

FERRERO

**2021
ANNUAL
HAZELNUT
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 for our key raw materials, including hazelnuts, palm oil and others. Learn more in our [Sustainability Report](#).

The [Hazelnut Charter](#) sets out our vision for a hazelnut industry which, through continuous improvement, creates value for all. It outlines our long-term commitments with specific mid-term objectives (2023). Our aim is to be a driving force behind a hazelnut industry where farming communities are thriving, workers and children’s rights are respected, and environmental values are enhanced through regenerative agricultural practices.

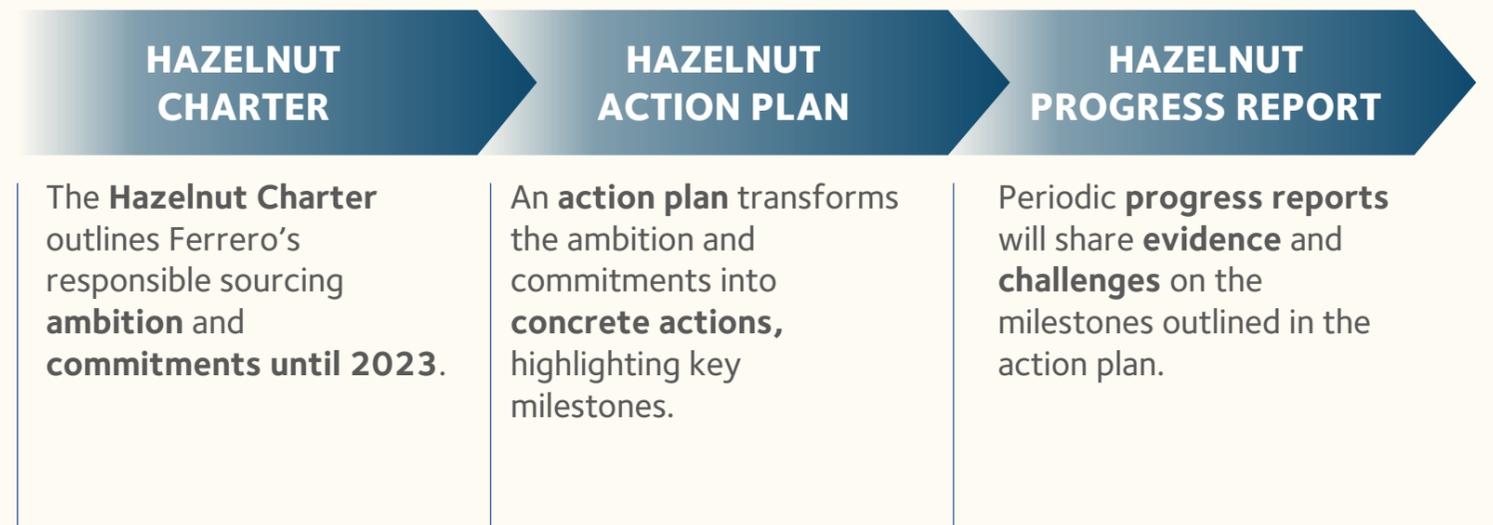
THE FOUR-STEP RESPONSIBLE SOURCING APPROACH IS ALIGNED TO OUR POLICIES AND GUIDES OUR CHARTERS FOR OUR KEY RAW MATERIALS:



HOW FERRERO WILL IMPLEMENT THE HAZELNUT CHARTER

The Charter lays out our requirements and commitments for sourcing hazelnuts 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. We will do this by publishing progress reports and updating our action plan each year.



| RESPONSIBLE SOURCING APPROACH | CHARTER REQUIREMENTS AND COMMITMENTS | KEY ACTIONS (YEAR 1) |
|--|---|---|
|  Programmes | PILLAR I: Human Rights and Social Practices | Joyful Growth: Nr of children reached |
| | PILLAR I: Community Development Pilot Project | Deployment of the project in targeted areas in Turkey |
| | PILLAR II: Environmental Protection / Sustainability | Regenerative agriculture: Nr of Farm Management Plans deployed at Agrifarms |
|  Supply Chain Visibility | PILLAR III: Supplier Transparency | Traceability: Sourcemap platform % of traceability at farm level |
|  Standards and Certifications | “Hazelnut Standards” | FFV Production Standard & Sustainably Grown Certification: Nr of audits performed |
|  Supplier Risk Management Due Diligence | Basic Requirements - Due Diligence | Supplier Code: % acknowledged |





01 HUMAN RIGHTS AND SOCIAL PRACTICES

Fostering a more equitable value chain for the people involved in hazelnut production

Commitment: Joyful growth and child protection across Ferrero's sourcing

What does this commitment mean?

