



ABOUT THE FERRERO COMPANY

Ferrero is an international, family-owned confectionery company with Italian roots. Founded in 1946 in Alba, Italy, Ferrero today is the third largest chocolate producer and confectionery company in the world. The Ferrero Group has twenty-one production plants, three of which operate within the framework of Social Enterprises. Ferrero products are marketed directly or through authorized distributors in over 160 countries. By 2013/14, the Group had a consolidated sales revenue of €8,412 million and about 27,500 employees. Ferrero Deutschland plays a key contributing role within this Group: With 27 famous brands like Mon Chéri, Ferrero Küsschen, nutella or kinder Schokolade, brought to the market in Germany, Ferrero Deutschland is the market leader in the German confectionery industry. Since 1956, its production site has been located in Stadtallendorf near Marburg and its administrative center in Frankfurt am Main. In Germany, more than 4,000 people work for Ferrero.

ABOUT CARLO VASSALLO

Carlo Vassallo first joined the marketing department of the Ferrero Group in Brussels in 1981. He worked in several roles and projects, for example, in the R&D department "Soremartec" in Luxembourg and in operational marketing in Italy. Between 1994 and 2001 he was responsible for developing the Czech and Slovak market and establishing the local Ferrero subsidiary. From 2001 to 2009 he extended Ferrero operations to Poland, in both commerce and production in his position as General Manager Ferrero Poland and assumed the additional responsibility of being Area Manager Central and Eastern Europe. In 2009 he was appointed Country Manager and CEO of Ferrero Germany.

THE INTERVIEWER

The interview was conducted by
Professor CB Bhattacharya in November 2015.

Responsible Chocolate

*MIR Interview with Carlo Vassallo,
CEO of Ferrero Germany*



Being one of the biggest and most successful players in the chocolate business, there is no way around the topic of responsibility for Ferrero. Carlo Vassallo, CEO of Ferrero Germany, tells us how the company sources raw products like cocoa beans and hazelnuts. He discusses the highly contested topic of palm oil and the difficulties of marketing chocolate in times of increasing obesity. Ferrero's CSR record and approach to managing stakeholder relations are impressive. We are confident that you will enjoy your Nutella sandwich even more after having read this interview.

MIR: To start, could you please explain to us how Ferrero deals with responsibility issues?

CARLO VASSALLO: For us, responsibility not only means marketing our products responsibly. It is an overall approach for managing our entire value chain. Today we live in a very complex world, and CSR is our way of handling this complexity. Our strategy deals with sourcing raw materials, like cocoa beans and nuts and with processing them. Finally, it also addresses the way our products are brought onto the market and consumed.

MIR: What would you consider the core elements of your CSR initiatives?

CARLO VASSALLO: Our strategy is based on two pillars – “people” and “planet.” And this really is part of the Ferrero DNA. Our founder, Michele Ferrero, was prioritizing social responsibility in his day without talking about it or calling it CSR. At that time nobody talked about CSR, the term was not yet common. Nevertheless, the idea and concept of acting sustainably were naturally put into practice.

MIR: So you have a longer CSR tradition than many other companies. What were Ferrero's first CSR steps back then?

CARLO VASSALLO: Michele Ferrero established the Ferrero Foundation. It mainly provides services to Ferrero retirees, and it was and still is engaged culturally in the Alba area in Italy. Today, the Foundation is also active in our bigger markets, like in Germany.

MIR: And nowadays, how else does Ferrero assume responsibility for people?

CARLO VASSALLO: The care for people and the country has been extended to encompass the entire value chain, from employees of Ferrero production plants around the world to the families of people who grow the raw materials, from the care for every single region where we're doing business to environmental protection on a global scale. There are a lot of activities that are guided by this concept. We have set up Ferrero Social Enterprises in some of the poorest regions of the world. And we take human rights very seriously. When it comes to the pillar "people," we also offer the global educational program kinder+Sport, involving 21 countries and engaging 3.8 million children. To care for people we have also put into practice a nutritional strategy, ongoing innovation and food safety programs. We have committed ourselves to communicating responsibly with consumers, and we are always watching out for our employees, retirees and the local communities we're involved with.

MIR: In your supply chain, people and planet issues come together, I assume. What are your activities for the environment?

CARLO VASSALLO: We are working along the whole value chain and aiming to ensure sustainability in every aspect. We source raw materials sustainably, care for natural resources and have committed ourselves to policies for reducing CO₂ emissions and using energy efficiently. For instance, many of our factories are already producing their own energy.

