

A close-up photograph of a cocoa tree trunk with several cocoa pods. The pods are in various stages of ripeness, with some being bright yellow and others still green. The background is filled with lush green leaves, creating a natural and vibrant setting.

FERRERO

**ANNUAL COCOA CHARTER
PROGRESS REPORT 2021/22**



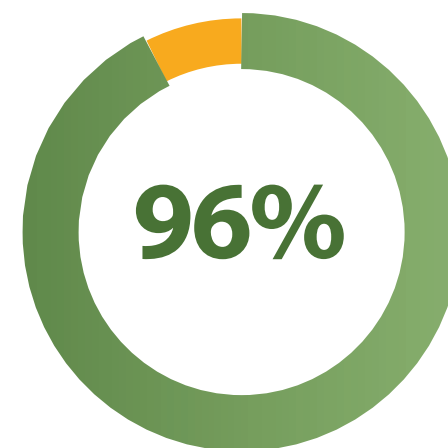
KEY FIGURES ON FERRERO'S PROGRESS IN 2021/22



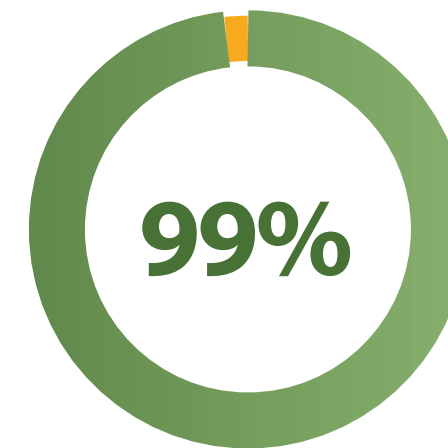
Cocoa suppliers acknowledged Ferrero Supplier Code



Sourced through certification and independently managed sustainability standards



Traceable to farm level via GPS



Farmer groups covered by a Child Labour Monitoring and Remediation System (CLMRS) – or equivalent



224,000 metric tons
Cocoa sourced



198,000
Farmers participated in Ferrero's program



40,000 Farmers received targeted support to improve farming practices and diversify incomes



1,536
VSLA groups² active



1.7 million
Cocoa seedlings distributed (7.3 Million in total by 2021/22)



143,000 ha
Agroforestry developed



24
Schools built or renovated (103 in total by 2021/22)

*89% traceable to farm level with polygon mapping

¹ See p. 15

² VSLAs groups are self-managed groups of community members who meet regularly to save their money in a safe space and have access to small loans



FERRERO – RESPONSIBLE SOURCING APPROACH

At Ferrero, we take a continuous improvement approach to responsible sourcing. Our approach is built around supplier management and robust due diligence, traceability and transparency, certification, and standards. We know more can be achieved together and long-term partnerships and collaborations are essential. We invest in our supply chains through targeted programmes to improve their environmental, social and governance (ESG) conditions and their overall standards. Through the activities of our sustainability programme, Ferrero Farming Values (FFV), we work to make a difference to the supply chains in which we operate.





We aim to be a driving force in a cocoa sector where production creates value for all: where the livelihoods of smallholders and farming communities are improved; children’s rights are respected; and the environment is actively protected and enhanced through sustainable agricultural practices.

FERRERO COCOA CHARTER

In line with our **Supplier Code**, the **Cocoa Charter** lays out our requirements and long-term commitments for sourcing cocoa responsibly.

2021/22 ACTION PLAN FOR COCOA

The **Cocoa Action Plan** outlines our key actions to meet the commitments in our Charter.

RESPONSIBLE SOURCING APPROACH	CHARTER REQUIREMENTS AND COMMITMENTS	KEY ACTIONS*
 Programme(s)	PILLAR I: Sustainable Livelihoods	Number of farmers with Farm Development Plan Number of people supported with Income Generating Activities (IGAs) ³
	PILLAR II: Human Rights and Social Practices	Percentage of farmers’ groups with Child Protection Systems such as CLMRS ⁴ Number of children reached via holistic Community Development programmes ⁵ Number of VSLA groups established ⁶
	PILLAR III: Environmental Protection	Hectares of cocoa farms with agroforestry in development
 Standards and Certifications	PILLAR I: Sustainable Livelihoods	Percentage of cocoa sourced responsibly ⁷ Percentage of cocoa sourced with Living Income Differential (LID) ⁸
 Supply Chain Visibility	PILLAR IV: Supplier Transparency	Percentage of cocoa sourced traceable to farm level
 Supplier Risk Management Due Diligence	Basic Requirements - Due Diligence	Percentage of Supplier Code acknowledged

