



**FERRERO**

**ANNUAL PALM OIL  
PROGRESS REPORT  
2023-2024**



# KEY FIGURES ON FERRERO'S PROGRESS IN 2023/2024<sup>1</sup>

	HUMAN & SOCIAL PRACTICES		ENVIRONMENTAL PROTECTION		TRANSPARENCY & TRACEABILITY
PROGRAMS by end 2024	<b>Ethical recruitment &amp; working conditions</b> <b>Supplier Engagment Projects</b>   <b>4,606</b> workers benefitted from the actions taken under the Ethical Recruitment and Working Conditions Improvement Projects <sup>2</sup>	<b>Earthworm SCFS - Landscape Project</b>   <b>3,753</b> workers <sup>3</sup> saw improved working conditions   <b>1,309</b> smallholders farmers reached	<b>Ferrero – SAN: Nature Based Solutions for palm oil</b>   <b>&gt;8,400</b> ha covered by the human-elephant coexistence programme	 <b>&gt;1,700</b> ha of palm oil fields under nature-based solutions management	 <b>100%</b> traceability to mills
STANDARDS AND CERTIFICATIONS	 <b>100%</b> RSPO Certified Palm Oil, out of which 96% as Segregated and 4% as Mass Balance				 <b>97%</b> traceability to plantation   <b>97%</b> deforestation free supply chain <sup>4</sup>
SUPPLIER RISK MANAGEMENT <sup>5</sup>	 <b>100%</b> palm oil suppliers acknowledged our Supplier Code	 <b>100%</b> palm oil suppliers in scope, compliant against Due Diligence Assessment Requirements	 <b>&gt;59,000</b> smallholders in the supply chain <sup>6</sup>		

<sup>1</sup> Total Ferrero Group, including M&A. Supplier Risk Management, Certification & Supply chain visibility figures refer to 1<sup>st</sup> July 2023 to 31<sup>st</sup> August 2024. Programs KPI's are accumulated figures from the beginning of the program to the end of 2024.  
<sup>2</sup> Total migrant workers (own check roll and sub-contracted) with improved working conditions as a result of improvements implemented from ERDD and LTP recommendations.  
<sup>3</sup> The total number of workers includes individuals reached through Earthworm Foundation's human rights interventions within the SCFS landscape area, as well as those supported through dedicated supply chain programs operating in the same geography, excluding workers reached through Ferrero-funded programs.  
<sup>4</sup> Externally assessed by Earthworm Foundation. We are carrying further analysis on the remaining 3.5%.  
<sup>5</sup> Does not include new suppliers engaged during fiscal year 2023-2024.  
<sup>6</sup> Calculated using smallholder figures reported by mills in RSPO public disclosure documents.

## FERRERO – RESPONSIBLE SOURCING APPROACH

At Ferrero we take a continuous improvement approach to responsible sourcing. Our approach is built around comprehensive supplier management and rigorous due diligence, traceability and transparency, certification, and standards. We firmly believe in the potential for achieving more through collaborative efforts and long-term partnerships, essential components in our strategy. Furthermore, we invest in our supply chains through targeted programs aimed at going the extra mile to improve environmental, social and governance (ESG) conditions and overall standards.

Ferrero has a long-standing commitment to source **certified segregated RSPO sustainable palm oil, traceable back to plantations**. We first reached this goal in 2015 and were one of the first global companies to do so. We go beyond these stringent requirements with initiatives guided by the three pillars of our Palm Oil Charter: human rights and social practices, environmental protection, and Transparency & Traceability.





Since 2018, we have continuously disclosed on our website the list of sources from which we procure our palm oil and monitored our supply chain for no-deforestation with the Starling satellite monitoring system.

## FERRERO PALM OIL CHARTER

In line with our **Supplier Code**, our **Palm Oil Charter** lays out our requirements and commitments for sourcing palm oil responsibly.

