

An aerial photograph showing a vast landscape. On the left, there is a dense, organized plantation of palm trees. A narrow, muddy river flows vertically through the center of the image, separating the plantation from a thick, natural forest on the right. The overall scene is lush and green, with the brownish water of the river providing a central point of contrast.

**FERRERO**

**ANNUAL PALM OIL  
PROGRESS REPORT 2022**

# KEY FIGURES ON FERRERO'S PROGRESS IN 2022

	HUMAN RIGHTS & SOCIAL PRACTICES	ENVIRONMENTAL PROTECTION		SUPPLY CHAIN VISIBILITY <sup>5</sup>		
PROGRAMMES	<b>Ethical recruitment &amp; working conditions</b> <b>Supplier Engagment Projects</b>   <b>&gt;400</b> workers benefitted from the actions taken under the Ethical Recruitment and Working Conditions Improvement Projects	<b>Earthworm SCFS - Landscape Project</b>   <b>274</b> workers saw improved working conditions <sup>6</sup>   <b>179</b> new smallholder farmers reached	 <b>1,500</b> ha covered by the human-elephant coexistence programme	<b>Ferrero – SAN Pilot Project: Nature Based Solutions for palm oil</b>   <b>≈ 200</b> ha under nature-based solutions management	 <b>100%</b> traceability to 158 mills	 <b>99.9%</b> traceability to plantation <sup>4</sup>
STANDARDS AND CERTIFICATION	 <b>99.7%</b> RSPO certified segregated palm oil <sup>1</sup>					
SUPPLIER RISK MANAGEMENT DUE DILIGENCE	 <b>100%</b> palm oil suppliers acknowledged our Supplier Code <sup>2</sup>					
			 <b>&gt;1.6 Million ha</b> of land covered under Starling Satellite Monitoring			
			 <b>97.7%</b> deforestation free palm oil supply chain <sup>3</sup>			
			 <b>&gt;55,000</b> smallholders in the supply chain			

<sup>1</sup> 0.3 remaining is mixed certified and conventional palm oil from acquired business that remain under integration into the Ferrero Group.  
<sup>2</sup> Does not include new suppliers engaged during fiscal year 2022\_2023  
<sup>3</sup> Externally assessed by Earthworm Foundation. We are carrying further analysis on the remaining 2.3%.  
<sup>4</sup> 99.99% Traceability to plantation of our certified segregated supply chain, that accounts for 99.7% of the total in 2022"  
<sup>5</sup> Ferrero's products (not including acquired brands).  
<sup>6</sup> Workers within EF SCFS landscape that saw improved working conditions through the Ethical Recruitment Human Rights based Due Diligence.

## FERRERO – RESPONSIBLE SOURCING APPROACH

At Ferrero we take a continuous improvement approach to responsible sourcing. Our approach is built around comprehensive supplier management and rigorous due diligence, traceability and transparency, certification, and standards. We firmly believe in the potential for achieving more through collaborative efforts and long-term partnerships, essential components in our strategy. Furthermore, we invest in our supply chains through targeted programmes aimed at going the extra mile to improve environmental, social and governance (ESG) conditions and overall standards.

Ferrero has a long-standing commitment to source **certified segregated RSPO** sustainable palm oil that is fully traceable back to plantations. We first reached this goal in 2015 and were one of the first global companies to do so. Today, we go beyond this stringent certification requirement with initiatives guided by the three pillars of our Palm Oil Charter: human rights and social practices, environmental protection and sustainability, and supplier transparency.





Since 2018, we have published the list of mills and plantations from which we procure our palm oil on **our website**. The list is updated every six months. We monitor our supply chain with the **Starling** satellite monitoring system which tracks and signals any potential deforestation.

## FERRERO PALM OIL CHARTER

In line with our **Supplier Code**, our **Palm Oil Charter** lays out our requirements and commitments for sourcing palm oil responsibly.

