

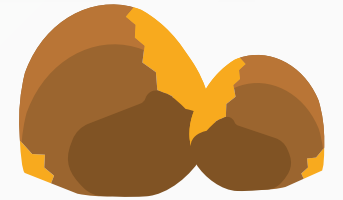


FERRERO®

# ANNUAL HAZELNUT PROGRESS REPORT 2022



# FERRERO HAZELNUT CHARTER



# 01

## HUMAN RIGHTS AND SOCIAL PRACTICES

**Ferrero committing to joyful growth and child protection** across its sourcing



# 02

## ENVIRONMENTAL PROTECTION / SUSTAINABILITY

**Ferrero applying the principles of regenerative agriculture on its farms** and across selected territories



# 03

## SUPPLIER TRANSPARENCY

**Ferrero achieving full traceability** to farm level for all its sourcing

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



# KEY FIGURES ON FERRERO'S PROGRESS IN 2022

## PILLAR 1

### HUMAN RIGHTS AND SOCIAL PRACTICES



# 7591

**Children engaged**

through collective engagement and partnerships

*(13,236 in the first 2 years of the Hazelnut Charter deployment)*

## PILLAR 2

### ENVIRONMENTAL PROTECTION/SUSTAINABILITY



# 423

**Farms audited**

against Ferrero Farming Production Standard *(758 in first 2 years of the Hazelnut Charter deployment)*



# 5

**Farm Management Plans**

deployed at our Agrifarms with application of the principles of Regenerative Agriculture



# 3

**Agrifarms certified**

under the Sustainably Grown standard

## PILLAR 3

### SUPPLIER TRANSPARENCY



# 79%

**Total sourced hazelnuts traced** back to farms



# 100%

Hazelnut suppliers **acknowledged our Supplier Code**



# FERRERO – RESPONSIBLE SOURCING APPROACH





At Ferrero we take a continuous improvement approach to responsible sourcing. Our approach is built around supplier management and robust due diligence, traceability and transparency, certification, and standards. We know more can be achieved together and long-term partnerships and collaborations are essential. 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 positive difference to the supply chains in which we operate.

## FERRERO HAZELNUT CHARTER

The **Hazelnut Charter** lays out our requirements and commitments for producing and sourcing hazelnuts responsibly. In line with our **Supplier Code** it also sets specific short-term objectives.

# 2022 ACTION PLAN FOR HAZELNUT

Our **Annual Hazelnut Action Plan** outlines the key indicators we measure to meet the commitments under each pillar of our Charter.

RESPONSIBLE SOURCING APPROACH	CHARTER REQUIREMENTS AND COMMITMENTS	KEY ACTIONS*
 Programme(s)	<b>PILLAR I: Human Rights and Social Practices</b>	Joyful growth: number of children reached Deployment of the community development pilot project in targeted areas in Turkey
 Standards and Certifications	<b>PILLAR II: Environmental Protection / Sustainability Practices</b>	Regenerative agriculture: number of Farm Management Plans deployed at Agrifarms
 Supply Chain Visibility	<b>PILLAR III: Supplier Transparency</b>	Traceability: % of hazelnuts traced back to farm level through the Sourcemap platform FFV Production Standard and Sustainably Grown Certification: number of audits performed
 Supplier Risk Management Due Diligence	<b>Basic Requirements - Due Diligence</b>	Supplier Code: % of suppliers that acknowledge the Supplier Code

\* For key figures on our progress please see previous page.



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

### **Fostering a more equitable value chain for the people producing hazelnuts**

**Commitment: Joyful growth and child protection across Ferrero’s sourcing.**

There are around 600,000 hazelnut farmers globally, of whom around 550,000 are in Turkey – the world’s largest producer of hazelnuts and one of our main sourcing countries. The hazelnut supply chain in Turkey is highly fragmented, with hazelnuts mainly grown on small family orchards. Hazelnuts, like many other agricultural crops in Turkey (including citrus, grapes and sugar beet), are harvested by migrant workers who harvest different crops over several months.

Many of these seasonal workers travel with their families and lack access to schools and childcare. Child labour has been documented across the agricultural sector in Turkey, including hazelnuts where the migrants work for 4-6 weeks a year. For us, child protection means we are determined to prevent and eliminate child labour all along our value chain, allowing every child to experience joyful growth through a right to education and a safe environment.

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

Tackling child labour in the agricultural sector requires a long-term, collective response. We are engaged in a range of initiatives and activities, such as supply-chain traceability and risk assessments; building capacity at national level and throughout the supply chain; raising awareness; and development projects to improve working and living conditions for seasonal workers and their families, including child education and healthy development.

Ferrero is a key player in the CAOBISCO and ILO partnership in Turkey, set up in 2013. This partnership has established projects aimed at building capacity, raising awareness, and establishing ways to directly intervene against child labour, for example by providing educational activities and material support (education materials, hygiene kits and clothing sets).

