



# PALM OIL CHARTER

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**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.**

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## 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 POIG (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 this journey, we have actively engaged our suppliers and taken our commitments seriously. With the launch of this Charter we strengthen 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.

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 value 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 fulfill 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 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:

- (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 on selected priorities and initiatives (**"Go Beyond" section**).

# FERRERO PALM OIL CHARTER

		
<p><b>01 HUMAN RIGHTS AND SOCIAL PRACTICES</b></p>	<p><b>02 ENVIRONMENTAL PROTECTION/ SUSTAINABILITY</b></p>	<p><b>03 SUPPLIER TRANSPARENCY</b></p>
<p>Ferrero committed to improved working conditions across its value chain</p>	<p>Ferrero actively monitoring and verifying that its value chain is deforestation free</p>	<p>Ferrero achieving a fully transparent value chain</p>
<p><b>Workers with fair recruitment, working &amp; living conditions</b></p>	<p><b>Satellite verification</b> to ensure zero deforestation in our value chain</p>	<p><b>Full traceability to plantations,</b> publication of mills and estates list, time bound Action Plan and Progress reports</p>

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

## Image 1 Ferrero High Level Commitments

The image above captures under each pillar our initial high-level commitments established until December 2023. These will be matched with more granular targets that we will publish separately to this Charter in our annual Action Plan and Progress Report.

### PILLAR 1 HUMAN RIGHTS AND SOCIAL PRACTICES

We believe in the importance of respecting human rights of all actors in our value 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 ensure remediation for any relevant grievances that are raised.

Moreover, we believe those who work on the production of palm oil, should benefit fairly from their efforts. Below we outline details of what we view as basic requirements and how we go beyond these basic requirements.

**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 value chain.

We oppose Forced, Bonded or Compulsory labour and take the 11 ILO indicators<sup>1</sup> as reference to take appropriate steps to identify, prevent and address forced labour.

#### Responsible labour recruitment<sup>2</sup>

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 value chain, including at the mill and plantation 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.

<sup>1</sup> 11 ILO indicators

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

We require suppliers to:

- Adopt responsible labour recruitment, i.e. adhering to Pillar I of the Ferrero Supplier Code;
- Share our responsible recruitment principles with their suppliers and other supply chain actors to collaborate and find appropriate actions for continuous improvement.

### **Fair and safe working conditions<sup>3</sup>**

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<sup>4</sup> Protection and No child labour**

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.

### **Land Acquisition and Rights of Indigenous People and Local Communities<sup>5</sup>**

Ferrero understands the importance of undertaking thorough consultation prior to any land acquisition, ensuring the respect for the rights of indigenous people and local communities.

We require suppliers to:

- Ensure the rights of indigenous people and local communities when acquiring land and ensuring land is used in accordance with the free, prior, and informed consent (FPIC) principles<sup>6</sup>;
- Demonstrate practices to protect the natural environment and ecosystem as the basis to protect land rights, traditional culture and livelihood of local communities.

### **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 plantation 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.

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<sup>3</sup> 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

<sup>4</sup> 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.

<sup>5</sup> Refers to Ferrero Supplier Code Section of: Environmental related Human Rights Issues

<sup>6</sup> Refers to RSPO P&C 2018

## GOING BEYOND

Ferrero fostering a more equitable value chain for all people involved in palm oil production

### Through key initiatives, Ferrero is committing to smallholder inclusion

We source principally from RSPO segregated supply chains, where there are significantly fewer smallholder suppliers compared to conventional palm growing operations. Nonetheless, we commit to explore with our suppliers ways in which we can increase the number of smallholders in our physical supply chain while also ensuring our food safety requirements.

