

DAIRY CHARTER

We, the Ferrero Group (Ferrero) seek excellence along the whole supply chain, with particular focus on social and environmental aspects of the raw materials that we rely on for the production of our products.

Through this charter, we state our ambition for working with our dairy suppliers to help deliver a dairy industry that is good for people, animals and the environment, and our commitment to make this ambition a reality through responsible dairy sourcing.

OUR JOURNEY

Relationships with our suppliers are crucial. Through the Ferrero Farming Values Program for milk, we have developed and nurtured long-term relationships with carefully selected dairy suppliers who adhere to our strict quality and food safety standards. This enables us to assure and maintain the freshness and quality of our milk and dairy ingredients. We strictly adhere to national production regulations covering quality parameters on raw milk and other dairy products, whilst ensuring our high-quality standards.

However, building a sustainable milk supply chain is about more than adherence to national regulations and product quality – it requires caring for the people, animals and the environment involved in dairy farming, and actively contributing towards achieving a sustainable dairy sector. In 2017, we established a multidisciplinary team involving in-house Ferrero experts and [FAI](#), a consultancy and research organisation dedicated to driving progress towards food sustainability. Since then, we have delivered a number of workstreams which have helped us gain insight into the current sustainability capabilities and practices in our supply chain, as well as build our internal knowledge on the key issues we need to consider. This charter outlines our ambitions across those key issues and our sustainability focus areas.

OUR AMBITION

Our ambition is to support a dairy industry that is good for people, animals, and the environment. The Ferrero Dairy Charter describes a set of targets and actions designed to deliver this ambition, and structures them within two core approaches; The “Basic Requirements” and “Go Beyond” initiatives.

Basic Requirements

Ensuring compliance with our own principles (Ferrero’s Human Rights Policy Statement and Ferrero Supplier Code), and with applicable laws and regulatory requirements is a basic requirement for all our suppliers. We monitor compliance against these requirements through a robust Due Diligence and Consequence Management approach.

Our suppliers are required to acknowledge the Basic Requirements outlined in the Ferrero Supplier Code, which highlights clear principles and expectations.

Go Beyond

At the same time, we know that Ferrero must go beyond the basics in order to fulfil our ambition to support a dairy industry that is good for people, animals, and the environment. We commit to take a proactive position on selected priorities and initiatives to help create new solutions that address complex challenges.

We know more can be achieved together. We see partnerships and collaborations with suppliers, dairy farmers, farmer communities, NGOs, scientists, universities, local and national authorities, peer companies and other industry stakeholders as fundamental to achieving our ambition. We detail our ambition and commitment under three pillars:

- [Human Rights and Social Practices](#)
- [Environmental Protection and Animal Welfare](#)
- [Supplier Transparency](#)

Under each pillar we explain what our priorities are, followed by specific commitments on selected initiatives (“Go Beyond” section).

FERRERO DAIRY CHARTER



HUMAN RIGHTS AND SOCIAL PRACTICES



ENVIRONMENTAL PROTECTION AND ANIMAL WELFARE



SUPPLIER TRANSPARENCY

Ferrero commits to work with suppliers to:

Optimize farmers' resilience and economic viability

Measure and improve CO₂ footprint and Animal Welfare

Implement 100% traceability up to farm level

The three pillars are founded on a **DUE DILIGENCE PROCESS** which covers all Ferrero suppliers.

PILLAR 1 HUMAN RIGHTS AND SOCIAL PRACTICES

We believe in the importance of respecting the human rights of all actors in our supply chain. Ferrero does not tolerate any form of exploitation of people; be it any form of child labour, bonded labour, indecent housing conditions for farm workers, or unfair working conditions. Ferrero is committed to ensuring remediation for any relevant grievances that are raised.

Below we outline details of what we view as Basic Requirements and how we go beyond these.

BASIC REQUIREMENTS

Ferrero's own principles (Ferrero's Human Rights Policy Statement and Ferrero Supplier Code), applicable laws and regulatory requirements

No Forced, Bonded and Compulsory Labour

We oppose forced labour as defined by the ILO and condemn the use of all forms of forced or compulsory labour, including forced prison labour, indentured labour, bonded labour, modern forms of slavery and any form of human trafficking in our supply chain.

