete set of correct eating habits.

The break down into small portions also makes it easy to integrate Ferrero products within eating episodes, thus respecting the calorie intake recommendations.

**The division of Ferrero's products into portions** has always been conceived and marketed in order to fit the various nutritional needs of consumers. The Kinder range of products, for example, conceived for children and teenagers and traditionally appreciated by them, continues to be produced in individual portions weighing between 5 and 43 grams, which is among the smallest in their category.

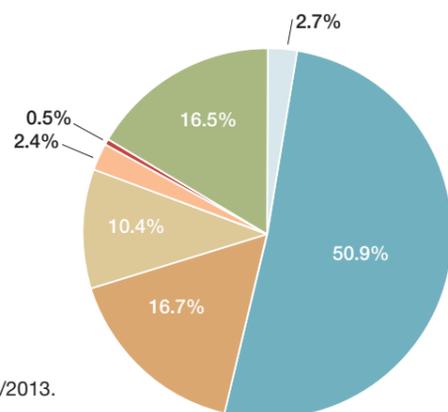
As can be seen from the pie chart below, **more than 70% of Ferrero's total volume of products marketed worldwide is presented in portions weighing less than 25 grams and more than 80% are made available in portions weighing less than 45 grams.**

Furthermore, **more than 70% in volume of Ferrero's products are offered in portions with less than 100 Kcal and more than 95% in portions with less than 150 Kcal** (as can be seen from the pie chart below).



**Percentage breakdown of Ferrero products\* per portion, in grams**

- ≤ 5 g
- > 5 ≤ 15 g
- > 15 ≤ 25 g
- > 25 ≤ 40 g
- > 40 ≤ 45 g
- > 45 ≤ 70 g
- > 100 ml o g

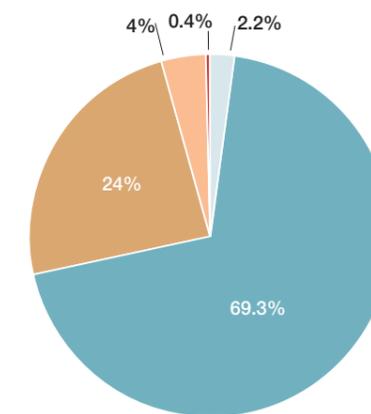


\* % in volume of the products marketed in the world, during the period 2012/2013. Source internal to Ferrero.

The 15g portion of Nutella® is included as is indicated in most of the countries where the product is sold.

**Percentage breakdown of Ferrero products\* per portion, in kcal**

- ≤ 10 kcal
- > 10 ≤ 100 kcal
- > 100 ≤ 150 kcal
- > 150 ≤ 200 kcal
- > 200 kcal



\* % in volume of the products marketed in the world, during the period 2012/2013. Source internal to Ferrero.

The previous charts include all the Ferrero products marketed in the world during the financial year 2012/2013, excluding around 3% of products corresponding to the special gift formats, product mix trays, mini or maxi formats and special editions.

**Results from Scientific Research Supported by Ferrero**

Through a **strong commitment to scientific research**, Ferrero contributes in promoting good nutritional habits: special efforts continue to insist on the importance of not skipping breakfast among young people, while encouraging healthy eating habits for all ages.

In the financial year 2012/2013, in line with corporate values, Ferrero supported research studies, with unrestricted grants, in order to respect the independent nature of scientific assessments and the intellectual freedom of researchers. Some of these studies have been completed, while others are still ongoing, yet close to completion. These include:

- an assessment on the impact of different kinds of breakfast, with or without Ferrero products, to equip the consumer with scientific evidence in support of one's taste preferences;
- specific research studies on the neutrality of cardiovascular and metabolic risks of palm oil consumption.

Studies on the metabolic impact of Ferrero products are still underway, in relation to their consumption within BMEE and in relation to their glycaemic impact (Glycaemic Index and Glycaemic Load). The interim analysis gives an additional confirmation about the metabolic neutrality and the positive role played by the Ferrero products. The studies and their conclusions will be published during the next financial year.

**Objectives for 2015**

- Strengthen Ferrero involvement in European and national initiatives that promote virtuous attitudes towards the food/health combination.
- Develop a **"nutritional identity card" of Ferrero products**, to provide an evaluation of the metabolic response, and for some of them, the effects on attention and mood.

## Quality and freshness

Ferrero's business model is designed to guarantee maximum freshness for products throughout the value chain and minimise waste as much as possible. The Group follows the product's life cycle, from sourcing of the raw materials and packaging up to the finished products distribution to points of sale and consumers' homes.

### What is the primary objective?

**To offer consumers all over the world products of the highest quality and freshness.**

For example, during the Summer, when high temperatures could deteriorate the organoleptic condition of the product before it is delivered to consumers, Ferrero temporarily suspends the supply or withdraws products from sales channels.

With a view to constantly improve, Ferrero is proceeding with the definition and establishment of global guidelines, indicating the reference temperature threshold and corresponding implementation methods (suspension or withdraw) for each product category. To this end, periodic data will be gathered on temperatures in points of sale. Monitoring activities on the quality perceived by Ferrero consumers will also be intensified, through a veritable test of the path followed by the products before they are displayed on the shelves of the points of sale.

### Traceability and security

Ever since 1946, from the onset, Ferrero has paid careful attention to the selection of raw materials and ingredients.

It is the **quality** and **freshness** of the ingredients that determine the specific organoleptic characteristics of the Ferrero products and it is for this reason that Ferrero has developed innovative procedures such as the one known within the company as the "**sacco conosciuto**".

This name refers to all the procedures carried out by Ferrero's specialist technicians, such as organoleptic testing and analysis, auditing operations with suppliers and the practices that ensure food safety and guarantee the traceability of the raw materials.

Ferrero's suppliers all over the world are selected and evaluated at Group level according to the same criteria, using an electronic platform that links them to internal expert food technologists.

Also, in accordance with Ferrero's Code of Business Conduct, a system of continuous audits and inspections is carried out directly on the suppliers' production sites, specifically to perform controls of the supplies and the required analyses.

When the raw materials are delivered to Ferrero factories, a Group purpose-built internal protocol, in line with modern risk analysis, determines the types and frequency of the chemical, physical, microbiological and organoleptic tests to be carried out on samples of the incoming goods.

In addition to the strict internal testing system, food safety is also ensured through independent, certified external agency inspections.