* For key figures on our progress please see previous page ·

3. Income Generating Activities

4. Child Labour Monitoring and Remediation System

5. Implementing partners: Save the Children and suppliers

6. Village Savings and Loans Associations

7. Sourcing is done through certification and independently managed sustainability standards

8. Applies to Côte d’Ivoire and Ghana only

THIS COCOA PROGRESS REPORT

In this report, we outline our progress against the **Cocoa Action Plan** in the 2021/22 season, illustrating it with case studies and examples from our suppliers and partners.



PILLAR I: SUSTAINABLE LIVELIHOODS

Foster a more equitable value chain for the people involved in cocoa production

Commitment: Support cocoa farmers to prosper

Cocoa farmers face significant challenges in achieving a sustainable livelihood. Many factors lead to low yields and incomes: lack of 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.

How is Ferrero working on this commitment?

Through our sustainability programme, we provide targeted support to cocoa



farmers to improve their farming practices so they can earn more from cocoa. As cocoa doesn't provide a year-round income, we also help farmers diversify their income and increase food security.

The objective is to make cocoa farming more profitable for farmers and improve their resilience to climatic, natural resource and market shocks.

What steps have been taken in 2021/22 growing season?

We provide individual and tailored coaching and support to a large segment of our farmers to help them professionalise and diversify their operations. In 2021/22 around 64,000 farmers have received one-to-one coaching on farm and business planning, and 40,000 farmers are supported with individual long-term Farm Development Plans (see glossary on p. 16 for detail on these plans). In addition, 155,000 farmers participated in group training on good agricultural practices. We also supported 30,000 people in diversifying their on-farm and off-farm incomes through additional income-generating activities such as soap-making, chicken farms, beekeeping, grass-cutting and small shops.

By distributing high-yielding and resilient cocoa seedlings, farmers can rejuvenate and rehabilitate ageing cocoa fields. We distributed 1.7 million cocoa seedlings in 2021/22 alone, making a total of 7.1 million 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 over 170,000 farmers this year. Of these, we paid 19% digitally to increase financial transparency and help farmers become bankable. We are aiming to increase this percentage every year. Finally, we more than doubled the number of young adults in community-service groups or 'pruning groups' to provide farming services to farmers, bringing the total to 4,700.



CASE STUDY

PUTTING FARMERS' NEEDS AT THE CENTER WITH LONG-TERM FARM DEVELOPMENT PLANS

The traditional way of supporting smallholder cocoa farmers to improve their farming practices, and through that their livelihoods, are the Farmer Field Schools (FFSs). Groups of 15-20 farmers come together on a cocoa farm to receive training in different aspects of farming such as pruning, weeding and pesticide management.

Although FFS trainings have benefited many farmers, monitoring has shown that the adoption rates are often low, even below 15%. Moreover such trainings often don't meet the specific needs of each single farmer.

In order to really put the farmers and their needs at the center, and to increase good agricultural practice (GAP) adoption rates and overall impact for farmers, we started already a few years ago with a more individualized approach and have gradually been scaling the number of farmers targeted in our program.

In our program two different approaches to individualized farmer support are applied by our suppliers, a one-year coaching cycle or what we call long-term **Farm Development Plans (FDP)**. The important difference is that the FDP process⁹ is much more rigorous. Not only in terms of time (an FDP process often ranges between three to five years), but also in terms of the kind of activities performed.

⁹ A skilled trainer, often an agronomist, performs a robust assessment of the farm and household income. Based on this a long-term development plan is established in close collaboration with the farmer tailored to his or her specific situation. As it's a long-term plan with different steps and activities, it's important the farmer commits to it. The farmer will be visited annually to receive personal coaching, including also training in financial management skills and other types of support like cocoa seedlings and multi-purpose trees. Regular monitoring will take place to track the implementation of the FDP.





A nice example of a long-term FDP is the methodology developed by our supplier ETG Beyond Beans called **Cocoaching**. Ivorian farmer Nameba Ouedrago is one of the farmers in our program benefiting from Cocoaching.



I like the individual support I am receiving; the recommendations are based on what I need.