### 2022 ACTION PLAN FOR PALM OIL

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

RESPONSIBLE SOURCING APPROACH	CHARTER REQUIREMENTS AND COMMITMENTS	KEY ACTIONS <sup>7</sup>
 Programme(s)	<b>PILLAR I: Human Rights and Social Practices</b>	Ethical recruitment and working conditions - Supplier Engagement Projects
	<b>PILLAR II: Environmental Protection</b>	Earthworm SCFS Landscape Project Ferrero – SAN Project; Nature Based Solutions for Palm Oil
 Standards and Certifications	<b>PILLAR I: Human Rights and Social Practices</b>	Sourcing of palm oil that is sourced as RSPO certified segregated
	<b>PILLAR II: Environmental Protection</b>	Non-deforested verification
 Supply Chain Visibility	<b>PILLAR III: Supplier Transparency</b>	Smallholder inclusion
		Traceability
		Satellite monitoring
 Supplier Risk Management Due Diligence	<b>Basic Requirements - Due Diligence</b>	Suppliers' acknowledgement of Supplier Code

<sup>7</sup> For key figures on our progress please see previous page .



## **PILLAR I: HUMAN RIGHTS AND SOCIAL PRACTICES**

### **Foster a more equitable and inclusive value chain for the people involved in palm oil production at every level**

**Commitment:** Through selected programs, we aim to improve the working conditions and resilience of plantation workers & smallholder farmers.

The challenge lies in assessing the level of social compliance and areas for improvement, in order to provide adequate support and intervene when needed. Accordingly, we require our suppliers and partners to follow the strict guidelines outlined in our Human Rights Policy Statement, Supplier Code and Palm Oil Charter, and take appropriate measures to prevent any form of exploitation, or unacceptable living or working conditions.

We are going beyond this requirement by investing and cooperating in selected programmes aimed at supporting smallholders to build resilience in the face of environmental and economic volatility, and improving working conditions through collaboration with supply chain partners, local governments, NGOs and scientists. We also understand the importance of fully engaging indigenous communities whenever agricultural land expansion is a possibility.

### **How is Ferrero working on this commitment?**

#### **Project in Southern Central Forest Spine (SCFS), Peninsular Malaysia**

The group of forest complexes known as the Southern Central Forest Spine (SCFS) is host to critical wildlife corridors for tigers, elephants, and other flora and fauna species. Significant land conversion to palm oil plantations since the 1980s has resulted in a fragmented forest ecosystem.


Our partnership with **Earthworm Foundation** aims to transform the palm oil supply chain and protect the environment and workers' livelihoods in this area. Main objectives for 2025 include:

- Improvement of welfare and working conditions for >18,000 migrant workers
- 2,000 smallholder farmers engaged and trained to improve livelihoods through good agricultural practices, income diversification, sustainability and conservation initiatives
- 50% reduction in deforestation in areas bordering key sensitive areas, including no new land clearing for palm oil development
- 75% of palm oil mills have action plans to address No Deforestation, Peat, or Exploitation (NDPE) issues, and 100% of palm oil mills traceable to the plantation
- Spatial monitoring and management of key forest corridors
- Reduction in human-wildlife conflict through engagement with 250 smallholder farmers
- Improvement in land tenure rights and the promotion of inclusivity with indigenous communities in the landscape area

## Southern Central Forest Spine (SCFS) Landscape Project 2022 Progress

### RESILIENT FARMERS & WORKERS

 **274 workers**  
saw improved working conditions through the Ethical Recruitment Human Rights-Based Due Diligence


 **179 new smallholder**  
farmers reached in 2022, with a total of 206 farmers since the start of the project


### FOREST PROTECTION & RESTORATION

 **1,500 ha**  
covered by the human-elephant coexistence programme, enhancing the ecological value of the ecosystem

 **>20,000 ha**  
have on-going deforestation monitoring, monitoring of >10,000 ha of forested areas within concessions

### SUPPLY CHAIN TRANSFORMATION

 **38% mills**  
are working on action plans to address the NDPE issues identified<sup>8</sup>

 **26% mills**  
are 100% traceable to plantations<sup>9</sup>

 **>50%** mills progressing in mapping their Fresh Fruit Bunches (FFB) origins

<sup>8</sup> Cumulative up to 2022. (Target: >75% of all mills in SCFS landscape)  
<sup>9</sup> Cumulative up to 2022. (Target: 100% of all mills in SCFS landscape)



At the MPOB smallholder model plot site, Sg Ara, Kota Tinggi. MPOB officers explained efforts to coordinate collection of traceability information from farmers.