### **Ferrero taste tests**

In order for the products to comply with the extremely high Ferrero taste standards, the classic lab tests are integrated with a sensorial analysis, called “**taste test**”: a fully rounded evaluation on the taste and smell of the product in all its facets, along with aesthetic appearance.

The analysis includes:

1. raw material taste tests: special attention is paid to these before deliveries are accepted;
2. taste tests of the semi-finished and finished products: attention is paid to these during the manufacturing process;
3. management taste tests, carried out by the heads of production units;
4. “Spider web chart” tests.

For more information on Ferrero taste tests concerning one of the Group's historical products, please refer to the Focus on Kinder Chocolate, described in the appendix to this report.

### **Innovation**

Innovation is one of the main success factors of Ferrero products: in the last fifty years, the Group has created **innovative products** that became, in time, veritable iconic brands. Studies on innovation are carried out by an ad hoc research and technology company operating within the Group. It is equipped with resources and capabilities in order to identify new products able to satisfy and respond to customers' needs, even when latent.

This company, made up of researchers involved in both technical **studies and identification** of new nutritional needs and styles, operates by working with new raw materials and innovative production technologies, in order to create unique products of great taste and quality, as is expected from Ferrero's philosophy and values. The pre-launch process of a new product is long and meticulous: the product undergoes research studies and various checks, in specific testing areas, which are followed by the introduction of said product in select markets. There, it is **offered to consumers** where their degree of appreciation is carefully monitored. A product is ready for industrial-scale manufacturing only when it successfully passes all these extensive tests.

At the moment, the Ferrero researchers are working on more than a **hundred new projects**, some of which are ready to be launched on the market. Behind every product, which might seem simple to the untrained consumer's eye, there is a unique, highly advanced and patented technology that clearly encompasses the great passion Ferrero puts in the innovation of its products.

### **The advanced standards of Ferrero's manufacturing plants**

In Ferrero plants a purpose-built, globally integrated, Structural Analysis Programme (SAP) is in use, which ensures the sharing, integration and centralised management of Ferrero's quality testing process data.

The system is currently operational in the majority of Ferrero's production plants around the world and enables the compilation and comparison of data in a manner that is ever more global and coordinated. In particular, the system focuses on “packages” specific to quality and is operational in 14 out of the 20 total plants. Production lines are also equipped with this quality data sharing system, SAP, which is currently in place for 12 out

of the 20 plants. The rollout for plants that are still not equipped with the system is scheduled for the financial year 2013/2014.

In the factories where the SAP system is not yet operational, a network of connections with the central unit is available, in order to ensure the governance of quality: particularly worth mentioning is the system of daily evaluation of the products through a brief quality report. The excellence of the products and their safety is ensured by a system of internal procedures verified through a regular and frequent audit carried out by the Central Quality Office at the factories and all along the logistics chain. These procedures require that every Group production plant, storage warehouse, and third-party supplier, undergo a test for compliance with the stringent Ferrero specifications, for food safety (in line with the requirements of the FSSC/ISO 22000 standards and HACCP principles) and systems (in line with the requirements of the ISO 9001 quality management systems standard).

The system is further certified by independent external agencies. Ferrero has set the objective to obtain, for all its production plants, certification from the two strictest and most prestigious international standards: ISO 9001 and FSSC/ISO 22000.

This objective automatically includes all new manufacturing expansions, in particular the newest Ferrero factories in Mexico and Turkey.



The following tables report on the certification levels and corporate standards in question along with others currently ongoing in Ferrero factories.

Table 1 shows the factories that have the ISO 9001:2008 Group Certification. Specifically, the certification shares a common manual on quality and valid procedures for the whole Ferrero Group.

Table 2 shows the two Ferrero Social Enterprises (FSE) that have obtained this certification standard: Walkerville, in South Africa has been the first plant to obtain the ISO 9001:2008 certification in 2012, among the FSE manufacturing plants, for its quality management system.

The same objective has been achieved in 2013 by the FSE in Baramati, India. Table 3 indicates the certifications obtained by the Ferrero Group's plants in regards to food safety or accreditation in test laboratories.

In particular, eight Ferrero plants have been certified by independent third parties, in accordance to the FSSC 22000 standard, which represents the highest possible level achievable in the field of food safety certifications (La Pastora, Lithgow, Stadtallendorf, Villiers-Ecalles, Belsk, Cork, Sant'Angelo e Quito). Five more factories (Alba, Arlon, Brantford, Poços De Caldas, Vladimir) have compliance certifications towards specific schemes on food safety, such as: IFS, HACCP, ISO 22000 and other proprietary standards required by the distribution chains, etc.

Finally, in line with the corporate strategy, all Ferrero factories prepare and implement the HACCP plan (Hazard Analysis and Critical Control Point), mandatory in the European Union.



Table 1

Plants	ISO 9001:2008* certified since
Alba (Italy)	1999
Arlon (Belgium)	1996
Balvano (Italy)	1996
Belsk (Poland)	2001
Cork (Ireland)	1994
Pozzuolo (Italy)	1998
Sant'Angelo (Italy)	1999
Stadtallendorf (Germany)	1994
Villiers-Ecalles (France)	1997
Vladimir (Russia)	2010
Brantford (Canada)	2011
La Pastora (Argentina)	2000
Lithgow (Australia)	1999
Poços De Caldas (Brazil)	1999
Quito (Ecuador)	1999

\* Before 2008, the plants were certified according to the ISO 9001 standard in force in the production year of the said standard.

Table 2

Ferrero Social Enterprises	ISO 9001:2008* certified since
Walkerville (South Africa)	2012
Baramati (India)	2013

\* Before 2008, the plants were certified according to the ISO 9001 standard in force in the production year of the said standard.

Table 3

Plants	FSSC 22000 since	ISO 22000 since	IFS, COSTCO HACCP since	ISO 17025 since
Alba (Italy)			2007	2006
Arlon (Belgium)			2006	
Belsk (Poland)	2013		2006	
Cork (Ireland)	2013		2011	
S. Angelo (Italy)	2013		2011	
Stadtallendorf (Germany)	2012		2006	2007
Villiers-Ecalles (France)	2012			
Vladimir (Russia)		2013	2010	
Brantford (Canada)			2008	
La Pastora (Argentina)	2011	2008		
Lithgow (Australia)	2011			
Poços De Caldas (Brazil)		2007		
Quito (Ecuador)	2013		2010	

### Cases of non-compliance

#### ISO 9001:2008 Ferrero Quality Management Systems Certification

In FY 2012/2013, 10 audits were carried out by external certifying auditors within the Group's factories in: Poços De Caldas, Belsk, Cork, Quito, Pozzuolo, Baramati, Walkerville and the Group Central Quality Office (3 times). No cases of "non-compliance" were found with only a small number of recommendations for improvement.