### 2022-2025 ACTION PLAN FOR PALM OIL

#### The Palm Oil Action Plan

RESPONSIBLE SOURCING APPROACH	CHARTER REQUIREMENTS AND COMMITMENTS	KEY ACTIONS <sup>7</sup>
 Programme(s)	<b>PILLAR I: Human Rights and Social Practices</b>	Ethical recruitment and working conditions - Supplier Engagement Projects
	<b>PILLAR II: Environmental Protection</b>	Earthworm SCFS Landscape Project Ferrero – SAN Project; Nature Based Solutions for Palm Oil
 Standards and Certifications	<b>PILLAR I: Human Rights and Social Practices</b>	Sourcing RSPO Certified Segregated Sustainable Palm Oil
	<b>PILLAR II: Environmental Protection</b>	Non-deforested verification
 Supply Chain Visibility	<b>PILLAR III: Transparency &amp; Traceability</b>	Smallholder inclusion Traceability To Plantation Satellite monitoring
 Supplier Risk Management Due Diligence	<b>Basic Requirements - Due Diligence</b>	Suppliers' acknowledgement of Supplier Code

<sup>7</sup> For key figures on our progress please see previous page.



# PILLAR I: HUMAN RIGHTS AND SOCIAL PRACTICES

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

**Commitment:** Through selected programs, we aim to improve the working conditions and resilience of plantation workers & smallholder farmers.

A challenge remains in assessing the level of social compliance and areas for improvement, to provide adequate support and intervene when needed. Accordingly, we require our suppliers and partners to follow the strict guidelines outlined in our Human Rights Policy Statement, Supplier Code and Palm Oil Charter, and take appropriate measures to prevent any form of exploitation, or improper living or working conditions.

We are going beyond this requirement by investing and cooperating in selected programs aimed at supporting smallholders to build resilience in the face of environmental and economic volatility, as well as at improving working conditions through collaboration with supply chain partners, local governments, NGOs, and scientists.

## How is Ferrero working on this commitment?

### Southern Central Forest Spine (SCFS) Landscape Project

Managed by Earthworm Foundation, this multistakeholder landscape initiative is taking decisive steps to protect biodiversity in the Southern Central Forest Spine (SCFS) – a critical habitat for tigers, elephants, and

numerous other species. Since the 1980s, palm oil plantation expansion has fragmented this ecosystem. Despite these challenges, the remaining forest complexes in SCFS still play a key role as wildlife corridors for endangered species, showing the region's ecological importance. The initiative seeks to transform the palm oil supply chain while safeguarding the environment and the livelihoods of local workers.

### SCFS Landscape for 2025

- **Improved working conditions:** Enhance welfare for over 18,000 migrant workers.
- **Empowering smallholder farmers:** Engage and train minimum 2,000 smallholders in sustainable agricultural practices, income diversification, and conservation initiatives.
- **No-deforestation:** Achieve at least 50% no-deforestation compared to 2020 baseline across the landscape area, as a key milestone toward no new land clearing for palm oil development.
- **Supply chain transparency:** Ensure minimum 75% of palm oil mills implement action plans addressing No Deforestation, Peat, or Exploitation (NDPE) issues, and that 100% of mills are traceable to their plantations.
- **Forest protection:** Implement spatial monitoring to manage key forest corridors and reduce human-wildlife conflict by engaging with 250 smallholder farmers.
- **Community inclusion:** Strengthen land tenure rights and promote inclusivity for indigenous communities in the landscape.



## Southern Central Forest Spine (SCFS) Landscape Project Progress<sup>8</sup>

### RESILIENT FARMERS & WORKERS



**3,753** workers

Positively impacted, both directly and indirectly, through the Social and Human Rights interventions across the landscape<sup>9</sup>



**1,309** smallholder farmers

had been engaged through the program

### FOREST PROTECTION & RESTORATION



**8,433** ha

covered by the human-elephant coexistence program, enhancing the ecological value of the ecosystem



**607,307** ha

are subject to ongoing deforestation monitoring, including over 19,482 hectares of forested land within concession areas

### SUPPLY CHAIN TRANSFORMATION



**71%** mills

are working on action plans to address the NDPE issues identified



**35%** mills

are 100% traceable to plantations



**53%** mills

progressing in mapping their Fresh Fruit Bunches (FFB) origins

<sup>8</sup> Unless otherwise stated, all data presented are cumulative up to 2024.

<sup>9</sup> The total number of workers includes individuals reached through Earthworm Foundation's human rights interventions within the SCFS landscape area, as well as those supported through dedicated supply chain programs operating in the same geography, excluding workers reached through Ferrero-funded programs.



### About SCFS Landscape Project Progress in FY 23/24:

In 2023 and 2024, the multistakeholder partnership achieved significant progress, amplifying its impact on the region.