For Ferrero, child protection means that we are determined to prevent and eliminate child labour all along our value chain, through a multi-stakeholder approach, with the conviction that every child should be protected, by experiencing joyful growth through a right to education and a safe environment. Tackling child labour requires a long term and collective response. This must be done through a holistic approach involving farming communities and where private sector, civil society, government and public authorities work actively together. Child labour has been documented in the agricultural sector in Turkey across different crops, including hazelnuts. Addressing this involves the need to improve working conditions, especially for seasonal workers during the harvest.

How will we work towards our commitment?

We will support and implement initiatives to improve social practices in the hazelnut sector with a focus on working conditions and enhancing farmer resilience.

Who will we work with?

We will do this through the activities of our FFV team on the ground engaging with farming communities, as well as by partnering with relevant organisations such as the ILO, Earthworm Foundation, and local NGOs.



02 ENVIRONMENTAL PROTECTION / SUSTAINABILITY

In partnership with farmers and suppliers, fostering the principles of regenerative agriculture to enhance farm biodiversity, improve soil health and farmers' climate change resilience

Commitment: Ferrero applying the principles of regenerative agriculture in hazelnut farming on its farms and across selected territories

What does this commitment mean?

Regenerative agriculture principles allow farmers to work better with nature. The principles of regenerative agriculture that we seek to promote include focusing on building soil health, finding agro-ecological ways to manage inputs and enhancing biodiversity. We believe that as a perennial long-term tree crop, hazelnut trees have the potential to contribute to farming landscapes if managed well.

How will we work towards our commitment?

As a first step towards this commitment we will establish Farm Management Plans (FMPs) for our Agrifarms, to allow us to evaluate the application of these principles. The FMPs are our baseline assessment and guide towards achieving specific aims to implement measures to restore, maintain and improve the wellbeing of the biodiversity and natural resources of the farms. Additionally, we will work to identify High Conservation Value areas in our sourcing landscapes and accordingly implement management plans to enhance these. We will integrate the concepts of Soil Health, Water Management, and Integrated Pest Management in our engagements with farmers.

Who will we work with?

The experts in our Agri Competence Centre (ACC), will work together with our local agronomists on our Agrifarms in establishing the FMPs. This work will be done in collaboration with global experts and local partners.



03 SUPPLIER TRANSPARENCY

Knowing where our raw materials come from and fostering data management and reporting

Commitment: Ferrero achieving full traceability to farm level for all its sourcing.

What does this commitment mean?

Traceability is essential to build a sustainable value chain. It enables us to monitor where our hazelnuts come from and to verify the conditions under which they are produced.

How will we work towards our commitment?

We will work towards further enhancing the visibility of our value chain by strengthening the partnerships with our suppliers and by using the most advanced technology. We will do this by implementing a more consistent methodology and by developing a hazelnut-dedicated platform to trace raw materials from farm to factory.

Who will we work with?

We are partnering with the traceability provider, Sourcemap. Through Sourcemap's platform, we will be able to support the value chain through data science, detect tomorrow's agricultural and social challenges, and ensure performance is continuously improving.



GLOSSARY

| TERM | DEFINITION |
|-------------------------------------|---|
| Programmes | Ferrero’s key partners in its Hazelnut Responsible Sourcing Programme are specialised and experienced organisations including the ILO, Earthworm Foundation and SCS Global Services . |
| Community Development Pilot Project | The project will focus on enhancing farmer resilience and reducing social risk. It will involve farmers, workers and community members to assess and identify solutions to be applied within our FFV programme. |
| Farm Management Plans | Our baseline assessment and guide towards implementing the principles of regenerative agriculture on our farms. |
| Supply Chain Visibility | Ferrero works with Sourcemap on the journey to full traceability to farm level. In Italy we are also supported by DNV . |
| Standards and Certifications | Ferrero co-created, in partnership with third party partners, its own standard, The Ferrero Farming Values (FFV) Production Standard. At our Agrifarms we apply the Sustainably Grown certification . |
| Supplier Code | Acknowledgment for Ferrero means that the supplier signs the Supplier Code. |



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