Nameba receives farm-specific advice from Cocoaching Field officer Pacom Nehin and expects yields to increase this year. He has also learned about the benefits of planting shade trees in parts of his farm exposed to strong sunlight, pruning which improves the health of cocoa trees, and strategies to prevent pests and diseases.

Beyond Beans is implementing the Cocoaching program in Ferrero's cocoa supply chain and has reached so far over 1,000 farmers in Côte d'Ivoire and Ghana.

In 2021/22 in total 64,000 farmers received one-on-one coaching and 40,000 farmers were participating or had participated in long-term FDPs.





PILLAR II: HUMAN RIGHTS AND SOCIAL PRACTICES

Contribute to the holistic wellbeing and development of children in cocoa-growing communities by addressing and reducing the risk factors for child labour in cocoa farming

Commitment: Protect children and provide joyful growth

We are strongly committed to promoting human rights throughout the global supply chain and supporting families to enable joyful growth for children. It is critically important that children are not involved in any form of child labour, particularly its worst forms, as this can seriously damage their physical and mental wellbeing. Children also need to have access to quality education, good nutrition and basic necessities like clean drinking water.



Although it is much less prevalent, we also recognise the issue of adult forced labour in the cocoa sector, and we commit to taking action together with our key stakeholders to mitigate and prevent it.

How is Ferrero working towards this commitment?

The first critical step is to have reliable Child Protection Systems in place that can 1) identify households at risk of child labour in our cocoa supply chain; and 2) remediate any cases that are identified. The objective is to integrate the systems we implement in our cocoa supply chain into the broader national systems.

In addition, together with our strategic partner **Save the Children** and suppliers, we are implementing a holistic Community Development approach that has a strong focus on child labour prevention in high-risk communities in our cocoa supply chain.

In our Cocoa Programme we also have a strong focus on women's empowerment, acknowledging the critical role of women as agents for economic, environmental and social change, and for ensuring child protection.

We strive to contribute to positive change across the entire cocoa value chain, so also beyond our own supply chain. We do this through multi-stakeholder platforms such as the **World Cocoa Foundation**, the **International Cocoa Initiative** and collective initiatives like the **Child Learning Education Facility (CLEF)**.



What steps have been taken in the 2021/22 growing season?

Last season, 99% of our dedicated farmer groups were covered with a CLMRS or equivalent system.

In addition, we informed 172,000 people about children’s rights, and 138,000 people about adult forced labour; we monitored 129,000 households and 219,000 children through our child protection systems, and help children obtain 2,600 official birth certificates.

To improve education prospects, we constructed or renovated 24 schools and 18 school canteens in 2021/22, bringing the total respectively to 103 and 49 since 2016/17, and gave 21,000 children school kits. We supported 221 youth with vocational training in 2021/22, bringing the total to 503 since 2018/19.

We are also a partner of the **Child Learning and Education Facility (CLEF)**, a collective initiative between the Ivorian government, companies and foundations that aims to promote access to quality education to over 6 million children in cocoa-growing communities in Côte d’Ivoire.

Of critical importance has also been the further scaling of Village Savings and Loans Associations (VSLA), bringing the total by 2021/22 to over 1,560 VSLA groups, involving 38,000 members, mainly women, that together saved over 2.1 million euro in 2021/22, of which 1.4 million euro was loaned to set up small businesses, pay school fees, among other activities.

We also established three vegetable greenhouses, bringing the total to 13 since 2018/19, and constructed or renovated 33 water pumps in, bringing the total to 155 since 2012/13.

Finally, we continued our five-year holistic Community Development project with **Save the Children**, involving 65 communities in the Haut-Sassandra region in Côte d’Ivoire (see p. 9 for results of the second year)