We oppose Forced, Bonded or Compulsory labour and take the 11 ILO indicators¹ as reference to take appropriate steps to identify, prevent and address forced labour.

Responsible labour recruitment²

Refers to protecting workers, especially migrant workers, from unfair recruitment practices that can amount to human trafficking and forced labour conditions for workers.

We require suppliers to ensure that workers in the supply chain, including at the farm level, are recruited ethically. This means to condemn any forms of discrimination and harassment, any inappropriate or disrespectful behaviour, and promote equal opportunities for all employees, including transient and temporary workers, seasonal workers and workers engaged in a country other than their country of origin or nationality.

Ferrero also requires suppliers to ensure that workers are recruited with respect of their basic rights which include provision of a written work agreement in a language understood by the worker and provided before the start of the work period, detailing information on wages, working hours, living, and working conditions and benefits. Ferrero requires that these provisions are at least in accordance with national regulations while seeking ways to honour international standards.

We require suppliers to:

- Adopt responsible labour recruitment
- Share this, or equivalent, responsible recruitment principles with their suppliers and other supply chain actors to collaborate and find appropriate actions for continuous improvement

¹ 11 ILO indicators

² Refers to Ferrero Supplier Code Section of: Fair Wages; Working Hours; Diversity and Inclusion, No Discrimination and Harassment; Health and Safety

Fair and safe working conditions³

Fair and safe working conditions include the respect of basic workers' rights such as a fair and competitive salary and working hours, worker representation, freedom of association, safe and secure working environments and living conditions, and access to social security or benefits that enable access to basic services.

We require suppliers to:

- Implement fair and safe working conditions, in accordance with the ILO Conventions on Wages, Working Hours and Weekly Rest, freedom of association, collective bargaining and workers' representatives', Health and Safety

Child Protection and no child labour⁴

We believe that children have the right to experience joyful growth. For Ferrero this means a right to education and a safe environment that fosters a child's playful spirit and healthy development. Child labour goes directly against this ambition.

Child labour is defined by the ILO as "work that deprives children of their right to play and their right to basic needs, their potential and their dignity, and that is harmful to physical and mental development." It refers to work that: "is mentally, physically, socially, or morally dangerous and harmful to children and interferes with their right to education by depriving them of the opportunity to attend school, obliging them to leave school prematurely or requiring them to attempt to combine school attendance with excessively long and heavy work."

We are also guided by the Children's Rights and Business Principles. This is an approach developed by UN Global Compact and Save the Children to guide companies on the full range of actions they can take in the workplace, marketplace, and community to respect and support children's rights. We require suppliers to take appropriate steps and measures to identify, prevent and address child labour issues.

Diversity and inclusion

In the agricultural sector, women are often exposed to hazardous conditions, are vulnerable to poor labour practices, often receive a lower income than men for equal work and are generally excluded from financial decision making. This is compounded by official statistics that do not capture unpaid work by women, performed in the farm, field or in households.

We require suppliers to:

- Ensure the inclusion of women in farm work with equal pay for equal work, equal access to resources and information and a specific focus on tackling the challenges currently faced by women

GOING BEYOND

Dairy farmers, especially smallholders, face significant challenges to secure a stable income and a viable revenue.

For dairy farming to be sustainable in the long-term farmers need to be economically viable. Supporting farmers to optimise their profitability through productivity improvement is a key enabler to make this happen. We believe that whilst improving profitability is important, it should not come at the expense of the other targets in this charter, so our purpose is to support optimizing profitable farming systems which are also good for people, animals, and the environment.

We therefore commit to collaborate with our strategic suppliers to provide training and knowledge sharing to support farmers to deliver economically viable dairy farming in a sustainable and responsible manner.

³ Refers to Ferrero Supplier Code Section of: Fair Wages; Working Hours; Diversity and Inclusion, No Discrimination and Harassment; Freedom of association and Collective bargaining; Health and Safety

⁴ The term 'child' is defined as any person under the age of 15, or under the age of completing compulsory education or under the employment minimum age in the country, whichever is greatest.

