



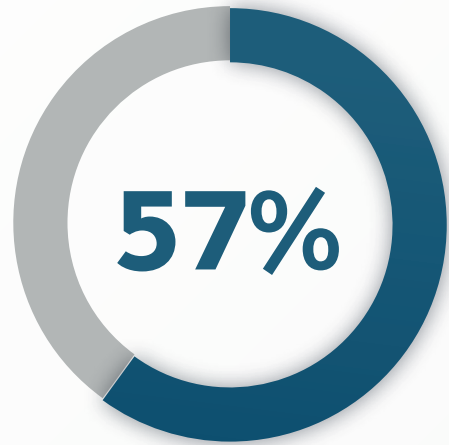
**FERRERO**

**ANNUAL HAZELNUT  
PROGRESS REPORT 2021**





# KEY FIGURES ON FERRERO'S PROGRESS IN 2021



Total sourced hazelnuts traced back to farms



Hazelnut suppliers acknowledged our Supplier Code



## 5,070

**Children reached** through collective engagement and partnerships



## 3

**Agrifarms certified** under the Sustainably Grown standard

Field diagnostics at



## 17

**Villages in Turkey,** baseline study on four villages



## 5

**Farm Management Plans** deployed at our Agrifarms with application of the principles of Regenerative Agriculture



## 335

**Farms reached** through Ferrero Farming Production Standard audits



# 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 difference to the supply chains in which we operate.

## FERRERO HAZELNUT CHARTER

In line with our **Supplier Code**, the **Hazelnut Charter** lays out our requirements and commitments for sourcing hazelnuts responsibly.

# 2021 ACTION PLAN FOR HAZELNUT

The **Hazelnut Action Plan** outlines our key actions to meet the commitments in 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 650,000 hazelnut farmers globally, of whom around 550,000 are in Turkey, which is 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. Child labour has been documented in the agricultural sector in Turkey across different crops, including hazelnuts.

Tackling child labour requires a long-term collective response. This involves improving working conditions, especially for seasonal workers who help to harvest different crops over several months. Many of the seasonal workers travel with their families and lack access to schools and childcare.

### How is Ferrero working on this commitment?

Since November 2020, Ferrero has been working in partnership with the International Labour Organization (ILO), supporting a multi-year project to contribute to the elimination of child labour in seasonal agriculture in hazelnut harvesting in Turkey. This builds on Ferrero’s participation in the CAOBISCO and ILO partnership in Turkey, which has been active since 2013.

These projects aim to build capacity, raise awareness, and establish ways to directly intervene against child labour, for example by providing educational activities and material support (education materials, hygiene kits and clothing sets).

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, engaging with farming communities to raise awareness and improve social practices.







## What steps have been taken in 2021?

### The growing season

Through our FFV programme and our work with the ILO we now cover all our hazelnut sourcing areas in Turkey. In the 2021 growing season, 5,070 children of seasonal agricultural workers in Turkey have been reached and provided with educational activities to promote joyful growth in partnership with the ILO and local NGOs.

Despite the challenges created by Covid-19, our FFV teams visited almost 400 orchards a day during the growing season, reaching more than 22,000 farmers overall. Our FFV teams in Turkey distributed hygiene kits for 4,000 seasonal agricultural workers and cleaning materials for 1,000 households, as well as supported the improvement of sanitation facilities to enhance working conditions during the growing season.

Through FFV we also distributed 2,000 educational kits and in collaboration with local municipalities, supported the creation of playgrounds within the temporary accommodation for children of seasonal agricultural workers.

*I joined this project because I am originally from Trabzon and I was involved in the hazelnut harvest when I was child. I am familiar with the difficulties that children can experience during the harvest. We play games with the children. I believe play is the universal language of every child.*

**Serengul Bayrak, teacher,  
participating in the ILO-Ferrero project in Turkey**

### Community development pilot project

Our FFV team in Turkey began working with Earthworm Foundation on a three-year community development pilot project, with the aim to apply the learnings within our FFV programme. The project is using a community-based model to address social challenges and prevent child labour in the hazelnut supply chain. The project aims to improve the resilience of farmers, communities, and the living and working conditions of seasonal workers.