#### IFS – International Food Standard

In FY 2012/2013, verifications of compliance to that certification standard at the factories in Alba, Arlon, Belsk, Cork and Stadtallendorf resulted in a level of compliance called "Higher Level" with an average score of 97.64%.

#### Latest news

1. The Indian Social Enterprise production plant in Baramati obtained the quality management system certification, according to the ISO 9001 Standard.
2. In line with internal objectives, five European factories (Stadtallendorf in Germany, Villers-Ecalles in France, Belsk in Poland, Cork in Ireland and S.Angelo in Italy) have obtained the FSSC 22000 Certification and an additional two (Alba in Italy and Arlon in Belgium) have set up practices to this end.

#### Objectives for 2015 and 2020

1. To set up a **single centre to gather consumer complaints**, where all consumer comments will be received, in a unified and structured manner, in order to create a worldwide data-base, by 2015. This project is currently under construction with the involvement of all corporate units concerned; in particular, the Corporate Department in charge with the development of IT systems has developed an implementation plan for the unique corporate IT package, named CCM (Consumer's Contacts Management).
2. To extend the food safety **FSSC/ISO 22000 Certification to all the factories in the Group by 2015**, with the exception of the Ferrero Social Enterprises, for whom the ISO 9001 Certificate and the FSSC/ISO 22000 Food Safety Certificate is envisaged by 2016. The two certification schemes defined as corporate standard (ISO 9001 and FSSC/ISO 22000) are rolled out through the implementation plan (please refer to previous chapter for details) and will result in the full unification of all manufacturing plants to create a unique Quality System for the Group.

3. To achieve the **integration of the "food safety audits/inspections" for all co-packers and warehouses in the Supply Chain**, so as to have complete coverage by 2020. Furthermore, the supervision of the production chain through audits, inspections and other methods is under full development thanks to a range of initiatives. It is worth noting that, for the financial year 2012/2013, this included the set up of quality management units located in markets worldwide, called Country Quality Managers. These supervisors' "key" roles within the markets are comparable to those of the plants' Quality Managers.
4. To obtain an **ISO Certification at global level with a single manual and procedures applying to the entire Group**: in this way, Ferrero factories all over the world will be divisions of a single "global virtual factory" by 2020.



## Kinder® Surprises: the value of playing and safety



**Playing and having fun:** two activities which have an undoubtedly enormous role in the development of a child, and fulfil the **fundamental growth needs** from a psychological, affective and emotional point of view. Play is the lens through which children observe and experiment with their and other people's world, and it helps them throughout their development.

### Article 31 of the United Nations Convention on the Rights of the Child (November 20, 1989)

1. States Parties recognise the right of the child 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 arts.
2. States Parties shall respect and promote the right of the child to participate fully in cultural and artistic life and shall encourage the provision of appropriate and equal opportunities for cultural, artistic, recreational and leisure activity.

With this in mind, **over forty years ago, Kinder®** started to offer small surprise toys in some of the product lines designed for its younger audience, **aware of the huge value of games in their lives and in their development.**

In order to implement this task in the best possible way, Ferrero created the "Kinder Surprise Company" in 2013, a Division of the Ferrero Group dedicated to the creation and production of the small Kinder toys. Its vision explains its role and objectives in an unmistakable way:

#### VISION:

**Create the most wonderful play experiences in a surprisingly small format that generates great emotions.**

This requires absolute care and attention throughout the whole supply chain for these toys, which Ferrero oversees from their design to the final commercialization.

#### How Kinder® perceives play

Each surprise toy has always been studied with great care by a dedicated team, with the collaboration of psychologists specialized in the cognitive, emotional, relational and motor development during childhood, working on the basis of four principles:

1. Improving a child's abilities
2. Variety
3. A 360° experience
4. Universality

#### 1. Improving a child's abilities

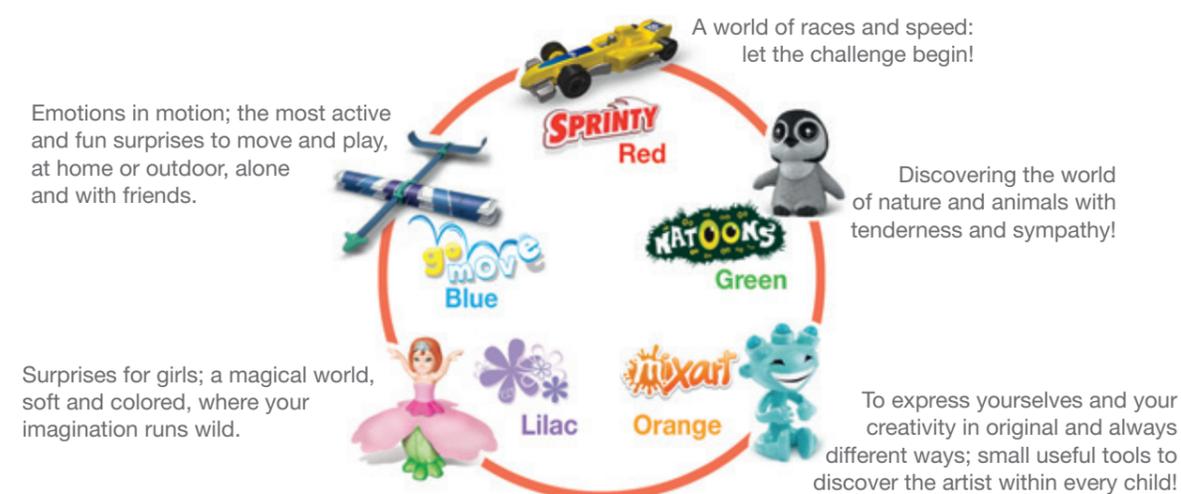
Kinder® toys are created to encourage the development of specific attitudes of the child. In particular:

<b>Cognitive development</b>	The process with which surprise toys are assembled stimulates the logical thinking and the sequencing of actions, thus inspiring problem-solving experiences together with curiosity.
<b>Emotional development</b>	The joy deriving from an achievement (successfully assembling the surprise toy) and from the interaction with small toys conceived to appeal to children and which stimulate creativity.
<b>Relational development</b>	The interaction with friends and parents, facilitated by the proposed game experiences, helps the child to socialize and create moments of joy to share with others.
<b>Motor development</b>	Assembling the surprise toy requires good eye-hand coordination and stimulates creativity, logic and manual skills.