PILLAR 2 ENVIRONMENTAL PROTECTION AND ANIMAL WELFARE

Ferrero recognizes the role natural habitats, soil, and water play in regulating our climate and ensuring a healthy, biodiverse home for humans, plants, and animals. We know that the dairy farms within our supply chain are connected to a wider, more global landscape. As such, the health of the farms is deeply linked to the practices of the farmer and the health of the surrounding environment.

We commit to supporting a dairy supply chain that aims to protect the environment, biodiversity, soil and water systems and that respects animal welfare.

BASIC REQUIREMENTS

Ferrero's own principles (Ferrero's Human Rights Policy Statement and Ferrero Supplier Code), applicable laws and regulatory requirements.

No deforestation

We continue to acknowledge the importance of upholding a commitment to keep forests standing and maintain their biodiversity.

We recognize that achieving a deforestation risk free supply chain is a complex task that requires all stakeholders in the value chain to act, and so Ferrero will continue its efforts in taking a proactive position within industry initiatives to protect forests.

We require suppliers to:

- Commit to avoiding sourcing from dairy farms in High Carbon Stock (HCS)⁵ forests, High Conservation Value (HCV)⁶ areas, or legally protected areas

Greenhouse Gas Emissions

Climate warming is one of the most crucial global issues of our time and its impacts are already having far-reaching effects on people and the planet. Climate warming also poses an increasing risk along our entire supply chain and we have a responsibility as a global business to address the climate emergency and to reduce our greenhouse gas emissions.

Dairy production makes a significant contribution to our total carbon footprint; taking effective action in our dairy supply chains is crucial to ensure we meet our science based carbon targets for 2030⁷.

We require suppliers to:

- Have a written policy or roadmap in place about how they are driving the reduction of greenhouse gas emissions within their operations and their supply chain

Water management and conservation

Fresh water is a precious resource and one increasingly under pressure from a growing global population.

We require suppliers to:

- Minimize the impact on water of their facilities by optimizing their water usage and ensuring groundwater quality is maintained or improved, supporting water conservation

Soil health

Soil is the foundation of farming and agriculture, the base of our food system and a key carbon stock asset. For years its crucial role has been taken as a given and it has been strongly depleted, causing serious impacts on productivity, biodiversity, carbon stock and ecosystem resilience overall.

We recognize the indispensable need to revert this direction and support the implementation of agricultural practices that help restore soil health.

Dairy farming relies on soil for animal feed production, where adequate levels of nutrients, and protection against pests are essential factors to achieve optimum feed quality and yields.

The usage of agrichemicals such as artificial fertilizers and pesticides, especially when used under suboptimal conditions and quantities, is an issue of increasing focus.

We require suppliers to:

- Not use chemicals⁸ considered harmful to the environment and/or to people
- Encourage farmers in their supply chain to implement a reduced use of agrichemicals such as artificial fertilizers and pesticides
- Endorse and promote, across their supply chain and towards their farmers, best practices in optimum application of agrichemicals

⁵ Methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values

⁶ Natural habitats where biological, ecological, social, or cultural values are of outstanding significance at the national, regional, or global level or of critical importance at the local level

⁷ See here for more information on our targets: <https://www.ferrerosustainability.com/int/en/our-approach/protect-the-environment>

⁸ Defined as chemicals appearing on World Health Organization (WHO) class 1a and b, Stockholm POP, or Rotterdam PIC lists.

GOING BEYOND

No Deforestation

Within the dairy industry the risk of deforestation, or conversion of native vegetation in High Conservation Value Areas, can mainly be linked to the production of soy and palm oil used for animal feed.

We therefore commit to work with our strategic suppliers to map the usage, and associated deforestation or conversion⁹ risk, of the soy and palm oil used for animal feed in our dairy supply chain, followed by the identification of potential levers that can be activated to progressively reduce this risk.

Greenhouse Gas Emissions

Through selected initiatives with strategic suppliers, Ferrero is committing to support our suppliers to measure their greenhouse gas emissions in a comprehensive and consistent way. We ask all our suppliers to report data on their greenhouse gas emissions to us annually. In addition to this we have identified strategic dairy suppliers who we will proactively support and train in collecting and reporting on comprehensive and consistent full scope carbon footprint data, and that will be encouraged to set Science Based Targets¹⁰ on greenhouse gas emissions reductions.