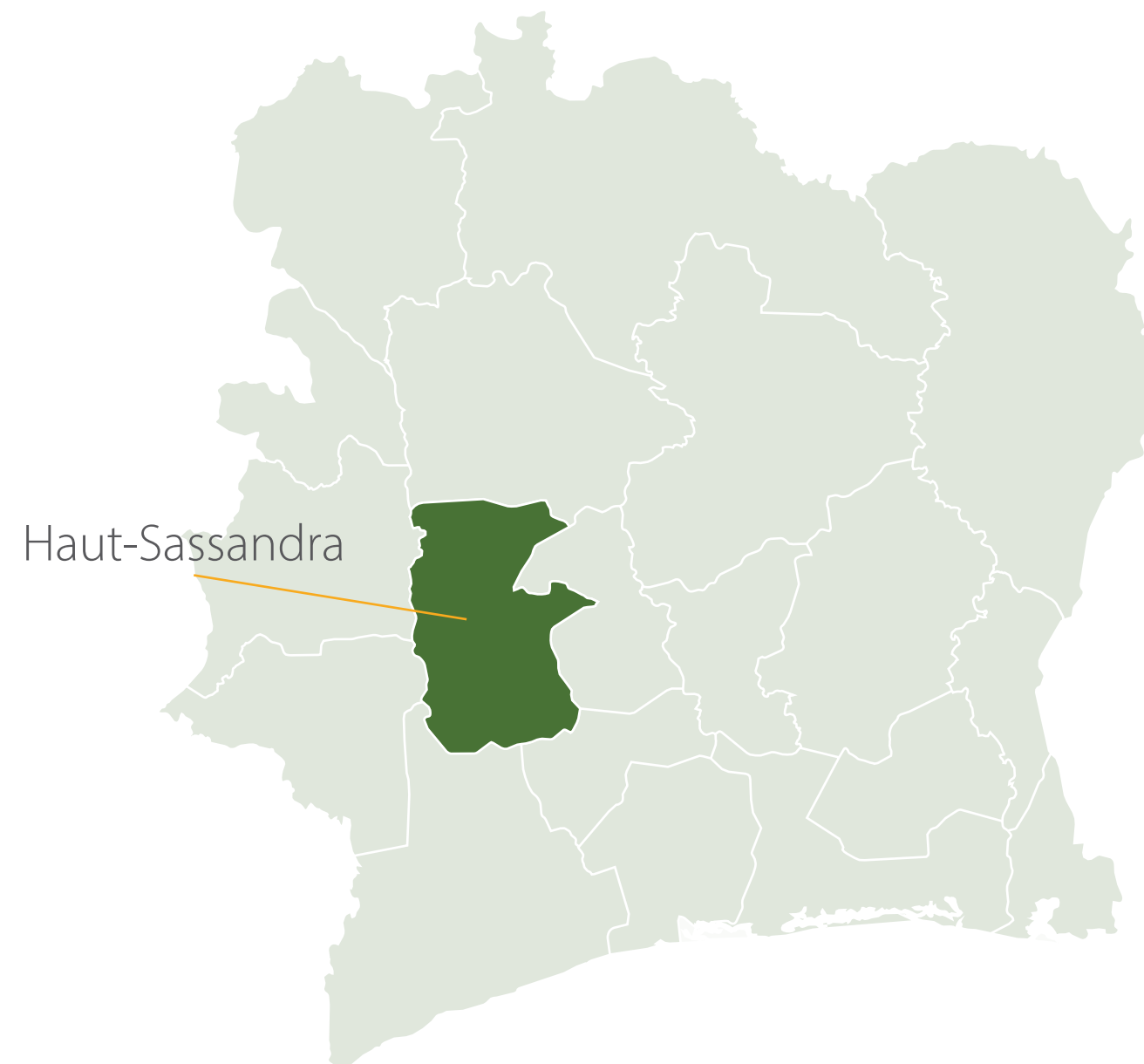




STRATEGIC PARTNERSHIP FERRERO AND SAVE THE CHILDREN

The holistic five-year Community Development project targets 37,000 direct beneficiaries (15,000 children) and 90,000 indirect beneficiaries (49,000 children) in 65 communities in the **Haut-Sassandra region** in Côte d'Ivoire started in 2021. It builds on the successful three-year project with **Save the Children** in 20 communities in the Nawa region.

The approach is based on four pillars (Child Protection, Community Development, Access to Education and Youth & Adolescents Empowerment). To ensure coordinated action and drive impact on the ground, Save the Children works closely with the local and national authorities as well as with other key stakeholders like the International Cocoa Initiative (ICI), the Jacobs Foundation and the World Cocoa Foundation.



Save the Children



SECOND YEAR RESULTS PROJECT IN THE HAUT-SASSANDRA REGION

In 2022, we launched phase 2, starting activities in the remaining 33 communities.