### Through selected Landscape Approach Programs Ferrero is committing to build smallholder resilience and improved working conditions

Resilience is defined by the ability of a system to resist to shocks and recover its initial balance. It is particularly important for farming and the food system: smallholders are very vulnerable and exposed to the negative impacts of climate change. Moreover, changing and extreme weather patterns, mean that smallholders have fluctuating yields from year to year making it difficult for them to plan for the future. These changes can also lead to increasing issues with pests and diseases that negatively affect plantation yields. At the same time, smallholders are particularly exposed and vulnerable to the volatility of commodity market prices, which deeply affect their economic resilience. In order to overcome these challenges, we are committed to support smallholders in transitioning towards farming businesses models which aim to create greater resilience for communities from agronomic and economic perspectives.

Ferrero commits to promote and support landscape approaches that look to balance development and conservation by protecting key ecosystems. Adopting landscapes approaches to achieve sustainability targets means taking a holistic approach based on local contexts in order to generate impacts related to forest protection, soil conservation, and farmer resilience. It also means collaborating with local governments, scientists, civil society to achieve sustainability goals. Given the multi-commodity nature of sourcing landscapes, Ferrero will partner with peer companies which also have an interest in protecting these areas and the communities around common supply chains.

## PILLAR 2

### ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

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 palm oil plantations we source from are connected to a wider, more global landscape. As such, the health of the palm oil plantations is deeply linked to the practices adopted in the plantations and the health of the surrounding environment.

We commit to having a palm oil value chain – and in particular palm oil production – that not only respects the environment, but also becomes a positive driver to regenerate biodiversity, soils, water systems across palm oil landscapes. This creates healthy farming ecosystems that benefit farmers and the environment.

### BASIC REQUIREMENTS

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

#### No deforestation and no development on peat

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

We require suppliers to:

- 100% no deforestation as defined by the High Carbon Stock Approach<sup>7</sup>(HCS);
- Protect forests and natural habitats by conserving High Conservation Value<sup>8</sup> (HCV) areas.  
HCV are places with significant biological, ecological, social, or cultural values that are not necessarily officially protected. There are 6 categories of HCVs as defined by the HCV Network<sup>9</sup>: i) species diversity, ii) landscape level ecosystems, iii) ecosystems and habitats, iv) ecosystem services, v) community needs, and vi) cultural values;
- Ensure no development occurs on peat, regardless of depth;
- Ensure no development occurs in any other protected areas or ecosystems;
- Not using fire to clear land.

<sup>7</sup> <http://highcarbonstock.org/>

<sup>8</sup> <https://hcvnetwork.org/>

<sup>9</sup> Except as allowed by RSPO under exceptional circumstances.

### **Water management and conservation throughout our supply chain (plantation, mill, refinery)**

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 by optimizing their water usage and ensuring groundwater quality is maintained;
- Undertake assessments at landscape level to identify watercourses in and around the plantations and to take risk mitigation measures when inputs are being applied.

### **Chemical and fertiliser management**

Although the Palm Oil sector has taken strong measures to tackle its use of chemicals and inorganic fertilisers, we understand the need to remain vigilant and foster improved practices and reduce reliance on chemicals and inorganic fertilisers to protect biodiversity.

We require suppliers to:

- Not use Paraquat or chemicals on the WHO class 1a and 1b, Stockholm POP, or Rotterdam PIC lists;
- To reduce their use of chemicals and fertilizers and supporting them foster good farming and agricultural practices that do not endanger people's health or the environment.

### **GOING BEYOND**

Ferrero, in partnership with its suppliers, looks to actively protect standing forests and/or restore natural forest areas in order to generate positive carbon and biodiversity impacts

### **Through selected initiatives Ferrero is committing to nature conservation across selected territories**

Due to the development of the palm oil industry over the past decades, forests and important ecosystems such as peatlands have been destroyed or severely damaged. While our policy ensures that we do not directly contribute to deforestation for new plantations, we recognize that we are part of a wider industry that has been putting pressure on forests to meet growing demand for plantation areas, and want to do our part to actively protect standing forests from conversion and/or restoring natural forest areas that need to be restored.