Gaining a clear picture of emissions from some of the largest contributors to our footprint is a key first step in reducing our Scope 3 emissions. We intend to use the key learnings from this exercise to progressively roll-out action across our supply chain.

Water management and conservation

Leveraged by mapping technology and cutting-edge data, Ferrero commits to provide suppliers access to the results of a water risk assessment based on the geographical location of farms within their supply chain, aiming to support them in the prioritization of risk mitigation and water usage optimization initiatives.

ANIMAL HEALTH AND WELFARE

Animal welfare is an important focus for our responsible dairy initiatives.

At Ferrero our approach to animal welfare is based on the Farm Animal Welfare Council's Five Freedoms;

- **Freedom from hunger or thirst** by ready access to fresh water and a diet to maintain full health and vigour
- **Freedom from discomfort** by providing an appropriate environment including shelter and a comfortable resting area
- **Freedom from pain, injury or disease** by prevention or rapid diagnosis and treatment

- **Freedom to express normal behaviour** by providing sufficient space, proper facilities and company of the animal's own kind
- **Freedom from fear and distress** by ensuring conditions and treatment which avoid mental suffering

To ensure progressive improvement of animal health and welfare standards within our global dairy supply chains, we have started to collect data about current practices in order to identify key improvement areas, gradually implement requirements and develop our program over time.

Working closely with our suppliers is key to ensuring improvement in the health and welfare of the animals within our dairy supply chains. The requirements outlined here constitute a starting point for Ferrero, which we aim to build from in the future.

BASIC REQUIREMENTS

Ferrero's own principles (Ferrero's Human Rights Policy Statement and Ferrero Supplier Code), applicable laws and regulatory requirements.

Animal Welfare Policies

We require all our suppliers to have an animal welfare policy in place. As a minimum the policies should:

- Include a statement about why animal welfare is important to the business
- Be based on The Five Freedoms, which encompass both physical (e.g. health and nutrition) and mental (e.g. freedom from distress) needs of an animal
- Include a clear description of the scope of the policy (i.e. species included, geographies included, scope within the supply chain)
- Include bull calves health and welfare assurance with a clear description on how their adequate nutrition, suitable housing and low stress transport is guaranteed. As well as safeguarding that no healthy bull calves are shot on farm. The policy should ensure farms have specific plans to lower the number of unwanted bull calves, such as the use of sexed semen and rearing non-replacement calves
- Include a description of the process in place to ensure the policy is effectively implemented (e.g. senior management oversight, commitments to continuous improvement, performance monitoring, corrective action processes, public reporting on performance, including ways to deal with non-compliance)

⁹ Conversion of native vegetation in High Conservation Value Areas

¹⁰ <https://sciencebasedtargets.org/>

Responsible use of antibiotics policy

Antimicrobial resistance is a “major health security challenge” of global significance, threatening the effective prevention and treatment of an increasing range of infections (WHO 2014). Inappropriate antibiotic use (including animals in agriculture) is leading to antibiotic resistance impacting both human and animal health. That is why we have made this a focus of our dairy programme.

We require all of our suppliers to have a responsible use of antibiotics policy in place. As a minimum the policies should:

- Prohibit prophylactic use
- Drive the reduction/replacement/refinement of antibiotic use
- Ensure that HPCIA¹¹ are not used, or if they are, it is only last resort by diagnostic testing

GOING BEYOND

Through selected initiatives with strategic suppliers, Ferrero is committing to proactively collect and analyse key health and welfare metrics

We ask all our suppliers to report a comprehensive set of data to us annually (ranging from animal welfare, human rights, and environmental impact). In addition to this, we have identified strategic dairy suppliers, with whom we commit to collecting additional metrics on some of our focus areas in animal welfare (e.g. lameness, mastitis, cow comfort, mortality, the treatment of bull calves) and responsible use of antibiotics. Gaining a clear picture of practices on the ground is a first step in addressing these risk areas in our supply chain.