#### 2. Variety: five play categories

Every year, a team of experts develops new ways of playing, aimed at stimulating children's growth in the most holistic way.

The surprise toys found in some of the products are divided into five play categories, containing a wide and balanced assortment of toys and enriched by surprises made specifically for boys and girls.



### 3. A 360° experience

Kinder® toys are a true 360° play experience made of fun, educative values and gameplay, including on a digital platform.



Surprises that help in the emotional and relational development

A leaflet of educational content

And a world even more rich with tags

### 4. Universality

The surprises are created to satisfy children all over the world, from different cultures, genders or age ranges. The biggest satisfaction is creating small toys that express universal values and entertain the whole world.

### The trust pact with the consumer

For the Ferrero Group, attention to the consumer is not only a value, but a daily practice, based on a sense of responsibility that goes far beyond commercial objectives. The dedication to consumers has always been the premise and the basis of the Group's corporate policy.

#### The research studies

Putting these principles into practice, the number of research studies focused on consumers has increased year after year: qualitative, quantitative, behavioural studies, active play sessions, all with the target of getting to know consumers better and ascertaining their needs and desires. Even during the different design phases of the toys, the company undergoes tests with parents and children to verify the relevance of a particular toy's idea, or refine its design.

Every year, the assortment is completely renewed with more than 100 new toys, to guarantee the largest variety with the same high qualitative standards, and always inspire new, different emotions.

### Safety

The "Kinder Surprise Company" has implemented an internal code for the design and production of Kinder toys. The code dictates that Kinder toys must not only respect the laws and legislations of all the countries in which they are sold, but must also comply with more stringent rules.

The "internal code for the design and production of surprises" (called "MPG Code" in the previous editions of this report) contains:

- norms on the toys;
- very strict voluntary policies and rules, aimed at guaranteeing the extremely high safety of Kinder® toys.

### Adherence to compulsory norms

The internal code requires that all Kinder® toys comply with the compulsory norms directly applicable to toys and to the national and international toy standards derived from those compulsory norms:

#### Compulsory norms in full compliance

- Directive 2009/48/EC on Toy Safety;
- The European toy safety standard (EN71);
- The ISO 8124 international standard on toy safety;
- MERCOSUR standards on toys produced internationally;
- National standards of all the Countries where surprise toys are sold, particularly Canada and Australia, which have some norms that are stricter than the ISO and EN 71 standards.

### Beyond legislation: a rigorous internal policy

The internal code contains a very rigorous voluntary policy and a set of rules that guarantee the extremely high safety of Kinder toys, demanding that small toys respect rules that are even stricter than those defined in the norms of the various countries in which they are sold:

- some toys are not allowed, e.g. magnets, tattoos, anti-stress squidgy toys, toy weapons and toys depicting weapons, soap bubbles, erasers;
- particular attention and caution is given to some components of the surprises, for example the suction cups, that must never detach from the toy;
- some norms also applicable to toys have been re-interpreted in a strict way.

## The voluntary rules: guidelines

### The design of Kinder® surprises

In designing its surprise toys, the Kinder Surprise Company observes guidelines which prevent the possibility of children hurting themselves if using the toys in an improper way.

These guidelines translate into specific points describing the morphology of the toys. These are applied, singularly or in various quantities, to all the toys, according to the type of surprise and its design.

They are:

- absence of spherical or ovoid shapes;
- presence of holes;
- absence of exceedingly small parts;
- three-dimensionality and the articulation of all the parts composing a toy
- pre-assembly of the smallest parts;
- absence of brown parts which might look like chocolate.



### The Kinder® prototype surprises approval process

The Kinder® prototype surprises approval process follows a rigorous and thorough procedure carried out by qualified experts in the field:

- **In-house development:** Kinder® surprises are developed entirely by the Kinder Surprise Company.
- **Psychological study:** psychologists study how children interact with Kinder toys and intervene during their design phase, making sure that each surprise contains play elements which help the motor and cognitive development of children.
- **Age grading evaluation:** the Kinder Surprise Company invites psychologists and international organizations to evaluate its toys, in order to establish their compliance with the guidelines about age grading stated by the CEN (European Committee for Standardization).
- **Medical check:** the Kinder Surprise Company subjects all the prototypes of Kinder® surprises to the previous approval of an expert ENT doctor (otolaryngologist), who sometimes suggests modifications that are promptly implemented by the Company. No surprise toy enters the manufacturing stage without the full approval of the specialized physician.
- **Safety Assessment:** the Kinder Surprise Company makes a preventive safety exam on all the Kinder surprises in their project phase. The exam verifies whether the toys, even considering probable improper use by the child, have “ulterior” risks, i.e. risks that were not listed in the technical specifications. A lack of attention to those risks might not fully guarantee the safety of the surprise toy.



In cases when the rigorous prototype approval process reveals the existence of any minimal risks, the toy is immediately modified.

By respecting a compulsory norm from the new 2009/48/CE directive on toy safety, which introduced compulsory safety assessments for toys, the “Kinder Surprise Company” approach proves once again to be highly responsible and thorough.



In order to reach this extremely high safety threshold, the “Kinder Surprise Company” imposes upon its toys more rigorous requisites than the EN 71 toy safety standards, especially regarding their chemical composition, and with particular attention to the migration of heavy metals (the limit set by the internal code is lower than the limit deemed acceptable by the EN 71 standard, which is already very strict).

Even on the aspect of mechanical requisites, the “Kinder Surprise Company” has implemented a more rigorous application of the international standard on toy safety (ISO 8124) for its surprise toys: they can only successfully pass the “abuse tests” required by this standard (drop test, torque test and traction test, which simulate children’s normal behaviour whole playing) only when no part of the toy breaks at all; on the contrary, the international standard allows the toys to break, as long as the broken parts do not create sharp cutting edges.

Therefore, the application of the internal code guarantees the solidity and integrity of the surprise toy with all its parts.