We look to generate significant positive carbon and biodiversity impacts by supporting conservation works in key landscapes and in partnership with our suppliers. Tropical rainforests contain about half of the world's terrestrial plant and animal species, and each hectare stores hundreds of tons of carbon above

and below ground and sequesters more each year. There are still millions of hectares of forest, including on peatlands, that are at risk of being converted to new plantations. By doing our part to actively protect remaining forests, and by actively supporting our suppliers, we can ensure thriving, resilient landscapes that help stabilize the climate and provide ecosystem services to communities in our sourcing regions.

We commit to:

- Ensure we have a clear map of the HCV and HCS areas associated with the palm oil we source;
- Ensure our suppliers protect these areas through a dedicated satellite monitoring system.

## **PILLAR 3 SUPPLIER TRANSPARENCY**

The existing environmental and social issues at the base of the value 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 the environment. We believe in strong and productive relationships between all nodes of the value chain as well as with other key stakeholders such as NGOs, governments and scientists. We consider this fundamental for tackling systemic issues in the palm oil sector and to jointly create a more sustainable sector for the future.

### **BASIC REQUIREMENTS**

Knowing where our raw materials come from

#### **Traceability and data management**

Ferrero understands the importance of tracing palm oil 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 palm oil supply back to all fresh fruit bunch (FFB) sources which include estates and smallholders;
- Use traceability as a means to target actions to achieve the commitments under this Charter;
- Publishing and updating the mills list of our supply chain every 6 months;
- Collect 100% of our suppliers' concession maps, including the locations of all smallholders from which our suppliers are sourcing from.

## GOING BEYOND

Ferrero fostering data management and reporting

### Through key initiatives that grow our Management System

Ferrero ensures the three key pillars are managed along its value 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 palm oil sector. In order to do so, we commit to address all pillars of this Charter consistently, including the collection of structured information and data along the value chain which will be the base for future actions and evolution of our commodity strategy.

## 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<sup>10</sup> 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 Palm Oil Charter. Moreover, Ferrero commits to publishing and updating every six months its (1) mills list, (2) satellite deforestation alerts and (3) on a yearly basis its palm oil dashboard (including progress report).

We also invite stakeholders to provide regular input where relevant and possible.

## OUR APPROACH TO VERIFICATION

We commit to verify that our supply chain is aligned with our Charter.

Our current certification schemes represent the baseline verification for our Charter commitments.

Beyond certification we will:

- Use the Starling satellite monitoring service over 100% of our palm sourcing areas to monitor potential deforestation;
- We will also explore the launch of innovative social independent 3rd party verification tools throughout our supply chain (e.g. field visits by local CSOs<sup>11</sup>, 3rd party audits, hotline, grievance processes).

## OUR STANDARDS

Ferrero remains committed to credible external verification for both its own operations and those of its suppliers along the value chain. This involves recognised certifications standards.

Below we provide details about the three standards we apply to our supply chain in order to improve practices.

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<sup>10</sup> [Ferrero Integrity Helpline](#)

<sup>11</sup> Civil Society Organizations

SCOPE	STANDARD	DESCRIPTION/ REFERENCE
<b>Ferrero</b>	Member of RSPO (Roundtable on Sustainable Palm Oil)	This Standard provides the tool to keep sustainable palm oil physically separated from non-sustainable palm oil and to trace it from the certified sustainable plantations to the production line <a href="https://rspo.org/about">https://rspo.org/about</a>
<b>Ferrero</b>	Member of POIG (Palm Oil Innovation Group)	This initiative strives to achieve the adoption of responsible palm oil production practices in the supply chain through developing and sharing a credible and verifiable benchmark that builds upon the Roundtable on Sustainable Palm Oil (RSPO), and creating and promoting innovations. <a href="http://poig.org/">http://poig.org/</a>
<b>Ferrero</b>	Member of HCSA (High Carbon Stock Approach) steering group since October 2019	<a href="http://highcarbonstock.org/new-hcsa-sg-member-ferrero/">http://highcarbonstock.org/new-hcsa-sg-member-ferrero/</a>