MIR: Let's take a closer look at some of your activities. You mentioned caring for local communities in poor countries and operating what you call Social Enterprises. What are Social Enterprises and what kind of impact do they have?

CARLO VASSALLO: Social Enterprises are for-profit businesses that also have a social mission: they not only aim to create jobs in less-advantaged areas of emerging countries but develop a social environment where children can grow up safely. They carry out social and humanitarian projects to safeguard the health and educational and social development of children and young people. We operate Social Enterprises in Cameroon, South Africa and in India.

MIR: What about other developing regions?

CARLO VASSALLO: In other countries where we source our raw materials, we support various projects as well. For instance in Ghana, where we source cocoa, Ferrero supports and finances school classes. In order to encourage participation, we also investigate the reasons why people sometimes do not send their children to school. We found out that offering children a little breakfast at school makes parents more inclined to send them. We have also built water wells for individual communities so that fetching malaria-free water is safe and less time consuming. Further, we look after parents' health by donating malaria nets; if the parents stay healthy, they don't have to send their children to work. Generally, we're carrying out those projects in collaboration with local organizations or in collective engagement.

MIR: Aren't those initiatives just a drop in the bucket? Or do they really make a difference?

CARLO VASSALLO: We are very serious about real improvement, and that's why we started our F-ACTS program a few years ago. It stands for Ferrero Agricultural Commitment to Sustainability and applies to all our key raw materials, like cocoa beans, hazelnuts or palm oil. In this program we are working on having 100 % cocoa certified as sustainable or the implementing a traceability plan for 100 % of hazelnuts by 2020. For palm oil we are ahead of plan. We are committed to our goals and are investing financially and in resources and in people.

MIR: How is your progress? Do you cooperate with partners to achieve your ambitious goals?

CARLO VASSALLO: Ferrero requires all suppliers and collaborators to comply with Ferrero's Code of Business Conduct. They have to comply with non-negotiable standards that are high and quite strict. They also have to follow rules concerning human rights and environmental protection. We know very well that most of our raw materials come from countries in which we still have a long way to go, but we are working and working to keep things going. Every specific supply chain is different, but all of them are very complex and that is why all stakeholders along the value chain must work together to achieve sustainability. The local government, the society and many local institutions have to work with us and support what we are doing.

MIR: Do you also cooperate with Fairtrade International?

CARLO VASSALLO: Indeed, Ferrero committed in 2013 to buying 20,000 metric tons of cocoa by 2016 on Fairtrade terms. Currently, the Ferrero Group is sourcing certified as sustainable cocoa beans through farms that are certified by one of its partners UTZ Certified, Rainforest Alliance Certified and Fair Trade. Alongside the 2020 goal, Ferrero constantly collaborates with non-profit and farmer organizations to address agricultural, social, environmental and business issues in cocoa farming. Ferrero also continues supporting ongoing local projects to ensure sustainable cocoa production while improving cocoa farmers' living conditions and the well-being of their communities.

MIR: That sounds like you are taking on a big challenge. Can you give us an example of any other specific cooperation you're involved in?

CARLO VASSALLO: We have a robust cooperation with Geo-Traceability and are using the GeoTraceability farm mapping system. This tool enables us to map farms that supply traceable cocoa. The project was and still is a huge job. As a consumer of cocoa beans this system allows us to track the cocoa back to the specific community where it was grown. When the cocoa is produced, it is bagged and barcoded with information on its farming community. This makes tracing possible further along the supply chain and allows Ferrero to trace their cocoa back as it travels from a farming community to the factory.



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as it is often described.

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MIR: You mentioned using palm oil before. This is a hot topic. Does it really have to be palm oil?

CARLO VASSALLO: Palm oil is not as bad as it is often described. Oil palm is highly productive, capable of yielding more oil from less land than any other vegetable oil, with relatively modest inputs. As a result, palm oil production has become an important source of income and a major part of the economy in the regions where it is grown. We use palm oil because in the case of confectioneries, it has some qualities that no other alternative has. It gives the products a unique consistency without needing to add any chemical additives and without producing “trans-fatty acids,” which are recognized as particularly harmful to health. Palm oil also enhances the taste of other ingredients due to its odorless and tasteless characteristics.

MIR: How does Ferrero handle the problem of deforestation for palm oil production?