In 2023, one of the major advancements was the innovative dialogue led by EF's landscape team, which brought together refinery partners, the Malaysian Palm Oil Board (MPOB), and the Malaysian Palm Oil Certification Council (MPOCC) – now known as Malaysian Sustainable Palm Oil (MSPO) – to explore the development of a unified national traceability system. This initiative aimed to create a single platform for comprehensive traceability data collection, a critical step toward greater transparency in the palm oil supply chain.



In addition to addressing environmental sustainability, the project achieved significant progress on improving labor practices. The "Get it Right" initiative enabled collaboration with Malaysia's Ministry of Human Resources and the Ministry of Plantation and Commodities to enhance labor standards. This initiative strengthened messaging to suppliers, encouraging them to elevate their labor practices. Partnerships with refineries also played a key role in refining the Operational Grievance Mechanism for participating mills, further reinforcing responsible business practices throughout the supply chain.



*Ferrero supported the EF Southern Central Forest Spine (SCFS) landscape, an example of collective action in practice. A key part of this was the development of the third-party suppliers' decent work training program. Through collaboration of tier 1 refinery partners, the program enabled the buyers to communicate their expectations to their suppliers on labour and human rights due diligence. This helps to create a space between buyers and upstream suppliers to dialogue and to co-design pragmatic solutions to improve on human rights due diligence in the supply chain. The program is a testament to how palm oil growers and producers of all sizes can work together- to ensure all workers are treated with dignity, respect, and fairness.*

**Lynda Lim, Technical Lead (Social & Human Rights) at Earthworm Foundation**







### **Ferrero’s collaboration with Intercontinental Specialty Fats Sdb Bhd (ISF) in Sabah**

In 2023, we started a 3-year collaboration with Intercontinental Specialty Fats Sdn Bhd (ISF) and Hap Seng Plantations Holdings Berhad (HSPHB) as part of our ongoing commitment to support the inclusion of smallholder farmers.

The initiative directly supports four smallholder farmers in Malaysia, with a focus on improving sustainable agricultural practices, productivity, and profitability, while promoting environmental stewardship and facilitating the preparation of these individual smallholders for RSPO certification through a group certification approach. This enables their recognition under global sustainability standards which aims to strengthen not only their economic resilience, but also contribute to environmental protection and the social well-being of their communities.

### **Labour Transformation Program (LTP) & Ethical Recruitment Due Diligence (ERDD)**

In 2021, in collaboration with Earthworm Foundation and Intercontinental Specialty Fats (ISF), we launched two programs to promote and support responsible labor practices within Ferrero’s palm oil supply chain in Peninsular Malaysia.

The first initiative, called the Labour Transformation Program (LTP), a program to strengthen the capacity of mills and estates to identify, prevent, and mitigate labor related risks-with quantified KPIs for continuous

monitoring. It focuses on key aspects such as the terms and conditions of employment contracts, compliance with wage and working hour regulations, the presence and effectiveness of grievance mechanisms, and the protection of workers’ rights including freedom of movement and association, as well as the implementation of health and safety policies. Insights from these assessments support mill and estate managers in identifying gaps and strengthening labor practices across their operations.

The second initiative, **Ethical Recruitment Due Diligence (ERDD)**, support mills and plantations to conduct human rights due diligence to identify and mitigate risks related to recruitment of migrant workers . The program includes a detailed analysis of recruitment policies and practices at the plantation level, examining - among other criteria - recruitment procedures in workers’ home countries, fees incurred, contracts provided, and employee rights during their employment in Malaysia.

As part of these initiatives, in 2022 two mills and two estates belonging to one of our key third-party suppliers were selected and engaged as representative samples. Over 400 workers, including direct and subcontracted personnel, were benefited through increased awareness of their rights, a clearer understanding of grievance mechanisms and whistle-blowing policies, and access to refurbished housing for an improved quality of life.

In 2023, efforts focused on tracking progress and providing ongoing guidance and support. Monitoring activities revealed significant improvements, with recommendations from the Labour Transformation Program (LTP) and Ethical Recruitment Due Diligence (ERDD) implemented across all 5 mills and 5 estates of this third-party supplier.



These included but not limited to:

**LTP**

- Worker’s employment contracts have been translated into their native languages.
- Socialization on how to read pay slips have been conducted.
- A comprehensive grievance log was designed and implemented.