Since November 2020, Ferrero has also been working in a private public partnership directly with the International Labour Organization (ILO), supporting a multi-year project contributing to the elimination of child labour in hazelnut harvesting in Turkey.

Child protection is also an important part of our Ferrero Farming Values (FFV) sustainability programme, which has been active in Turkey since 2012. Our FFV team in Turkey is present on the ground, running training and audits and engaging with farming communities to raise awareness and improve social practices.



### What steps have been taken in 2022?

Through our FFV programme and our work with the ILO, activities now cover all our hazelnut sourcing areas in Turkey. In the 2022 growing season, we engaged with more than 7,500 children of seasonal agricultural workers in Turkey, providing educational activities to promote joyful growth in partnership with the ILO, with Ferrero’s hazelnut suppliers and alongside the activities of our FFV team and local Partners (TEGV and Giresun University).

Through our FFV activities we also distributed educational kits and in collaboration with local municipalities, established sanitation units for families within the temporary accommodation of seasonal agricultural workers.





### Year 2022: Counselling sessions and material support provided

SUPPORT PROVIDED	NUMBER OF BENEFICIARIES IN TURKEY
Educational materials for children	9579
Nutritional support for children	5852
Transportation support for children	2732
Social and cultural activities for children	10475
Health/hygiene kits for children	7970
Clothing sets for children	3178
Counselling sessions for family members	1615
Food and hygiene cards/vouchers	1604



*This year, with the support of Ferrero Farming Values, we worked with seasonal migrant workers' children in Sakarya under our motto of "All-Season Education". We aimed to prevent children from working in hazelnut gardens while supporting their social and cognitive developments.*

**The Educational Volunteers Foundation of Türkiye (TEGV)**





## PILLAR II: ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

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

**Commitment: To apply the principles of regenerative agriculture on our farms and in our main sourcing countries.**

Through our dedicated division, **Ferrero Hazelnut Company**, we are supporting hazelnut growing by working towards understanding and demonstrating the benefits of regenerative agriculture. This means our long-term focus is on farming with nature and promoting growing methods that include improving soil health, protecting and optimising the use of resources, and enhancing biodiversity. We believe that as a perennial tree crop, hazelnut trees have the potential to contribute to farming landscapes.

### How is Ferrero working on this commitment?

We have 5 Agrifarms in 5 countries and are using them to test and demonstrate the most promising agricultural practices and share them with farmers. The first step we took was to carry out baseline assessments, supported by third-party agronomic specialists and conservation organisations, to assess the state of each farm's biodiversity and natural resources (flora, fauna, soil, wetlands, and water).

These assessments then provided the foundation for Farm Management Plans (FMPs), which guide how we will implement measures to restore, maintain and improve the wellbeing of the biodiversity and natural resources on our Agrifarms. The FMPs also incorporate the best available science and proven approaches and support trials to test new and more sustainable practices.

### What steps have been taken in 2022?

We have worked with farmers and suppliers, fostering the principles of regenerative agriculture to enhance farm biodiversity, improve soil health and farmers' resilience to climate change. We considered the principles of regenerative agriculture in hazelnut farming on our farms and across selected territories, from trials optimising water consumption and soil organic matter, to carbon sequestration assessments, and responsible pest and disease strategies.