Through initiatives with strategic suppliers and partners, Ferrero is committing to support the delivery of training to suppliers and farmers on key health and welfare topics.

By engaging in special collaborations with our strategic suppliers, we commit to support the training for improvement of both knowledge and practices on the farms in our supply chain. Using the data collected from our suppliers will allow us to target efforts on the issues that are most relevant to farmers according to their context, farming model, location, objectives, and capabilities.

Ferrero commits to define a regenerative Agriculture framework for Dairy

We recognize the key role that each, and every, element of our “Environmental protection and Animal Welfare pillar”, plays to achieve a sustainable dairy industry.

Furthermore, in such an intricate ecosystem, like farming and agriculture, where everything is naturally interlinked, we believe that the integrated scheme of “Regenerative Agriculture” that recognises and leverages this interconnection, provides a powerful approach to maximize the benefits of sustainable dairy practices and accelerate transition into a dairy industry that is good for people, animals, and the environment.

We commit to:

- Liaise with strategic partners, and suppliers, to define Ferrero’s Regenerative Agriculture framework for Dairy

¹¹ Highest Priority Critically Important Antimicrobials as defined by the WHO

PILLAR 3 SUPPLIER TRANSPARENCY

The existing environmental and social issues at the base of the supply chain are often complex, systemic and deeply rooted. It is through transparency and an approach of shared responsibility that we can create the greatest positive impact on people and their environment. We believe in strong and productive relationships between all nodes of the supply chain as well as with other key stakeholders such as NGOs, governments, and scientists. We consider this fundamental for tackling systemic issues in the dairy sector and to jointly create a more sustainable sector for the future.

BASIC REQUIREMENTS

Fostering data management and reporting

Ferrero ensures the three key pillars are managed along its supply chain by adopting a due diligence-based approach and taking appropriate steps to have management systems in place, including the publication of an Action Plan and Progress Reports.

Engaging with our suppliers is about fostering a deeper understanding of the challenges and what we need to work on collectively to realise our ambition for the dairy sector.

We commit to address all pillars of this charter consistently, including the collection of structured information and data along the supply chain which will be the base for future actions and evolution of our commodity strategy.

GOING BEYOND

Traceability as lever for action

Ferrero understands the importance of tracing dairy to its source. For Ferrero this is not just a numbers exercise, but a commitment to foster a deeper understanding and relationship with businesses and farming communities. One that enables us to more precisely understand their challenges and generate sector-wide benefits.

We commit to:

- 100% traceability of our dairy ingredients back to the dairy farm
- Use traceability as a mean to target actions to achieve the commitments under this charter

GRIEVANCE MECHANISM AND NON-COMPLIANT SUPPLIERS PROCESS

Ferrero commits to a robust, transparent, and accessible grievance mechanism to enable stakeholders to raise a grievance.

All grievances logged under the Grievance Mechanism shall be dealt with in a timely and transparently manner.

Ferrero provides its "Integrity Helpline", managed by a third-party, open 24-hours-a-day, 365-days-a-year and that can be accessed online and by phone in 43 languages. All notifications are managed confidentially. Ferrero will promptly investigate any concerns raised.

Ferrero not only commits to a responsible physical supply chain, but aims to have a supply chain made up of responsible suppliers who are respecting human and worker rights and protecting forests across all of their operations and across all commodities, not just in those directly supplying us. In this regard, if a grievance is logged with Ferrero against a supplier, we will also investigate links beyond the physical supply chain and act on information available.

PUBLIC REPORTING

We are committed to transparency in order to accurately inform our stakeholders of our progress and the challenges we face along the way.

Ferrero commits to publish action plans and provide regular updates every 12 months on the implementation of this Dairy Charter. Moreover, Ferrero commits to publishing and updating on a yearly basis its dairy dashboard (including progress report). We also invite stakeholders to provide regular input where relevant and possible.

OUR APPROACH TO VERIFICATION

Everything in the Basic Requirements will be checked in our due diligence assessments and audits. Our traceability data will be checked through our traceability audits.

OUR STANDARDS

Ferrero Farming Values (FFV) to be applied only to our strategic suppliers.