**ERDD**

- A dedicated Ethical Recruitment Policy was developed incorporating ethical recruitment-related provisions, which was then socialized to relevant stakeholders namely workers and recruitment agents.
- Foreign Worker Recruitment Guideline and Procedure was developed to clearly set out the procedure from the start of the recruitment process to when workers arrived in Malaysia.



- A standardized “info pack” for recruitment agents was developed to show workers in the country of origin on what to expect working and living in palm oil setting.

By end 2023, these actions benefited 4,186 migrant workers, including both direct hires and subcontracted workers.

In 2024, these programs were expanded to include an additional third-party supplier of Ferrero, directly engaging 121 more migrant workers and benefiting a total of 420 workers when including subcontracted individuals.

**By the end of 2024, a total of 4,606 workers, across 6 mills and 6 estates, had benefited from actions taken under the Ethical Recruitment and Working Conditions Improvement Projects.**

We continue to engage with industry platforms to share best practices and support efforts to address challenges related to workers’ rights. One such initiative is the Consumer Goods Forum’s (CGF) Human Rights Coalition (HRC), which aims to support the palm oil sector in strengthening human rights due diligence and addressing the systemic drivers of forced labour through collaboration between buyers and suppliers.





### Guatemala Social Performance Project

In line with our commitment to diversify support initiatives across geographical areas, Ferrero became a supporter of the Guatemala Social Performance Project in 2023. This multistakeholder initiative, led by Earthworm Foundation (EF) and GREPALMA (the Guatemalan Palm Oil Growers Association), aims to improve grievance mechanisms and human rights policies for Guatemalan palm oil suppliers. During 2023 and 2024, five suppliers participated in assessments and the development of action plans and capacity building to address identified gaps.

**The initiative involves 11 mills, representing over 40% of Guatemala’s palm oil production,** with participating suppliers producing approximately 460,000 metric tons of palm oil in 2022. **Around 38,000 indirect workers have benefited** from the advisory services designed to strengthen policies and grievance mechanisms.

In 2025, Earthworm Foundation will monitor and support the implementation of these action plans and evaluate their impact on communities within the operational influence of the five suppliers, particularly regarding improved access to claim mechanisms.



*Palmas del Machaquilá thanks Earthworm Foundation for the contribution of training received on topics related Community Relations, which have been very important to promote practical training for the company through the development of technical knowledge and skills that can be applied in the day-to-day coordination of Corporate Social Responsibility and Community Relations of our areas of influence.*

**Photo & Quote: Community Relations Manager (Palmas del Ixcán, Marvin Pacay) showing their efforts to socialize their Grievance Mechanism.**



# PILLAR II: ENVIRONMENTAL PROTECTION

**In partnership with our suppliers, we 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 that our suppliers protect these areas through a dedicated satellite monitoring system.**