“Surprises made with very resistant material (PA6): polypropylene or ABS would not pass the mechanical tests”



Such durability can only be reached through the use of selected materials, with a high level of resistance that allows them to pass all the abuse tests.

Other highly strict tests made by the “Kinder Surprise Company” on a voluntary base are:

- “cross cut test” to evaluate the peeling of the paint from the toys;
- resistance tests to saliva and sweat, aimed at verifying that no paint or dye can be transferred from coloured toys to the mouth, the mucous membranes or the skin.

#### The guarantee of a global standard

The “Kinder Surprise Company” guarantees total adherence to its internal code for the design and manufacturing of surprise toys during the entire production cycle. Therefore, all of the Kinder® toys on the market are compliant with the internal code described above. This happens independently from the production location of the toy and from its destination to the various possible markets. It is a **global** approach to the theme of safety, inspired by the most rigorous international safety and quality control standards, and often even stricter than those standards.

The measures activated for this purpose can be briefly summed up into:

- a selected number of manufacturers, approved and monitored by the “Kinder Surprise Company”;
- the compliance of these manufacturers with the production directives of the “Kinder Surprise Company”;
- an internal Green List updated roughly once a year, that enables the safest choice of materials to use for toys;
- the intervention and monitoring by the “Kinder Surprise Company” during the purchase of raw materials.

#### Controls/quality

The Quality Department of the “Kinder Surprise Company” makes **constant quality controls** during the whole production process of the toys, according to very accurate specific procedures inspired by state-of-the-art practices in this field.

The “Kinder Surprise Company” has voluntarily adhered to **auditing programmes** proposed by the notified organizations, related to compliance with the norms from national quality labels (“Giocattoli Sicuri” in Italy, Marque “NF” in France, “Calidad Comprobada” in Spain, “SP” Mark in Sweden).

These programmes take into account, when relevant:

- the periodical audits of the Ferrero quality system for toys;
- the collection of samples from the market and from Ferrero warehouses, so that independent third parties and the Ferrero Quality Assurance may verify externally, through all the necessary tests, the consistent quality of the entire Kinder® toys production process.

#### Certifications

The “Kinder Surprise Company” toys are certified by six European organizations, “notified” to the European Commission and authorized by national authorities and, where requested, by extra European organizations for local certification.



#### Production: growing together with the local communities

Kinder® toys are mainly manufactured in Europe, China and India. This geographical decentralization, far from the usual production locations, has created a large number of jobs in emerging countries.

The principles that guide their relationship with Ferrero are “to train and to build”, i.e. transferring forty years of corporate experience and create a direct relationship based on knowledge, exchange and growth. In fact, pursuing technological advances in production processes contribute to the growth of industry expertise, especially in emerging countries.

### The continuous growth of the know-how

#### Before

- Injection moulding is the traditional process used for the production of most plastic objects.
- In the manufacturing of surprises, the traditional process involved injection moulding and subsequent manual painting.

#### Now

- The endless search for improvements brought about an evolution in the design of the surprises. Manual painting has been substituted with an innovative printing system.
- This innovation will guarantee a reduction on the use of paints and solvents, which spread into the environment.

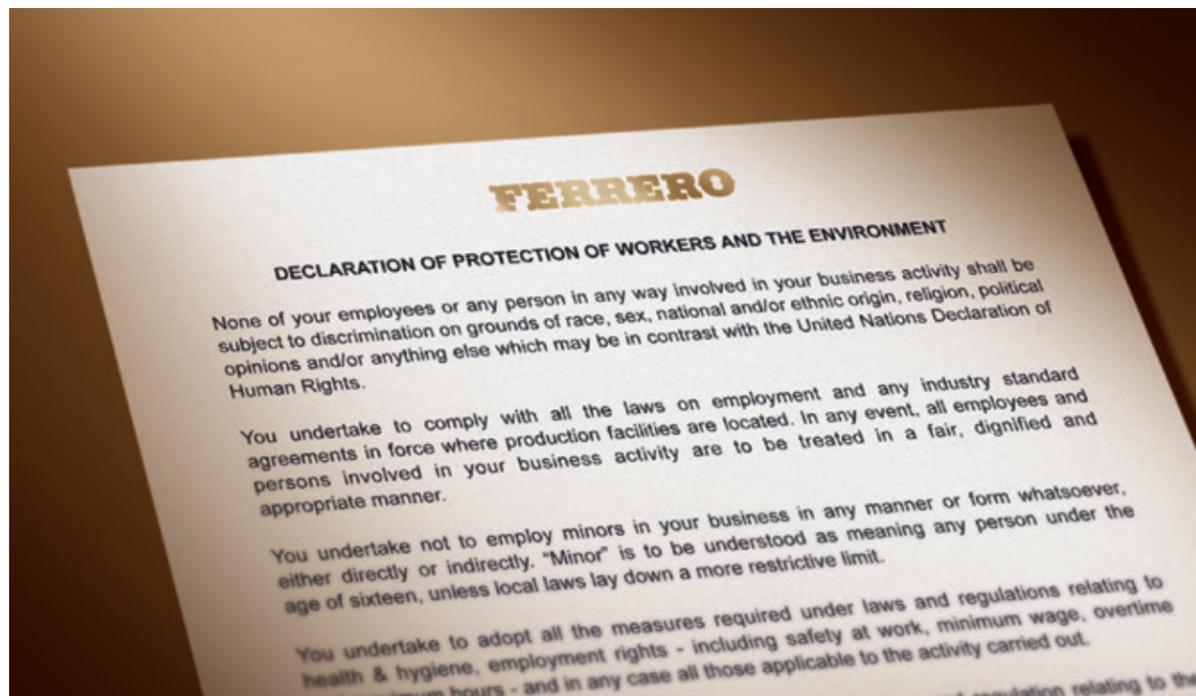
### Ethical, social and environmental requisites for suppliers

The Ferrero Group has devised and implemented a “code of conduct” for suppliers all over the world, related to the ethical and environmental aspects of the production of surprise toys.