Progress has been made along the pillars reaching 11,411 direct beneficiaries including 2,214 children in the second year. Some key highlights:



PILLAR	ACTIVITIES	YEAR 2	CUMULATIVE
Improving child protection	Social Centers ¹⁰ revitalized	6	8
	Child Protection Committees	34	65
	People trained and sensitized on children's rights	6,607	10,288
Community Strengthening	Community Action Plans (CAP)	46	46
	VSLA groups established	34	65
	VSLA members	959	1,712
	VSLA members with an IGA	367 (38%)	367 (21%)
	People trained on contamination and water management	130	162
Increasing access to Education	Bridge classes (re) built and opened	61	61
	Out-of-school children (9-14 y.o.) enrolled in bridging classes	1,196	1,975
	Teachers trained on Literacy and Numeracy Boost methodologies	17	17
	Communities supported with operating community canteens	14	14
Empowering Adolescents and Youth	Start in year 3		

¹⁰ Social Centres are managed by the local authorities and responsible for managing child labor cases. When Save the Children identifies cases of child labor in the communities they refer them to the Social Center for case management.



CASE STUDY

VILLAGE SAVINGS AND LOANS ASSOCIATIONS: DRIVERS OF CHANGE FOR HOUSEHOLDS AND COMMUNITIES

Village Savings and Loans Associations (VSLA) are one of the key building blocks of the Ferrero Cocoa Program. The purpose of a VSLA is to provide simple savings and loan facilities in a community that does not have easy access to formal financial services. The system is very simple, but the result is very powerful in a number of ways for households and communities as a whole.

A VSLA is a group of about 15-25 people, mostly women, who meet regularly to save together and take small loans to set up small individual businesses such as cassava, chicken farming, beekeeping or petty shops or collective businesses managed by several VSLA members. The activities of the group run in cycles of one year, after which accumulated savings and the loans profits are distributed back to the members. When VSLA groups have become more mature the objective is to connect them to financial institutions which allows them to have access to larger financial credit.

By 2021/22 we had over 1,500 active VSLA groups made up of 36,000 members in the Ferrero Cocoa Program. Together they had saved no less than EUR3.6 million, of which the members loaned EUR2.3 million. From the 30,000 people participating in income-generating activities (IGA) the majority have been established through VSLAs making them very powerful instruments for supporting households to be more financially self-sufficient.

And that's not all. VSLAs are also effective platforms to provide trainings to people in various topics such as financial literacy, good nutrition and health care. In addition to setting up small businesses members sometimes also take loans to pay for essential things like children's school fees and school materials, medicine, etc.

Important to highlight as well is that VSLAs are mainly targeting women (78% of our VSLA members are women) and many of them have indicated that through the VSLAs they feel more self-confident and become more financially independent, contributing in a strong way to women empowerment and the wellbeing of their children.





The **community Niakpalilié** in Côte d'Ivoire illustrates well the functioning and positive impact of VSLAs. Through our program with our supplier Blommer, three VSLA groups have been established in this community with a total of 89 members of which 87% women. The first group was established in 2019 and is already in fourth cycle, the other two are in their third cycle. Since their inception, the three groups have saved together almost 26,000 euros.

Members of the three VSLA groups in Niakpalilié have taken loans from these funds to start their own activities and there are also two collective businesses set up by the members, a cassava farm and a vegetable greenhouse. Among them are two members of the **VSLA group Nongtaba 1** who have been members from the beginning.



“I am Boudo Assetou, a member of the VSLA group Nongtaba 1 for four years. I am one of the beneficiaries of the greenhouse of which I became president two years ago. During the first cycle, we chose tomato and cucumber crops, which brought in FCFA779,500 (EUR1,190). After reducing all expenses, we made a profit of FCFA495,000 (EUR756), giving each member FCFA55,000 (EUR84). For the second cycle, we chose bell pepper and tomato. It should be pointed out that this cycle encountered a number of difficulties, as the crops were attacked by a disease that ravaged everything. As a result, production was down. We had 249 kg of tomatoes and 35 kg of pepper, with a total profit of FCFA117,700 (EUR180). We are now in the third production cycle.”





VSLAs have clearly demonstrated the many benefits they can bring to households and the communities they are part of. As part of our continuous commitment to improve farmer livelihoods, protect children’s rights and strengthen communities, we have therefore set an ambition in our new **CFI Action Plan** to have 2,000 VSLA groups by 2025, an increase of 40% versus 2022.

Click [here](#) for more details on the VSLA methodology and benefits.



My name is Koraogo Zenabou. Before joining the VSLA, I used to sell vegetables and dried fish from a table in front of my door.