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

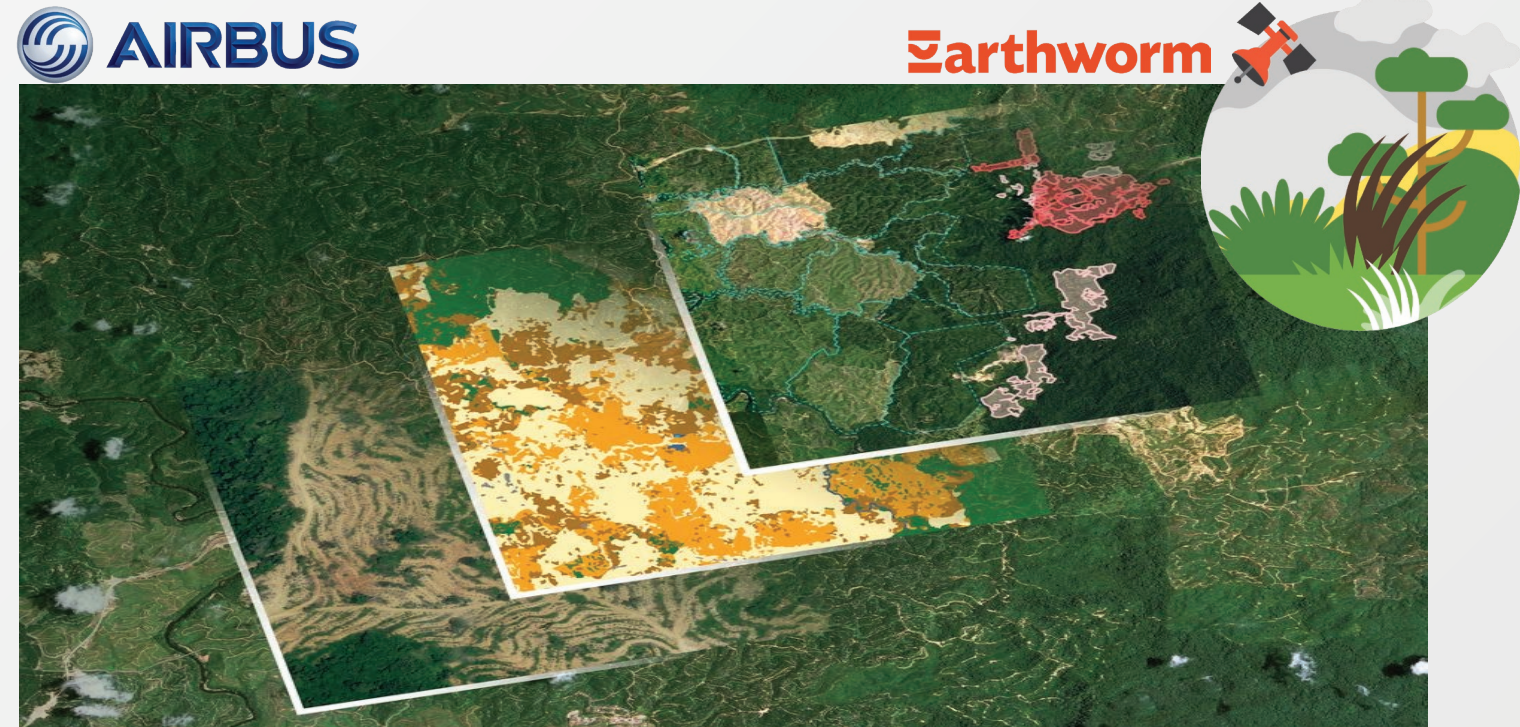
## How is Ferrero working on this commitment?

Building over our strong commitment in an RSPO certified segregated supply chain and traceability to plantation level, we monitor our entire palm oil supply chain for deforestation and conversion with the **Starling satellite monitoring** and assessment service, across all our palm oil sourcing areas.

Going beyond, we are expanding our **Nature-Based Solutions** initiatives across key palm oil sourcing landscapes. These projects are designed to help restore ecosystem health, enhance biodiversity, and strengthen the resilience of farming systems.

## What steps have been taken in FY 2023-2024?

Operated by Airbus and Earthworm Foundation, 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 enables us to identify potential grievances in our supply chain and drive positive change. Between July 2023 and June 2024, in partnership with Earthworm Foundation and leveraging Starling satellite monitoring technology, we monitored all of Ferrero’s sourcing areas reaching **97%<sup>10</sup> of our total sourced volumes assessed as non-deforested** by Earthworm Foundation.



<sup>10</sup> 96.5% of total palm oil sourced volumes between July 2023 and June 2024. 3.5% remaining volume is linked to Starling alerts under investigation.





## Nature Based Solutions for Palm Oil & Integrated Pest Management (IPM)

Building a sustainable supply chain requires the responsible use of synthetic fertilizers and pesticides and the related promotion of nature-based, and biodiversity-friendly production practices. By focusing on nature-based solutions, we aim to leverage the power of nature to restore ecosystems and enhance resiliency and biodiversity across the landscapes where we source our palm oil.

Since 2021, we collaborate with the Sustainable Agriculture Network (SAN) and its member organizations to conduct a research pilot project to understand the potential of native plants diversity in the suppression of insect pests, which resulted in the identification of best-in-class plant species with the potential to efficiently boost beneficial insect populations.

Based on these results, in 2023 the project progressed from a small pilot with a few smallholders, to become a proof-of-concept involving both smallholder farmers and a medium-size state, covering a total of **1,700 hectares of Palm Oil fields in the Johor and Perak regions.**

As part of the project, three key components were implemented to promote nature-based pest management in palm oil production:

- **Establishing and Monitoring Plant Habitat Islands**  
Six native plant species were selected and propagated in strategically placed "plant habitat islands" to support beneficial insect populations and reduce pest pressure in the fields. These islands were regularly monitored to evaluate their contribution to ecological pest management and their potential to benefit productivity across hundreds of hectares.