This allows both to maintain the desired high qualitative standards and to keep sharing know-how and expertise with Ferrero suppliers. The Code, called “Ethical, Social and Environmental Requirements for Suppliers of Kinder® Toys”, is inspired by the most advanced international ethical codes and is equally rigorous and detailed

### Synthesis of the ethical, social and environmental requisites for suppliers of Kinder® toys

- The manufacturers of surprise toys must be subjected to an accurate precautionary audit aimed at verifying their respect of the fundamental rights from the Code of Ethics.
- Child labour is not allowed.
- Production plants, the work environment and the services (canteen, halls of residence, lavatories) must comply with all the local norms on hygiene in the workplace and accident prevention.
- Employees have the right to form a trade union or to adhere to an existing trade union, and to freely elect their representatives.
- No employee can be discriminated on the grounds of race, nationality, religion, disability, gender, age, sexual orientation, trade union membership or political affiliation. The disciplinary practice must be carried out in full respect of the law.
- All employees must be guaranteed a salary that is equal or over the legal minimum wage (local or national), both for normal work hours and overtime. Overtime must be regulated according the local norms and customs.
- The manufacturers of surprise toys must respect the national and local environmental norms on the prevention of environmental pollution, the disposal of chemical substances and waste.



Ferrero has developed a programme to assess the degree of implementation of the “Code of Conduct”, working with two third-party organizations (SGS and UL) to **annually inspect all Kinder toy manufacturers**, in order to ensure the application and compliance with the ethical requirements that represent core values for the Group.

The inspections carried out by these organizations confirm that the behaviour of the manufacturers of surprise toys is in line with the fundamental spirit and principles of the “Code of conduct”, and that there are no compliance issues regarding the safeguarding of human rights and of other extremely important items from the code. The inspections also confirm that, under no circumstances, the use of child labor is neither happening nor tolerated.

All this is particularly reassuring regarding the respect of the working conditions offered by the Kinder toy suppliers. This also allows Ferrero to honour specific commitments on ethical issues with some of its licensors that are particularly attentive to these questions.

## Responsible communication

For a company, being socially responsible means voluntarily adopting practices and behaviours that push beyond compliance to laws and regulations; for Ferrero, it means adopting a series of self-regulation norms, particularly regarding nutritional information on labels and advertising, and participating to programmes that promote physical activity and improve dietary choices. Ferrero is convinced that these actions will bring tangible benefits to the social context in which the company belongs, as a responsible citizen.

**At a global level**, Ferrero partakes in the **International Food & Beverage Alliance** (IFBA) (<https://ifballiance.org>). The IFBA is an association of the world's most important food companies, carrying out wide-reaching self-regulation programmes on the formulation and portioning of food products, the nutritional information for consumers, the advertising directed to children and the promotion of physical activity.

**In Europe**, Ferrero is a member of several associations: **FoodDrinkEurope** (European federation of food and beverage industries), **Caobisco** (association for the confectionery industry), **European Brands Association** (AIM), and the **World Federation of Advertisers** (WFA).

Moreover, together with other companies in the sector, Ferrero participates in self-regulation initiatives in several fields, for example:

- responsible advertising addressing a young audience ("**EU Pledge**": [www.eu-pledge.eu](http://www.eu-pledge.eu));
- the promotion of fair practices in trade relations between actors in the food chain, as part of the "**Supply Chain Initiative**" ([www.supplychaininitiative.eu](http://www.supplychaininitiative.eu)).

Since 2006, in the framework of the European Platform on Diet, Physical Activity and Health, Ferrero has also taken on a series of individual pledges towards the European Commission, particularly regarding:

- labelling;
- advertising;
- the promotion of physical activity through "Kinder+Sport";
- the diffusion of globally correct lifestyles through the support to the "EPODE" programme (Ensemble prévenons l'obésité des enfants [www.ncbi.nlm.nih.gov/pmc/articles/PMC3492853](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3492853)).

With the objective of strengthening internal and external credibility, Ferrero annually submits its self-regulation commitments to monitoring activities, certified by independent third parties.



## Monitoring of food advertising

### At a global level

At a global level, Ferrero applies the “IFBA Policy” on advertising targeting children; according to its principles, the **Group does not target its products' commercials, be it TV, press or web, towards an audience predominantly made up of children under the age of twelve.**

Consistent with its European effort, as of January 1st 2013, Ferrero has reinforced its commitment to reach a global level, reducing the threshold of the audience under twelve being exposed to its TV advertising from 50% to 35%. Moreover, given the growing importance of the digital world, **Ferrero decided to include corporate websites within the scope of its commitments and their application.**

The results of the external monitoring by Accenture confirm the positive trend of the last five years ([https://ifballiance.org/sites/default/files/Accenture Monitoring Report IFBA201March2014-1.pdf](https://ifballiance.org/sites/default/files/Accenture%20Monitoring%20Report%20IFBA201March2014-1.pdf)).



In particular, for the monitoring of TV advertising conducted in 2013<sup>1</sup>, Accenture has analysed more than half a million commercials, chosen independently, broadcasted for a period of three months on over 200 channels in 7 countries: China (Shanghai City), Colombia, Malaysia, Russia, Saudi Arabia, South Africa and Thailand. For the first time, the monitoring focused on an audience with only 35% of children under 12.

The aggregated results are not too different from the previous years. The general compliance level of TV advertising is 96.9% (down from 98.9% last year).

The monitoring of press campaigns was carried out in five countries: Brazil, China, Russia, South Africa and Singapore. In this instance, and on the basis of a sample of 49 publications, the compliance was confirmed at a 100% level. In the same countries, the monitoring of 86 corporate websites showed 100% compliance with the company's pledges.

In the case of Ferrero, the monitoring of the pledges on TV advertising involved a sample of five countries, and the compliance rate<sup>2</sup> is as follows: China: 100%, Malaysia: 90.9%, Russia: 99.6%, South Africa: 89.8% and Saudi Arabia: 99.9%. The compliance of press advertising was evaluated by Accenture between April and June 2013 in Brazil, China, Russia, South Africa and Singapore. In these countries, no cases of violation were identified. In the same countries and in the same period, online advertising (including corporate websites, as stated above) was also subjected to an Accenture monitoring. No violations of Ferrero's pledge were identified.

### At a European level

With regards to European advertising, Ferrero participates to the “EU pledge” initiative, which delineates a series of commitments towards a responsible approach to food product advertising to children under twelve on TV, in the press and via the Net.

As predicted in the previous CSR Report, 2013 saw a strengthening of the commitment on advertising self-regulation; for Ferrero, it meant the inclusion of its websites in its self-regulation and a lower threshold of the audience under twelve being exposed to its TV advertising (from 50% to 35%).