SCFS landscape partners' field visit to human-elephant co-existence project and MPOB model smallholder plots at Kota Tinggi, Johor



*“Landscape initiatives such as SCFS in Malaysia provide the ideal platforms for collaboratively designing comprehensive action plans tackling systemic issues and involving communities, government agencies, multinational companies, and local producers in the palm oil supply chains. Partnerships, like the one with Ferrero, have helped us and other stakeholders to better comprehend the trade-offs between agricultural production, ecosystem conservation, and community development. These collaborations have also assisted companies such as Ferrero in fulfilling their sustainability commitments, including traceability, and contributing to due diligence.”*

**Giacomo Tabacco – Landscape Engagement Manager – Earthworm**



MPOB facilitating training for smallholder famers on fertilizer management, to support smallholders in addressing the pressure of increasing fertilizer costs.





## Earthworm Foundation's Supplier Engagement Projects in Malaysia to enhance ethical recruitment and working conditions

In 2021 we launched a new project with **Earthworm** that aims to support the adoption of responsible labour practices within Ferrero’s palm oil supply chain in Peninsular Malaysia.

In 2022, a comprehensive mill and plantation engagement framework was established with the aim of assisting mill and estate managers in adopting enhanced ethical recruitment and labour practices.

Under this project, two mills and two estates of one of our key third-party suppliers were engaged through two programmes. The first programme supported the adaptation of labour practices to ensure fair, safe and decent working and living conditions for workers. The second programme focused on building capacity to adopt and implement ethical recruitment practices.

In 2022, over 150 migrant workers were directly engaged and more than 400 workers in total, direct and subcontracted, benefited from the actions taken within the Ethical Recruitment and Working Conditions Improvement Projects.

In 2023 we will continue our efforts by tracking the progress made and offer ongoing guidance and support, in parallel we continue to assess how we can keep scaling the program throughout our supply chain when support is needed.

We will also continue to engage with industry organizations to share best practice and the challenges of addressing workers’ rights issues. For example, we participate in the **Consumer Goods Forum’s (CGF) Human Rights Coalition (HRC)** to address forced labour issues in the palm oil sector.



EF team engaging stakeholders to enhance the safety of people and wildlife and to create mutual benefits of coexistence

# PILLAR II: ENVIRONMENTAL PROTECTION

**In partnership with our suppliers, actively protect standing forests and/or restore natural forest areas to generate positive carbon and biodiversity impacts**

**Commitment: We are committed to having a clear map of the High Conservation Value (HCV) and High Carbon Stock (HCS) areas associated with the palm oil we source. We are also committed to ensuring that our suppliers protect these areas through a dedicated satellite monitoring system.**

We recognize the role natural habitats, soil, and water play in regulating our climate and ensuring a healthy, biodiverse home for humans, plants and animals. We understand that the palm oil plantations we source from are connected to a wider, more global landscape. The health of these plantations is deeply linked to farming and production practices adopted on the ground as well as to the wellbeing of the surrounding environment.

## How is Ferrero working on this commitment?

Building on our strong investment in an RSPO certified segregated supply chain and therefore traceability to plantation level, we monitor our Ferrero palm oil supply chain for deforestation and conversion with the **Starling** satellite monitoring and verification service, across all our palm oil sourcing areas. Operated by **Earthworm Foundation** and **Airbus**, Starling uses a combination of satellite imagery and on-the-ground expertise to monitor land cover change and forest cover disturbance in near real time. By providing data that shows where potential deforestation occurs, Starling enables us to identify potential grievances in our supply chain and drive positive change.