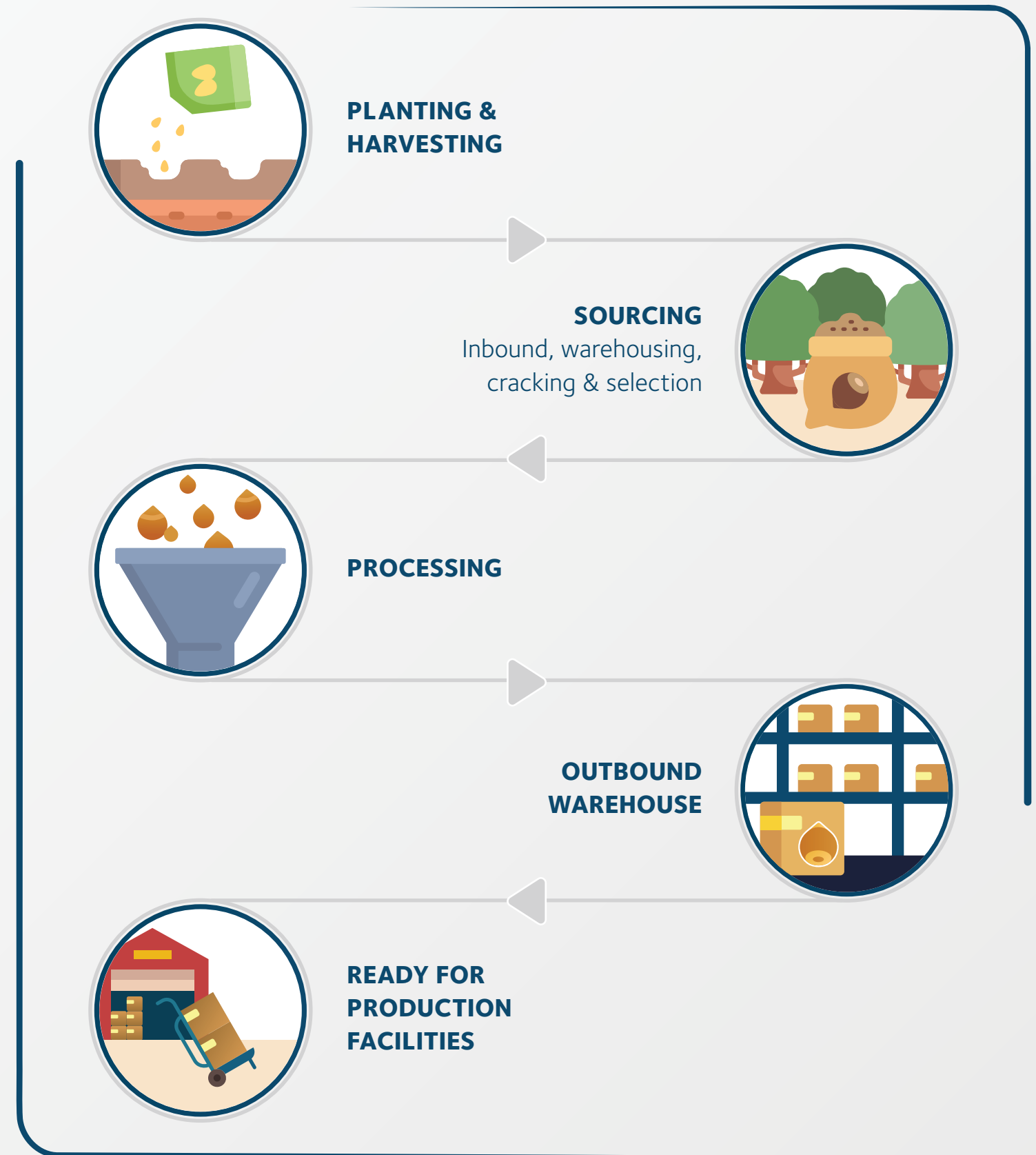
Through our Agri Competence Centre (ACC) we have developed and shared scientific knowledge to improve quality and productivity and enhance sustainability. The ACC's work includes helping to develop more efficient growing methods (e.g. water use optimization) and address pest-management problems, as well as to develop new sustainable hazelnut cultivars.





We have started to perform a carbon life cycle assessment (LCA) of the whole supply chain. The study aims to better understand the carbon emission and carbon sequestration potential of hazelnut orchards, but also including post-harvest processing and handling and transportation along the entire hazelnut life cycle. The ultimate goal is to identify what growers and the industry can do to decrease the carbon footprint of the whole supply chain.

We have developed a set of guidelines aimed at increasing awareness of Ferrero’s objectives on human rights and social practices, environmental protection and sustainability, and supplier transparency. These guidelines are addressed to farmers and are structured according to the three pillars of the Hazelnut Charter. Under each pillar, we explain what is important to Ferrero and why, followed by specific guidelines to help inspire the right practices for responsible hazelnut production. These guidelines are not compulsory but are meant to inspire the farmers, who will have the opportunity to share suggestions as part of our journey towards continuous improvement of the value chain. We are collaborating with the International Union for Conservation of Nature (IUCN) on these guidelines. They are providing strategic and technical advice on regenerative agriculture, including on KPIs, for hazelnut farmers.





*In AgriSerbia we have had a Farm Management Plan in place since 2020. It is helping us develop good conservation practices, like the incorporation of pruning residuals into the soil, and to monitor our progress by assessing the level of organic matter in sample plots. Results so far show a positive effect on soil carbon.*

**Luigi Ramoni, AgriSerbia Head Agronomist**





## PILLAR III: SUPPLIER TRANSPARENCY

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

#### Commitment: Full traceability to farm level for all our hazelnut sourcing

Traceability enables us to monitor where our hazelnuts come from and to verify the conditions under which they are produced. It helps us to support farmers and suppliers to develop and implement better social and environmental practices to benefit the sector overall. It is challenging in the hazelnut sector because of the highly complex and fragmented supply chains involved in some areas. In these supply chains, hazelnuts are mainly grown on small family orchards and have a variety of intermediaries, scattered information, different data processing systems and limited availability of technology. Addressing these challenges requires close collaboration among all stakeholders.