During the first cycle, I took out a loan of FCFA100,000 (EUR153) with which I strengthened my business. During the split, I obtained the sum of FCFA140,000 (EUR214) which I supplemented with the profit from my goods to buy a freezer with which I sold water and sugar. For the second year, I didn't take out a loan. Nonetheless, with the money from the sharing, I set up a store (selling bags of rice, oil, soap, sugar, milk, etc.) which increased my income. In the third year, I borrowed FCFA100,000 from the savings bank to strengthen my IGA. We're now in our fourth year.

Today I'm able to save money, help my husband around the house and, above all, take care of myself.





PILLAR III: ENVIRONMENTAL PROTECTION

In partnership with our suppliers, actively protect standing forests and/or restore natural forest areas, and support farmers to convert to agroforestry systems and become more climate resilient

Commitment: Contribute to end deforestation and promote biodiversity

The rate of deforestation and forest degradation, particularly in Côte d'Ivoire 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.

How is Ferrero working towards this commitment?

Working with our suppliers, we're contributing to tackle deforestation and restore forest areas, and to support farmers in converting to agroforestry systems and becoming more climate-resilient. We do this through the **Cocoa & Forests Initiative (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.

What steps have been taken in the 2020/21 season?

In 2021/22 Ferrero continued to achieve a high level of traceability from farm to first purchase point. We polygon mapped 182,000 farmers and covered 470,000 hectares with deforestation risk assessments to ensure no cocoa was sourced from protected forest areas. As a cross-cutting solution to many cocoa sustainability issues, agroforestry is one of our primary **Cocoa Charter** priorities, and links to other targets such as distribution of seedlings. To date, we have supported the development of over 143,000 hectares of agroforestry, involving a total of 77,000 farmers.

Over 10,000 farmers have been involved in Payment for Ecosystem Services (PES) initiatives. The PES initiative provides farmers with valuable resources and incentives such as financial payments, trainings, fertilisers and tools in return for their work on environmental protection and restoration.

Important steps have also been made on forest restoration made possible through additional investments. In 2021/22, over 425,000 non-cocoa trees were distributed for off-farm planting, helping to restore close to 1,400 ha of forest area of which 240 ha in classified forests. When combined with multi-purpose trees for on-farm planting, in total Ferrero has distributed 2.6 million trees in 2021/22 alone and 5.5 million trees including previous years.



For more details and case studies we invite you to read our latest **Cocoa and Forest Initiative Report**



PILLAR IV: SUPPLIER TRANSPARENCY

Know where our raw materials come from and foster data management and reporting

Commitment: Ensure a transparent and compliant value chain, traceable to the farm level

Traceability has been the cornerstone of our responsible sourcing approach from the beginning. It has always been one of the key quality and sustainability pillars at Ferrero.

How is Ferrero working towards this commitment?

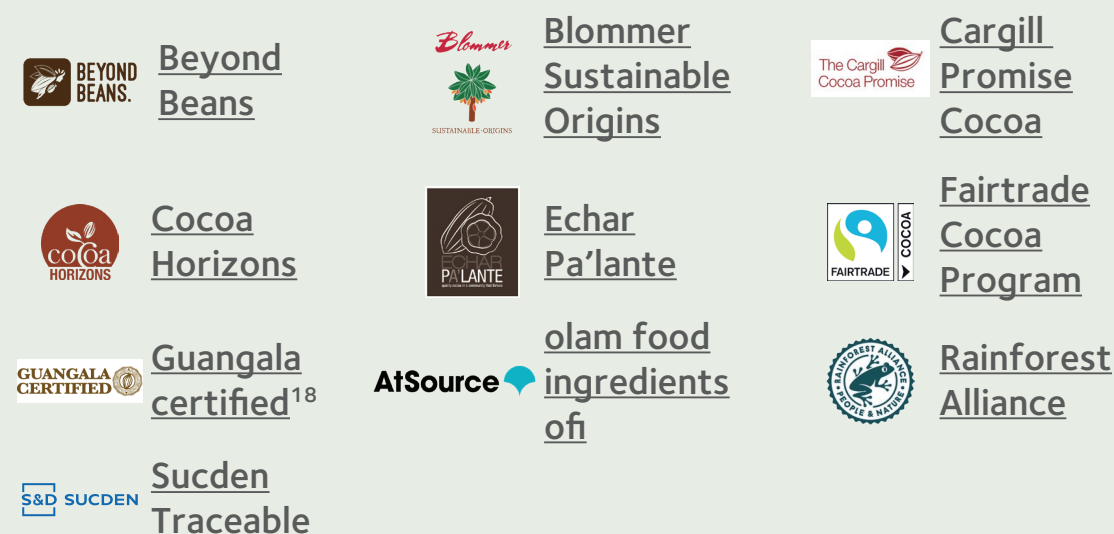
We work towards further enhancing the visibility of our value chain by strengthening partnerships with our suppliers and by leveraging the most advanced technology available. We are developing a cocoa-dedicated platform that gives us visibility over our entire supply chain. This will make it possible not only to trace the cocoa we source from the farm – an area where Ferrero has already made a lot of progress in the past years, but also to perform risk assessments and check compliance. Each year, we will continue to update **the public list of tier-1 suppliers and farmer groups in our cocoa supply chain** on our website¹¹ and will publish a progress report on the implementation of our Cocoa Charter.