## What steps have been taken in 2022?

In 2022 we analyzed all of Ferrero’s supply chain (which is 100% RSPO certified segregated), covering over 1.6 million ha linked to all mills listed in the H1 & H2 2022 mill list, excluding acquired brands<sup>10</sup>.

For this scope<sup>11</sup>, Ferrero has maintained a high level of deforestation-free volume of 97.7%, per data processed by Earthworm Foundation as a third-party assessor.



**>1.6 Million ha covered under Starling Satellite Monitoring**



**97.7% deforestation free palm oil supply chain<sup>12</sup>**

<sup>10</sup> Not including acquired brands that have joined the Ferrero extended family in the past few years.  
<sup>11</sup> Not including acquired brands that have joined the Ferrero extended family in the past few years.  
<sup>12</sup> Externally assessed by Earthworm Foundation. We are carrying further analysis on the remaining 2.3%.





## Nature Based Solutions for Palm Oil & Integrated Pest Management (IPM)

For a sustainable supply chain, we need to ensure a reduction in the use of pesticides and responsible use of synthetic fertilizers, in view of promoting resilient, nature-based and biodiversity-friendly production practices. Since 2021, we have been part of a **pilot project** led by the **Sustainable Agriculture Network** (SAN), a global collaborative impact network focused on helping farmers and rural communities thrive.

During 2022, alongside SAN, we conducted research in oil palm smallholdings in Malaysia, to better understand how native plants diversity can be an effective nature-based solution for suppressing insect pests. The research represents the start of a programme to encourage palm oil producers to adopt enhanced biodiversity conservation practices, establish habitats for beneficial insects, and reduce the usage of synthetic pesticides. 2022 results included identifying the best-in-class native plant species to be propagated in the next stage of the project, as well as new findings about the potential of some plants naturally growing under the oil palm canopy as a resource for beneficial insect populations. The outcomes from the research will inform the next phase of the programme and will also contribute to a growing body of knowledge on the benefits of agriculture biodiversity for producers, nature and society using flower strips, and managing the understory layer of oil palm production areas.

In 2023 the project will continue and scale, in terms of restoring, preserving and enhancing biodiversity in palm oil production systems by developing a toolkit of nature-based solutions based on the growing programme with smallholders and going beyond by replicating the project concept in a medium size estate.





*“Teaching cost effective ways to control pests and using existing understory vegetation to the advantage of oil palm smallholders has been such an innovative and cost-effective idea to a lot of these farmers who earn too little to manage their farms using conventional methods. Proving this and applying learnings from the previous phase of the project with larger estates will be the future of adopting IPM in a larger scale and to a broader audience.*”

**Gerard Benedict, Assistant Manager, Wild Asia (SAN member and one of the local implementing partners in Malaysia)**





## TRAILS Project – climate-resilient landscapes for wildlife conservation

**Agroforestry** represents an opportunity to strengthen biodiversity reservoirs, by reintroducing different tree species into palm groves, to improve long-term environmental and socio-economic resilience. Since 2020, and through 2022, Ferrero supported the **TRAILS** agroforestry project, coordinated by CIRAD<sup>13</sup>, in Malaysia. The project aims to create landscapes where people and wildlife can coexist peacefully. It links academics, NGOs, and private and public stakeholders to enable integrated approaches to reforesting wildlife corridors (one of the key components in preserving biodiversity and climate resilience in fragmented plantation landscapes) while also tackling rural poverty.

Its activities include:

- Identifying and replanting areas with mixed forest species and selected oil palm seedlings
- Monitoring wildlife recolonization
- Studying different oil palm methods and yields
- Providing environmental services to aid climate resilience; and
- Studying the socio-economic impact of changes in agroforestry systems.