## • Building the Business Case for Nature-Based Solutions

In parallel, the project developed and documented a business case for integrating nature-based solutions into palm oil agroecosystems. Using scenario modelling, the analysis shows that fields incorporating native plant species have higher revenue potential and significantly more stable productivity than conventional systems that rely heavily on synthetic fertilizers and pesticides.

## • Strengthening Local Training Capacity

To ensure long-term knowledge sharing and impact, the project also established a "train-the-trainer" model to build local capacity. This lays the foundation for future training of smallholders and estate representatives in the technically correct and responsible use of pesticides—complementing ecological approaches with informed, minimal chemical input.

During 2024, the project delivered a full report on the field results in both the smallholder and a medium-sized estate contexts regarding the most cost-effective establishment of habitats for natural and beneficial plants and insects and published a scientific article to share the results of the different studies<sup>11</sup>.

This evidence, together with a new tool package with sector guidance for nature-based solutions to manage pests, is setting the base to disseminate knowledge and replicate the program across other landscapes where we source our palm oil.

<sup>11</sup> Norhisham, A. R. et al. (2024) 'Non-crop plant beds can improve arthropod diversity including beneficial insects in chemical-free oil palm agroecosystems', *Cogent Food & Agriculture*, 10(1). doi





Putting nature back into balance is one of the safest long-term strategies to avoid or significantly reduce severely damaging insect pest outbreaks in Malaysian oil palm landscapes, and we are doing this through the active promotion of native plants that provide resources for beneficial insects in the crop understory. Cultivating palm in a stable and biodiverse agroecosystem yields multiple benefits, including a reduction of chemical input costs, an increase of ground cover contributing to farms' soil health, and enhanced farmers' support and capabilities to adapt to increasing temperatures and changing climates.

**Oliver Bach, Senior Lead, Biodiversity & Nature-based Solutions – SAN.**



## PILLAR III: TRANSPARENCY & TRACEABILITY

### Knowing where our raw materials come from

**Commitment: We are committed to achieving full traceability for all our sourcing, all the way to plantation.**

We understand the importance of tracing palm oil to the source as it allows us to understand the challenges more precisely to be addressed and generate sector-wide benefits. We will work towards further enhancing the visibility of our value chain by strengthening partnerships with our suppliers and by leveraging the most advanced technology available.

### How is Ferrero working on this commitment?

We aim to always know where our raw materials come from, right down to the plantation and farm level. This level of traceability not only enhances transparency across our supply chain but also enables us to build stronger relationships with our business partners and farming communities, while gaining a deeper understanding of the key challenges on the ground.

**As such, we remain committed to sourcing RSPO Certified Segregated Palm Oil that is traceable to mills and plantations.**

### What steps have been taken in FY 23/24?

Between July 2023 and June 2024, we sourced a total of 275 thousand metric tons of palm oil. Of this volume, **100% was RSPO certified, out of which 96% as Segregated and 4% as Mass Balance.**

The high share of RSPO Certified Segregated palm oil reflects our strong commitment to sustainable sourcing and provides a high level of supply chain visibility which has enabled us to achieve **100% traceability to mill and 97% traceability to plantation polygon boundaries<sup>12</sup> for the entire palm oil volume sourced by Ferrero Group during the reporting period.**



<sup>12</sup> 96.8% traceability to plantation polygon boundaries for the entire palm oil sourced by Ferrero Group between July 2023 and June 2024.





## GLOSSARY

- **High Conservation Value (HCV):** High Conservation Value Areas (HCVAs) are natural habitats that are of outstanding significance or critical importance due to their high biological, ecological, social or cultural values. <https://hcvnetwork.org/>
- **High Carbon Stock (HCS):** High Carbon Stock 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, one with a characteristic configuration of topography, vegetation, land use, and settlements influenced by ecological, historical, economic and cultural processes and activities.
- **Fresh fruit bunches (FFB):** Palm oil fruit grow in dense bunches known as Fresh Fruit Bunches.
- **Estate:** a synonym for plantation & Fresh Fruit Bunch Source.
- **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.
- **RSPO certified Mass Balance:** RSPO Certified Sustainable Palm Oil from certified sources that is mixed with non-certified palm oil throughout the supply chain.
- **RSPO certified Segregated:** RSPO Certified Sustainable Palm Oil from different certified sources that is kept separate from ordinary palm oil throughout the supply chain