CARLO VASSALLO: Our palm oil has been 100 % sustainable since the end of 2014. It is certified as segregated by the Round Table for Sustainable Palm Oil. But our responsibility does not stop at this point. We’ve created a strategic partnership with the non-profit organization TFT (formerly the Forest Trust) by launching our own Ferrero Palm Oil Charter, which sets out a number of additional criteria. Plus, Ferrero actively supports the POIG (Palm Oil Innovation Group) which aims to endorse innovation in the palm oil production business in order to delete deficits.

MIR: Was Ferrero ever exposed to environmentalists’ attacks? How did you react?

CARLO VASSALLO: The most well-known instance is a French one, but it was also covered by international media. In summer 2015, Ségolène Royal, the previous ecology minister, attacked Nutella for its use of palm oil and urged a boycott. We tried to respond in an open, clear and calm way and not to overreact. But we saw even stronger reactions against Ms. Royal from NGOs and Nutella lovers who supported Ferrero. It was the first time Greenpeace was on our side and the WWF and others as well, defending Ferrero for its leading role in fostering and ensuring sustainable palm oil production. In the end, Ms Royal apologized for her criticism via Twitter only two days later.

MIR: That’s a wonderful story, but let’s now move from the supply side to the consumer side of your business. In times of growing obesity and other sedentary diseases, some critics view the marketing of sweets and chocolate negatively. How does Ferrero deal with health issues?

CARLO VASSALLO: Well, obesity comes from several aspects. The chocolate and confectionary industry might be involved, but blaming it on chocolate is quite misleading. It depends on the general lifestyle of people, their specific diet and their physical movement. So we are acting in two ways. First, we teach children to carry out physical activity and to do sports, for example, in our “kinder+Sport” program that promotes physical activity on a very basic level. Our second lever is portion size. Combining enjoyment and balance when considering food intake is without doubt a personal choice. However, providing the vast majority of our products in individual packages clearly indicates the recommended portion size and intake.

MIR: You mentioned the kinder+Sport program. Having children as a target group gives you even more responsibility. What’s your philosophy related to the marketing of “unhealthy” food to children?

CARLO VASSALLO: Our communication is never addressed to children directly. We have been part of the International Food and Beverage Association’s pledge not to advertise to children below the age of 13 for many years, and we strictly keep this rule. Mainly, we address our messages to the mothers and fathers responsible for buying food and chocolate. And we want to teach and underline as much as we can that parents should take the lead when it comes to the diet of their children. And chocolate could definitely fit into a balanced nutrition – respecting quantity and encouraging children to exercise.

MIR: What are, to you personally, the most important CSR issues in the coming years?

CARLO VASSALLO: For me the most important part of our CSR is that it’s not just a philosophy or statements and messages but something real and tangible that is lived internally and externally. For that we are initiating a lot of internal communication

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and activities in our employee community. We have events, conferences and meetings where we communicate and deploy all CSR activities. And we're encouraging our own people to show their engagement – in our Social Day or our different health programs, for instance. Externally we work with many different stakeholders, and we hold dialogues and involve them to live out and make concrete our CSR commitment. We cascade all activities in our internal and external communication and are working continuously on all topics and issues in a 360-degree scenario. That's how we keep our CSR spirit alive.

MIR: Will there be any particular fields of attention?

CARLO VASSALLO: Our overall objective, and this comes from the Ferrero family as well, is to always be transparent and honest. It is less important to be right or wrong as long as you are transparent, reliable and honest.

MIR: I know your CSR report, and I am really impressed by all your activities around CSR. But do you think consumers are rewarding you for your CSR? Do they know what you all are doing?

CARLO VASSALLO: For sure, the consumers don't know the details. But as a huge company and market leader we feel committed to act in an ethical and sustainable way. And when

we're criticized, we can tell the truth, we are able to explain things and respond to requests. That's what the consumers do notice. I strongly believe and I know that many small things together make a difference. And consumers reward a company that reacts in a fair and clear way. Often rewards come back to us from our trade partners. If the consumers trust us, we can also build trust with the retailers, and they support us with the way they display and position our products. So we are earning trust and this trust is our payback.

MIR: So, there is also a business case for your investment in CSR? In the end, you are doing well by doing good?

CARLO VASSALLO: We are doing well, for sure. Often we are told that we are not communicating enough about our CSR. But for us it is normal, and this is the Ferrero way. Some of the things we do have been going on for 25 to 30 years. And above all we are still family owned. We want to carry on the values of the family and our founder.

MIR: Excellent. Thank you very much for your time and for this 360-degree perspective on your wide range of CSR activities. And thanks also to you, the Ferrero family and the employee community for your earnest contribution to making our world a better place.

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