<sup>1</sup> Accenture's report on TV monitoring of the IFBA pledge was written in the second half of 2013.

<sup>2</sup> These compliance levels are related to the monitoring of commercials shown in the “All spots (All GRPS, All Time)” no-watershed hours.

The new commitments have also been evaluated as part of an **annual monitoring by two external organizations**<sup>3</sup>:

- **Accenture Media Management** for TV advertising in France, Germany, Hungary, Poland, Portugal and Spain;
- **European Advertising Standards Alliance (EASA)** for the websites of a number of companies adhering to the “EU PLEDGE”, evaluated by the national organizations for advertising self-regulation in ten European countries (Belgium, France, Germany, Hungary, The Netherlands, Poland, Romania, Spain, Portugal and United Kingdom).

In 2013, as a result of the growing attention to the digital world, the “EU PLEDGE” companies decided to discontinue the monitoring of communication in schools (where the compliance rate has proven extremely steady in the last five years, reaching nearly 100%) and to reinforce the pledge’s monitoring of relevant websites.

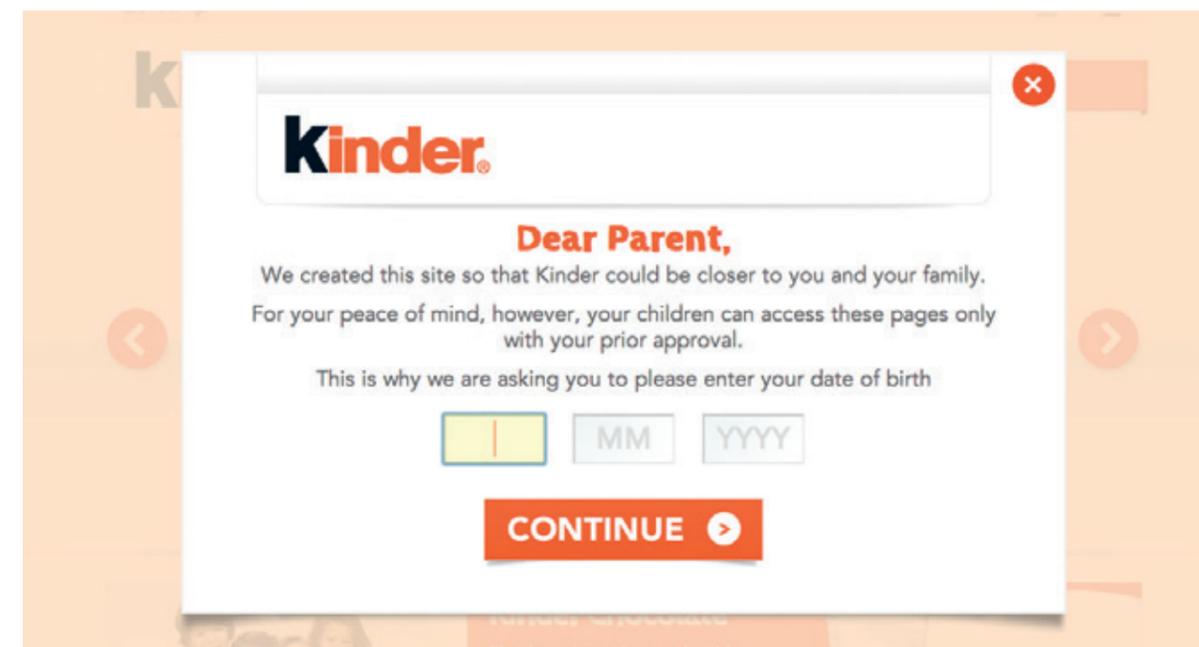
The total compliance rate of the “EU PLEDGE” companies for TV advertising is 98.1%, in line with the results of the previous year (98.3%).

The compliance rate evaluated after the monitoring of the websites is at 94%, in line with the results of the previous year (95%), despite the increased number of websites under review (from 210 to 347).

In order to **guarantee a dependably high level of compliance**, the Group started a strict **coordination activity between the functions involved in the many aspects of responsible advertising** (marketing, legal, media planning). Ferrero has also developed **internal guidelines on good practices relative to corporate websites**, updated on the basis of the latest EASA monitoring’s results.

In TV advertising, Ferrero’s specific compliance rates for 2013 are as follows: Spain 99.4%, France 100%, Portugal 100%, Poland 98%, Hungary 99%, Germany 99.8%. The Group was informed of

<sup>3</sup> The data presented in the monitoring report of Accenture Media Management and EASA refer to the first half of 2013.



some minor cases of non-compliance, but immediately adopted the necessary corrective actions on the implicated TV commercials.

31 of the 347 corporate websites under review belonged to Ferrero; six sites have been evaluated against the criteria of the EU Pledge, while one was carried out against a national code of self-regulation. Here too, Ferrero immediately took the appropriate actions in cases of non-compliance.

Finally, with regard to the participation of Ferrero in the work of the EU Platform, the Group is required to annually submit a report on its individual monitoring of each area in which Ferrero has made commitments: formulation and portioning of products, proper food information and nutrition education, physical activity promotion, responsible advertising communication. The report is then evaluated by an external body on behalf of the European Commission.

## The labels speak for themselves

In compliance with the current legislation in different countries, Ferrero offers its consumers correct and transparent nutritional information. Adding to the directives of the single national laws, Ferrero pledges to offer additional nutritional information on the front of packs, in order to have more readable and comprehensible labels.

For the Kinder® and Nutella® products and Ferrero snacks, in Europe, the Group has fully implemented the recommendations on nutritional labelling on its labels by FoodDrinkEurope (the European federation of food and beverage industries).

From December 2014, the new (EU) regulation 1169/2011 on consumer information will be applied in Europe: after that date, the Ferrero Group will renew and update its commitment to the provision of additional nutritional information on the front of packs. (<http://pr.euractiv.com/pr/major-food-producers-keep-calories-front-pack-92848>).

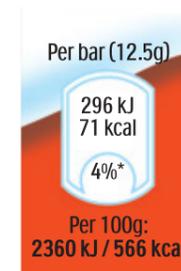
The commitment, made together with other companies belonging to FoodDrinkEurope, covers 100% of the products of the Kinder® and Nutella® lines (for which the Group took the original pledge) and 100% of Ferrero snacks.

