

FERRERO

PALM OIL ACTION PLAN

FERRERO – RESPONSIBLE SOURCING APPROACH

Responsible sourcing is embedded in the way Ferrero does business. At Ferrero we take a continuous improvement approach to responsible sourcing. Our approach is built around supplier management, a robust due diligence, traceability and transparency, certifications and standards. We know more can be achieved together and long-term partnerships and collaborations are essential. We take a risk-based approach and when needed 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.

Our responsible sourcing approach is founded on four steps (illustration on the right). Our **Supplier Code** reflects our basic requirement of Supplier Risk Management (Due Diligence). The building blocks above this step refer to our Charters being developed for our key raw materials, including hazelnuts, palm oil and others. Learn more in our **Sustainability Report**.

The **Palm Oil Charter** sets out our vision for a palm oil industry which, through continuous improvement, creates value for all. It outlines our long-term commitments with specific mid-term objectives (2023). Our ambition is to be a driving force behind a palm oil industry where palm oil production creates value for all: where smallholders and farming communities thrive, with workers in mills, refineries and plantations who have rights that are unequivocally respected and where environmental values are actively protected and enhanced through sustainable agricultural practices.

THE FOUR-STEP RESPONSIBLE SOURCING APPROACH IS ALIGNED TO OUR POLICIES AND GUIDES OUR CHARTERS FOR OUR KEY RAW MATERIALS:



This section displays two document covers. The left cover is for the 'FERRERO SUPPLIER CODE', featuring a gear icon and a bar chart. The right cover is for the 'FERRERO PALM OIL CHARTER', featuring a shield icon. Both covers include a mouse cursor icon pointing towards the bottom right corner. The text on the covers is as follows:

FERRERO SUPPLIER CODE

We, the Ferrero Group (Ferrero) believe that partnerships and collaboration with our suppliers is a mutually beneficial and inclusive way to ensure responsible sourcing throughout our supply chain. Partnerships build trust not only with our suppliers, but also along the entire value chain. We are committed to working with our suppliers on a journey of continuous improvement and strongly believe it will create common and shared benefits to us, our suppliers and all communities where we operate.

This Supplier Code allows us to engage our Suppliers and ensure a supply chain that is fair, sustainable and transparent.

1. CONTEXT

This Supplier Code is subject to the Ferrero's Human Rights Policy Statement and is complementary to the Code of Business Conduct (CBC) and therefore does not amend and/or override the CBC. and/or any provisions and/or any agreements, arrangements and contracts with the Supplier.

This Supplier Code will be followed by a due diligence-based approach. Upon completing the due diligence, the Supplier Code may be followed by specific Charter documents establishing Ferrero's commitments based on selected priorities of the Ferrero Group.

2. APPLICATION AND SIGNIFICANCE

This Supplier Code applies to all Suppliers, i.e. all vendors and sellers that produce, trade, sell, lease and/or provide goods or services that enter Ferrero's supply chain and where each vendor and seller has a direct commercial relationship with Ferrero (Supplier).

This Supplier Code focuses on three pillars that are strategically important for the Ferrero Group:

- 1) Human Rights and Social Practices,
- 2) Environmental Protection and Sustainability,
- 3) Supplier Transparency.

Each of the areas set out in this Supplier Code requires the development and deployment of multiple initiatives on an ongoing basis. We recognize the need to collaborate with our Suppliers on each of these initiatives to develop specific and achievable targets, milestones and projects in each of these areas. The implementation process will be reasonably tailored to the size and associated risks from a Supplier's operations.

FERRERO GROUP FERRERO SUPPLIER CODE

FERRERO PALM OIL CHARTER

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

Through this Charter, we state our ambition for a palm oil industry that is good for people and nature, and our commitment to make this ambition a reality through responsible palm oil sourcing.

OUR JOURNEY

Ferrero's journey towards sustainable palm oil started in 2005 when the company became a member of the Roundtable on Sustainable Palm Oil (RSPO). From the beginning, Ferrero committed to source RSPO certified segregated palm oil. By working with suppliers, Ferrero achieved its goal of 100% RSPO certified segregated palm oil on the 1st of January 2015 – one year ahead of its target.

As part of its commitment to responsible sourcing and to proactively address the challenges of deforestation and other environmental and social issues within the palm oil supply chain, Ferrero launched its Palm Oil Charter in November 2013. Ferrero incorporated the HCS Approach in April 2015 and became a member of FPOI (Palm Oil Innovation Group) in November 2015. In addition, it incorporated the 'Free and Fair Labor in Palm Oil Production Implementation Guidance' in March 2016.

Throughout the journey, we have actively engaged our suppliers and shared our commitments seriously. With the launch of this Charter we strengthened our commitments and actions to achieve a palm oil industry that is good for people and nature.

OUR AMBITION

Our ambition is to be a driving force behind a palm oil industry where palm oil production creates value for all: where smallholders and farming communities thrive, with workers in mills, refineries and plantations who have rights that are unequivocally respected and where environmental values are actively protected and enhanced through sustainable agricultural practices.

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OUR JOURNEY

For Ferrero, 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. We monitor our suppliers' compliance with these requirements through close chain traceability and 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.