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

Ferrero only sources hazelnuts from suppliers that have signed and follow its **Supplier Code** (which is the basis for the Hazelnut Charter and sets out its guiding principles). To fulfil our ambition of full traceability of our sourced hazelnuts down to farm level, we needed to redesign and strengthen our traceability approach. In January 2021 Ferrero announced a new partnership with Sourcemap, a leading provider of supply chain mapping and digital transparency solutions, with the aim of developing a global traceability platform.

### What steps have been taken in 2022?

All our hazelnut suppliers have signed and acknowledged our Supplier Code, and this includes a commitment to actively engage in increasing transparency and traceability within their own supply chains.

#### Traceability

For the 2021/2022 crop<sup>1</sup>, despite systemic supply-chain complexity, we have achieved an overall traceability figure of 79%<sup>2</sup> for all our sourced hazelnuts, supported by the Sourcemap platform.

For the second year running SCS (a third-party auditing firm) conducted a traceability audit in three of our main sourcing countries (representing >90% of hazelnut volumes purchased). One of the goals of their site visits was to verify the information reported by our suppliers into the Sourcemap platform and to record any difficulties encountered, so as to continuously improve our process.

More than 450 suppliers were interviewed across these three countries. Whenever discrepancies were identified between the data entered into the Sourcemap platform and those recorded during the audit, these were corrected in Sourcemap in order to provide the most accurate traceability figures for the hazelnut value chain.

<sup>1</sup> 2021 for the regions in the Northern Hemisphere and 2022 for the Southern Hemisphere.

<sup>2</sup> Stock Amnesty for Crop 2021-Turkish law offering facilitated fiscal regime (and possibility to not record receipts) for low-income professionals.



### Transparency

Since 2012, SCS Global Services has overseen the audit programme for the FFV Production Standard in Turkey, and in 2021 it was updated with a stricter requirement. From an audit planning and execution standpoint, we improved the way we define the sample of the farms to audit. In addition, for statistical purposes, we surveyed a group of farms not involved in the FFV Production Standard (as a control group). During crop 2022, the audit and survey programme reached 309 FFV farms in five regions and additional 114 from the control group. For the 309 FFV farms, all non-compliances identified were tackled through a corrective-action plan.

In 2022, SCS carried out the surveillance audit in Chile. It also reviewed employee working conditions, health and safety, and social practices. We retained the Sustainably Grown Standard we have had since 2019, confirming our commitment to the sustainable development of the hazelnut value chain.

Serbia is also certified under the Sustainably Grown Standard, and the certification programme gives agricultural producers technical support in improving sustainable management at their plantations. This also reassures customers that we are meeting the highest environmental, social, and economic sustainability standards, that farm workers and their communities are protected, and that farms are economically resilient.



*Our work in Turkey, Chile and Italy has verified traceability through the supply chain down to the farm level and works alongside the Ferrero Farming Values programme which has verified the sustainability practices of thousands of hazelnut growers over the years.*

**SCS Global Services**





## GLOSSARY

- **CAOBISCO:** The **Association of Chocolate, Biscuit and Confectionery Industries of Europe**. It represents more than 13 000 European chocolate, biscuits and confectionery manufacturing companies, 99% of which are SMEs.
- **Community Development Pilot project:** The pilot project will focus on enhancing farmer resilience and reducing social risk. The project is using a new approach, to implement a community-based model with the aim of preventing child labour by improving the resilience of farmers, communities, and labour brokers.
- **Farm Management Plans:** Our baseline assessment and guide towards implementing the principles of regenerative agriculture on our farms.
- **Ferrero Farming Values programme:** Through the Ferrero Farming Values Programme, we work to make more quality sustainable hazelnuts available, with a focus on sustainable agricultural and social practices, and on enhancing traceability.
- **IUCN: The International Union for Conservation of Nature** (IUCN) is a membership Union uniquely composed of both government and civil society organisations. By harnessing the experience, resources and reach of its more than 1,400 Member organisations and the input of some 15,000 experts, IUCN is the global authority on the status of the natural world and the measures needed to safeguard it.
- **LCA: Life cycle assessment:** is a methodology for assessing environmental impacts associated with all the stages of the life cycle of a commercial product, process, or service. In the case of the hazelnut value chain we are cooperating with **2.-0 LCA consultants**.
- **Partnerships:** Ferrero's key partners in its Hazelnut Responsible Sourcing Programme are the **International Labour Organization** (ILO), the United Nations agency for the world of work and specialised and experienced organisations including **Earthworm Foundation** and **SCS Global Services**.
- **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:** 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 recognizes our requirements and agrees to comply.
- **Supply Chain Visibility:** Ferrero works with **Sourcemap** on the journey to full traceability to farm level. In Italy we are also supported by **DNV**.