NUTRITIONAL INFORMATION				
Typical values		Per 100g	Per bar (12.5g)	%RI* per bar
Energy	kJ/kcal	2360/566	296/71	4%
Fat	g	35	4.4	6%
of which Saturates	g	22.6	2.8	14%
Carbohydrates	g	53.5	6.7	3%
of which Sugars	g	53.3	6.7	7%
Protein	g	8.7	1.1	2%
Salt	g	0.31	0.4	1%

\*Reference intake of an average adult (8400 kJ / 2000 kcal)

Nutritional information related to Kinder® Chocolate

The **new logo**, born from a shared effort, offers voluntary nutritional information on the **front of pack**, integrating the new data prescribed by the (EU) regulation 1169/2011, in particular:



\*Dietary reference value of an average adult (8400 kJ/2000 kcal)

- the use of values “per 100g” and “per portion”, indicating both the energy value and the amount of nutrients;
- the expression in Kilocalories and in Kilojoules;
- the supplementary indication “Dietary reference value of an average adult (8400 kJ/2000 kcal)”, in close proximity to the calories and Kjoules indications, in case of repetition of the information.

As foreseen in the previous CSR report, in order to guarantee full consistency at a Group level with the commitments taken in Europe, Ferrero continues to offer voluntary nutritional information on the front of packs outside of Europe as well.

Last reporting year, Ferrero introduced nutritional information for Nutella® in the **United States** using the “Facts up front” project framework, while the Kinder® and Nutella® line products in **Mexico** followed the “Checa y elige” nutritional information scheme. Consequently, **Ferrero decided to implement, by the end of 2015, the IFBA Principles on nutritional labelling at a global level for the Kinder® and Nutella® lines.** In order to reach this target, Ferrero implemented a series of feasibility studies aimed at understanding how to integrate the IFBA recommendations in the individual national legislations. The Group has developed internal objectives within the fixed deadline, as listed in the chart below:

Countries/Area	Nutella® and Kinder® front of pack nutritional information
Australia	September 2014
Belarus	September 2014
Kazakhstan	September 2014
Russia	September 2014
Latin America <small>Chile, Ecuador, Peru, Brazil and Argentina</small>	September 2014
Latin America <small>Rest of area</small>	September 2015
China	September 2015
Philippines	September 2015
Japan	September 2015 (Nutella®)
Hong Kong	September 2015
Singapore	September 2015
Thailand	September 2015
Malaysia	September 2015
Middle East and Gulf countries	September 2015
India	September 2015

The chart does not include countries in which the implementation of the IFBA principles already took place. For the not included countries, local legislative dispositions are already in place or the IFBA principles will be applied, anyway, by the end of 2015.

## The EPODE programme

Since 2007, Ferrero is a partner of the EPODE project (Together to prevent childhood obesity) and of the European Epode Network (EEN). In the framework of the EEN network, Ferrero kept on participating to national EPODE projects in France, Belgium, Greece and Spain. In 2013, the Netherlands were added to the list; Ferrero participates to the "JOGG" project in the Dutch city of Breda (more details in the chart below).

As foreseen in the previous CSR Report, since 2012, the main project of the EEN platform is EPHE (Epode for the promotion of Health Equity), a project co-financed by the European Commission (DG SANCO). The project, covering the three years from 2012 to 2015, specifically targets economically and socially underprivileged people. In particular, it focuses on socio-economic inequality, with the target of decreasing the risk of conditions related to poor diets or sedentary lifestyles in families with children aged between six and twelve in seven European countries: Belgium, Bulgaria, France, Greece, The Netherlands, Portugal and Romania.

The programme will study the added value of the EPODE methodology on the active involvement of the families, the schools and the community in the local initiatives. EPHE is carried out in collaboration with the European Commission and with other European Universities (Ferrero's 2012 CSR Report contains more details on the partners), involving seven communities, identified as pilot projects in the seven mentioned countries.

These interventions will be the basis for the definition of concrete recommendations aimed at developing good practices to be spread through the European cohesion policies and their structural funds, encouraging local, regional and national authorities to invest in the



EPODE methodology. At the end of the project, the "good practices" will be integrated within a book of recommendations written by EPHE and a series of scientific publications.

In the years to come, the main critical element will be the evaluation of the sustainability of the interventions in the seven pilot communities, to prove their lasting effects in time. For this reason, always in 2013, Ferrero and the other partners of the project decided to extend the project for another full year, in order to measure more accurately its success and its lasting benefits over time.

The importance of the public-private partnerships with social value has been recognized by the European Commission (also from a formal point of view). The Commission defined EPODE as a best practice model to replicate in other countries of the European Union, as it brings together all the major actors in the fight against obesity – the scientific community, the industry, the authorities and the local communities – allowing the identification of specific actions to be taken, thus resulting in a concrete impact on the ground.

For more information:  
[www.youtube.com/watch?v=NyMpsDpZMA](http://www.youtube.com/watch?v=NyMpsDpZMA), "Institutional support in prevention", Directorate for Consumer Affairs, DG SANCO.)

Ferrero's contribution in	Programme	Cities and people	Website	Year	EURO
EU	European Epode Network (Primarily EPHE)	4 member states (7 member states with EPHE)	<a href="http://www.epode-european-network.com">www.epode-european-network.com</a>	2013	150,000
France	Vivons en forme	3,8 million people in 250 cities	<a href="http://www.vivons-en-forme.org">www.vivons-en-forme.org</a>	2013	250,000
Spain	Fundacion THAO	75 cities and 155,000 children	<a href="http://thaoweb.com">http://thaoweb.com</a>	2013	90,000
Belgium	VIASANO	18 cities and about 700,000 people	<a href="http://www.viasano.be/?lang=fr">www.viasano.be/?lang=fr</a>	2013	100,000
The Netherlands	JOGG	35 cities, but Ferrero is only present in Breda	<a href="http://www.jogg.nl/nieuws/2013/09/eerste_watertappunt_bij_basisschool_in_jogg-breda">www.jogg.nl/nieuws/2013/09/eerste_watertappunt_bij_basisschool_in_jogg-breda</a>	2013	20,000
Greece	PAIDEIATROFI	3 cities	<a href="http://www.paideiatrofi.org/en">www.paideiatrofi.org/en</a>	2013	50,000

For more information about Ferrero's commitment to the promotion of active lifestyles amongst young people, please refer to the "Kinder+Sport" chapter.