One aim is to involve local communities in preserving orangutan habitats within landscapes dominated by oil palm plantations. Another important project activity is to help local women establish a nursery to produce tree seedlings for reforestation and oil palm systems.



<sup>13</sup> Centre de coopération internationale en recherche agronomique pour le développement – Cirad.



## PILLAR III: SUPPLIER TRANSPARENCY

### Knowing where our raw materials come from

**Commitment: We are committed to achieving full traceability for all our sourcing, all the way to the estate level.**

We understand the importance of tracing palm oil to the source as it allows us to more precisely understand the challenges to be addressed and generate sector-wide benefits. We will work towards further enhancing the visibility of our value chain by strengthening partnerships with our suppliers and by leveraging the most advanced technology available.

### How is Ferrero working on this commitment?

We aim to always know where our raw materials come from, right down to the estate and farm level. Aside from enhancing the transparency of our supply chain, this helps us foster a deeper relationship with our business partners and farming communities, while deeply understanding the key challenges we need to address.

We aim to source only **RSPO-certified segregated palm oil** so we can trace it back to mill and plantation level. We are currently working to extend this commitment to products we have acquired in recent years. This process can take some time as it depends on the complexities of post-acquisition integration processes.

### What steps have been taken in 2022?

Looking at the full scope<sup>14</sup> (Ferrero and acquired brands), in 2022, we sourced more than 240,000 tons of palm oil and palm kernel oil that was 99.7% RSPO certified segregated. The remaining 0.3% was sourced as conventional and RSPO certified palm oil for recently acquired brands. We are working to extend our commitment to source only sustainable palm oil that is 100% RSPO certified segregated also to those recently acquired products and bring them up to our overall responsible palm oil sourcing standards and commitments.

Specifically for our legacy products (Ferrero only), all the palm oil we use is 100% RSPO certified segregated palm oil (of which more than 6% is POIG-verified), with 99.9% traceability to 158 palm oil mills, 763 plantations and with the contribution of >55,000 smallholders.

The latest list of mills and plantations from which we source our palm oil, reflecting the July-December 2022 period, can be found **here**.



<sup>14</sup> Ferrero, Thorntons, Fannie May, former Nestlé US confectionery business and ICFC.



## GLOSSARY

- **ESG:** Environmental, Social, and Corporate Governance is an evaluation of how an organisation takes social and environmental factors into account.
- **Ferrero Farming Values programme (FFV):** Through the Ferrero Farming Values Programme, we support farmers in adopting sustainable agricultural practices aimed at increasing palm oil productivity by protecting both people and the planet.
- **High Conservation Value (HCV):** High Conservation Value Areas (HCVAs) are natural habitats that are of outstanding significance or critical importance due to their high biological, ecological, social or cultural values. <https://hcvnetwork.org/>
- **High Carbon Stock (HCS):** High Carbon Stock is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. <http://highcarbonstock.org/>
- **Satellite monitoring system:** Cutting-edge satellite technology used to monitor land cover change and forest cover disturbance in near real time.
- **Landscape:** A landscape is a social-ecological area consisting of a mosaic of natural and/or human-modified ecosystems, often with a characteristic configuration of topography, vegetation, land use, and settlements influenced by ecological, historical, economic and cultural processes and activities.
- **Fresh fruit bunches (FFB):** Palm oil fruit grow in dense bunches known as Fresh Fruit Bunches.
- **Estate:** a synonym for plantation & Fresh Fruit Bunch Source
- **Responsible palm oil sourcing partners:** Ferrero’s key partners in its responsible palm oil sourcing include **Earthworm Foundation, SAN** and **Starling.**
- **Supplier Code:** Across our supply chain, suppliers are required to sign our Supplier Code, which sets out our responsible sourcing expectations. Acknowledgement for Ferrero means the supplier has signed the Supplier Code.
- **Segregated (SG):** RSPO definition meaning sustainable palm oil from different certified sources is kept separate from conventional palm oil throughout the supply chain.
- **Conventional palm oil:** Palm oil sourced from uncertified plantations.