A field diagnostic for the pilot project was carried out in 17 villages in Turkey to get a deeper understanding of the systemic challenges. A baseline study was carried out in four of these villages to analyse social practices and farmer resilience, understand specific challenges, define activities and establish methods to measure progress.

The FFV team together with Earthworm Foundation and the members of village communities began the on-the-ground work in November 2021.



## 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 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 are using our Agrifarms 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 2021?

Details of the FMPs for our Agrifarms in Australia, Chile, Serbia, Georgia, and Argentina have been defined. We have also worked to identify High Conservation Value (HCV) areas, which are important to protect nature and local communities, within each of our farms. The FMP includes a mapping of these areas as well as management guidelines and actions to maintain and improve them.

Demonstration plots and specific projects within the FMPs have been identified and this work has begun on our Agrifarms. For example, in **Chile**, we are implementing floral corridors across the five sites at our AgriChile farm. These create a buffer zone along the borders of eligible planting areas to promote biodiversity and enrich the habitat, supporting nature-based solutions for pest control. Another example is in **Serbia**, where our team is reusing pruning residues and putting them back into the soil with the aim of preserving organic matter and maintaining carbon in the soil.





*We are building our floral corridors while protecting native bushes and grassland patches – we want to create a habitat that promotes biodiversity and at the same time reduces things like soil erosion.*

**Claudia Villalobos, agronomist at our AgriChile farm**







## PILLAR III: 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.**

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 2021?

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

To ensure a smooth and effective transition to the Sourcemap methodology and platform, a pilot was carried out to test the new traceability platform with selected suppliers in Turkey and Italy. After successful completion of this pilot, the platform was rolled out across all our hazelnut sourcing countries.

The use of a traceability platform makes it possible to leverage data science and ensure performance is continuously improving. Currently Ferrero's hazelnut supply chain is 57% traceable to farm level. Across our hazelnut value chains in Turkey and Italy, an on-site audit was conducted by a third party leading certification and verification company, SCS Global Services. While we face challenges in some geographies like Turkey where the supply chain is complex and fragmented, in Italy, we have achieved a significant increase to 78% traceability. In other countries, such as Chile and USA, we have achieved full hazelnut traceability.





### Transparency

The Ferrero Farming Values Production Standard is the framework that guides our good social and agricultural practices and has been developed with SCS Global Services. It was created in 2012 when there was no recognised certification scheme for hazelnuts. SCS carries out annual audits of our value chain to ensure adherence to the standard. In 2021, we strengthened the methodology and a control group of farms not involved in the FFV Production Standard was surveyed. Any non-compliance related to members of the FFV programme was addressed through a Corrective Action Plan.

Our farms in Chile and Serbia confirmed their **Sustainably Grown** certification. The Sustainably Grown standard provides a framework and common set of environmental and social requirements to show that crops have been produced sustainably. Following our sustainability roadmap, our farm in Australia has now been certified under the Sustainability Grown standard.

“ *The Sourcemap platform collects data continuously, providing Ferrero greater transparency of its hazelnut sourcing. This is especially important given the complexity of the hazelnut supply chain and means each step forward on this traceability journey is significant.* ”

**Leonardo Bonanni, Sourcemap Founder and CEO**







## GLOSSARY

- **Ferrero Farming Values programme:** Through the Ferrero Farming Values (FFV) Programme, we work to make more quality sustainable hazelnuts available, with a focus on sustainable agricultural and social practices, and on enhancing traceability.
- **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**.
- **Community Development Pilot project:** The project is using a community-based model to address social challenges and prevent child labour in the hazelnut supply chain. It aims to improve the resilience of farmers, communities, and the living and working conditions of seasonal workers.
- **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**, an independent expert in assurance and risk management.
- **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.