At the same time, we are convinced that Ferrero must go beyond the basics in order to fulfil our ambition. Ferrero understands that to foster change and accelerate adoption, we must go beyond compliance and consequence management alone, by taking a proactive position on selected priorities and initiatives to create new solutions to complex challenges.

We know more can be achieved together. We see partnerships and collaborations with suppliers, smallholders, farmer cooperatives, 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:

- (1) Human Rights and Social Practices
- (2) Environmental Protection / Sustainability
- (3) Supplier Transparency

Under each pillar we explain what is important to Ferrero, followed by specific commitments or selected priorities and initiatives ("Go Beyond" section).

FERRERO GROUP PALM OIL CHARTER






HOW FERRERO WILL IMPLEMENT THE PALM OIL CHARTER

The Charter lays out our requirements and commitments for sourcing palm oil responsibly.

Within this Action Plan we outline the steps we are taking to meet our commitments. Additionally, we will transparently share not only our progress, but also the challenges we face along the way. Every year, we will do this by publishing a Progress Report.



This Action Plan includes the following Ferrero acquired products: **Thorntons**, **Fannie May** and the brands that were part of **Nestle’s chocolate business in the United States**. The **brands that Ferrero acquired from the Kellogg Company** in 2019 are not included as we will have full visibility of their supply chain only once the integration process will be completed.

RESPONSIBLE SOURCING APPROACH	CHARTER REQUIREMENTS AND COMMITMENTS	KEY ACTIONS
 Programme(s)	PILLAR I: Human Rights and Social Practices	Earthworm landscape project: number of workers reached and engaged
 Standards and Certifications	PILLAR I: Human Rights and Social Practices	Percentage of palm oil that is RSPO Certified Segregated
	PILLAR II: Environmental Protection / Sustainability Practices	Percentage of Deforestation-free supply chain
 Supply Chain Visibility	PILLAR III: Supplier Transparency	Percentage of palm oil sourced traceable to the estate level Number of hectares covered under the Starling satellite monitoring and verification service
 Supplier Risk Management Due Diligence	Basic Requirements - Due Diligence	Percentage of Supplier Code acknowledged





HUMAN RIGHTS AND SOCIAL PRACTICES

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

Commitment: Through selected Landscape Approach Programs, we are committed to improving smallholders' working conditions and build their resilience.

Unethical recruitment practices have been identified as one of the major drivers of forced and bonded labour risks within the palm oil industry. Some of the critical issues needed to be combatted include passport retention and restriction of movement, debt bondage and unfair recruitment, wage related issues and forced overtime, restriction of freedom of association, and even poor living conditions and standards. The challenge for suppliers, when it comes to managing their supply base – which includes both their own operations and third-party suppliers including primarily mills & plantations – is to effectively measure the level of social non-compliance and provide adequate support to intervene and close gaps that ensure commitments are being met.

To address this complex area of focus, a programme managed by Earthworm Foundation, started in January 2021 and based in Malaysia, is supporting our third-party suppliers in analysing and evolving labour practices to ensure fair, safe and decent living conditions. The programme will consist of one deep dive engagement with a key Ferrero Palm Oil supplier with a clear focus on recruitment practices. The engagement will kick off in January 2022 with a due diligence process before moving forward with the implementation of any corrective actions that may be identified.



ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

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 our suppliers protect these areas through a dedicated satellite monitoring system.

We recognise 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 the palm oil plantations we source from are connected to a wider, more global landscape. Indeed, the health of these plantations is deeply linked to farming and production practices adopted on-the-ground as well as the wellbeing of the surrounding environment.

As a first step, we have committed to using 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 will enable us to identify grievances in our supply chain and drive positive change on the ground.



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. For us this is not just a numbers exercise, but more importantly a commitment to foster a deep understanding and relationship with our partner businesses and farming communities; one that allows us to more precisely understand the challenges to be addressed and subsequently generate sector-wide benefits.

We will work towards further enhancing the visibility of our value chain by strengthening the partnerships with our suppliers and by leveraging the most advanced technology available.



GLOSSARY

TERM	DEFINITION
ESG	Environmental, Social, and Corporate Governance is an evaluation of an organisation’s collective conscientiousness for social and environmental factors. Typically, it is a score assigned by data surrounding specific metrics related to intangible assets within the enterprise.
Ferrero Farming Values programme	Through the Ferrero Farming Values Programme, the Group supports 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, which are of outstanding significance or critical importance due to their high biological, ecological, social or cultural values. https://hcvnetwork.org/
High Carbon Stock (HCS)	The High Carbon Stock (HCS) Approach 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/
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.
Full traceability	Ferrero works closely with all its suppliers on the journey to full traceability to the estate level by using the segregated RSPO model for its chain of custody certification (sustainable palm oil from different certified sources is kept separate from ordinary palm oil throughout the supply chain).
Estate	A synonym for plantation.
Responsible Palm Oil Sourcing	Ferrero’s key partners in its Responsible Palm Oil Sourcing Programme are specialised and experienced organisations including the 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.
Standards and Certifications	Ferrero remains committed to credible external verification for both its own operations and that of its suppliers along the value chain. This involves recognised certifications & verification standards like RSPO , POIG and HCSA .



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