What steps have been taken in 2021/22?

The total cocoa volume we received in 2021/22 was 224,000 metric tonnes (MT), of which 68% was cocoa beans sourced as physically traceable from farm to Ferrero plant and processed in-house. The remaining 32% were cocoa derivatives such as liquor, butter and powder, and chocolate products. All cocoa was sourced through independently managed sustainability standards such as Rainforest Alliance, Cocoa Horizons and Fairtrade¹².

In 2021/22, we sourced 82% of our entire cocoa volume from Ferrero dedicated farmer groups¹³. Of these, 80% have been in our cocoa supply chain for three years or more, and 15% for six years or more. This is important as we invest in long-term supply chains especially because improving conditions takes time.

Standards used by Ferrero in 2021/22



¹¹ https://www.ferrerosustainability.com/int/sites/ferrerosustainability_int/files/2022-03/cocoa-supply-chain_fy-2021_1.pdf

¹² See p. 9 of the Cocoa Charter for the full list of Standards through which we source cocoa.

¹³ These are farmer groups with whom Ferrero has a long term relationship through its tier-1 suppliers. ry 3 to 5 years, to ensure the data is still valid.



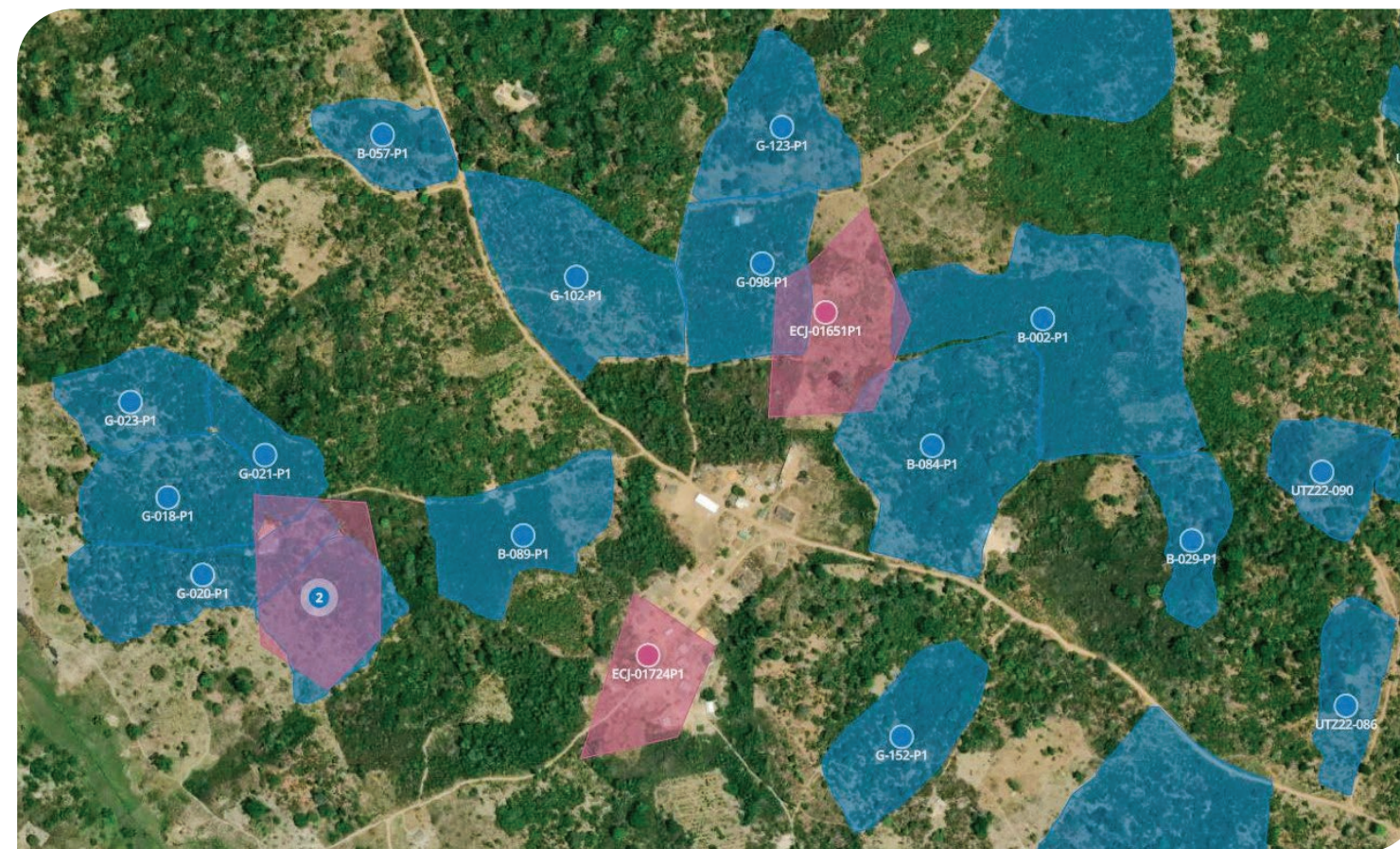
The traceability performance of our entire cocoa supply chain was as follows:

- 100% traceable to origin country
- 96% traceable to farmer group level¹⁴
- 96% traceable to farm gate if minimum GPS waypoint available
- 89% traceable to farm gate if minimum requirement polygon-mapped¹⁵

Sourcemap

We continue to partner with Sourcemap, a leading provider of supply chain mapping, which provides a comprehensive platform to visualize supply chains and enhance traceability, further strengthening our efforts in supply chain transparency. Through Sourcemap’s platform we are collecting key data on social and environmental practices, validate our value chain through data science and ensure that performance is continuously improving.

Ferrero cocoa sourcing origins



¹⁴ Including farmer groups that are not part of Ferrero’s dedicated farmer groups.

¹⁵ 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.



GLOSSARY

- ▶ **Polygon mapping:** Polygon mapping is achieved with specially trained people (e.g. enumerators, lead farmers, etc.) who 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.
- ▶ **Independently managed standards:** These refer to our Suppliers' verified sustainability programmes. The standards we apply to our supply are publicly reported in our Cocoa Charter.
- ▶ **Child Labour Monitoring and Remediation System:** CLMRS is a proven concept targeting prevention, mitigation and remediation assistance at children involved in or at risk of child labour, their families, and communities. The objective is to have these supply chain or community-based systems integrated into national systems, in order to create fully integrated systems
- ▶ **Village Savings and Loans Associations (VSLA):** VSLA groups are self-managed groups of community members who meet regularly to save their money in a safe space and have access to small loans.
- ▶ **Ferrero Supplier Code:** Across our supply chain, suppliers are required to sign our Supplier Code, which sets out our responsible sourcing requirements. Acknowledgement for Ferrero means the supplier has signed the Supplier Code.
- ▶ **Farm Development Plan (FDP):** Together with our partners, we provide individual farm and financial management coaching to selected cocoa farmers and develop Farm Development Plans following a thorough assessment and tailored to their specific situation, socio-economic position, and motivation level. The FDPs have a strong focus on improving productivity but also support farmers to diversify their farms and implement agroforestry systems. The duration of the FDP cycle can vary from three to seven years. During this period farmers are monitored to track the implementation of their FDP and provide support where relevant.
- ▶ **Income Generating Activities (IGA):** These are small businesses managed by individuals or a group of people to increase their household income through livelihood diversification. Activities can be on-farm, for example the production of fruits and vegetables that can be used for own consumption or to sell locally, or off-farm activities such as beekeeping, grass-cutting or keeping small shops. Supporting farmers to increase and diversify their income is important to improve their resilience, and help them cope with cocoa price fluctuations.