



FERRERO

DAIRY PROGRESS REPORT

2022 - 2023



FERRERO DAIRY CHARTER



HUMAN RIGHTS AND SOCIAL PRACTICES



ENVIRONMENTAL PROTECTION AND ANIMAL WELFARE



TRANSPARENCY & TRACEABILITY

Ferrero commits to work with suppliers to:

Supporting farmers livelihoods and
long-term resiliency

Measure and improve CO₂
footprint and Animal Welfare

Implement traceability up
to farm level

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



22/23 -24/25 ACTION PLAN FOR DAIRY





Our action plan for dairy highlights the main actions designed to meet our Dairy Charter goals and key performance indicators to measure progress.

2023 -2025 RESPONSIBLE SOURCING ACTION PLAN FOR DAIRY

RESPONSIBLE SOURCING APPROACH		KEY ACTIONS	KEY PERFORMANCE INDICATORS
 Programme(s)	Supporting farmers livelihoods and long-term resiliency	% dairy ingredients volume covered under long-term supply contracts	
		# farmers supported to accelerate adoption of sustainable farming practices	
	Measure and improve CO2 footprint & Animal welfare	% dairy ingredients volume with CO2 footprint assessed	
		Animal welfare practices mapping & action plan defined	
 Standards	Supplier engagement & Industry collaboration	% suppliers using the Sustainable Dairy Partnership (SDP)	
 Supply Chain Visibility (Transparency & Traceability)	Implement Traceability up to Farm level	% dairy ingredients volume traced back to farm	
 Supplier Risk Management (Due Diligence)	Ensuring Dairy suppliers compliance against our Ferrero Due Diligence approach	% suppliers that acknowledge the Ferrero Supplier Code	
		% suppliers compliant against Due Diligence Assessment requirements	



KEY FIGURES ON FERRERO'S PROGRESS 2022-2023¹

	HUMAN RIGHTS & SOCIAL PRACTICES		ENVIRONMENTAL PROTECTION	TRANSPARENCY & TRACEABILITY
PROGRAMMES	 33% dairy ingredients volume, in dry matter, covered under long-term² supply contracts	 >270 farmers incentivized ³ to implement sustainable farming practices	 65% dairy ingredients volume, in dry matter covered under CO2 footprint mapping pilot	
STANDARDS	 24% dairy Suppliers in dry matter volume, using the Sustainable Dairy Partnership (SDP)			 67.5% traceability to farm of dairy ingredients volume, in dry matter
SUPPLIER RISK MANAGEMENT (DUE DILIGENCE)	 100% dairy Suppliers acknowledged our supplier code	 100% dairy Suppliers in scope ⁴ , compliant against Due Diligence Assessment requirements		

¹ 22/23 sourcing, assessed during 23/24. Not including new suppliers engaged during 22/23 fiscal year or after.

² Contractual agreements with a minimum duration of 3 years.

³ Via supply chain programs that include dedicated sustainability financial support mechanisms for farmers.

⁴ Suppliers in scope of Due Diligence Assessments depends on their due diligence risk categorization (Medium or above).



FERRERO – RESPONSIBLE SOURCING APPROACH

At Ferrero we take a continuous improvement approach to responsible sourcing. Our approach is based on supplier management, robust due diligence, transparency & traceability, and complemented with the usage of credible standards and certifications schemes. We believe that more can be achieved through collaboration, and that long-term partnerships are essential. That's why, in partnership with our suppliers, we invest in our supply chains through targeted programs designed to improve their environmental, social, and governance (ESG) conditions and overall standards.

FERRERO DAIRY CHARTER

[The Dairy Charter](#) states our ambition for working with our dairy suppliers to help deliver a dairy industry that is good for people, animals and the environment, and our commitment to make this ambition a reality through responsible dairy sourcing.

In line with our Supplier Code, the Dairy Charter lays out our requirements and short-term objectives for sourcing dairy responsibly.





PILLAR I: HUMAN RIGHTS AND SOCIAL PRACTICES

Fostering a more equitable value chain for dairy farmers

Commitment: Supporting farmers livelihoods and long-term resiliency.

Dairy farming provides wholesome and delicious ingredients essential for crafting our products. At the same time, we recognize the complex challenges it entails, from strengthening farmers' livelihoods to safeguarding the environment and ensuring animal welfare.

Farmers are at the forefront of addressing climate change and rural economic development while feeding a growing population. As part of the food industry, we have a crucial role in supporting farmers' livelihoods and empowering them to adopt sustainable farming practices that contribute to a resilient and thriving future for all.



How is Ferrero working on this commitment?

We address our commitment to supporting farmers livelihoods through a multifaceted approach.

- Long term supply partnerships
- Promoting farmers access to training and technical assistance
- Supporting the adoption of sustainable farming practices

Long term supply partnerships:

We prioritize establishing long-term contracts with our partner suppliers, which helps them provide farmers a stable and reliable outlet for their production. This stability is crucial for farmers economic well-being and long-term planning.

In fiscal year 2022/2023 33% of the dairy ingredients volume, in dry matter, was sourced under long-term⁵ supply contracts.

Promoting farmers access to training and technical assistance:

Via our Dairy charter and supplier engagement initiatives we emphasize the importance of equipping farmers with new techniques, skills and knowledge via comprehensive training and technical assistance programs.

⁵ Contractual agreements with a minimum duration of 3 years.



Supporting the adoption of sustainable farming practices

Sustainable farming practices not only promote environmental stewardship but also enhance soil health and biodiversity, thereby mitigating risks associated with climate change such as extreme weather events, which is essential for farmers to secure reliable yields over time.

Moreover, sustainable farming methods reduce dependency on chemical inputs, optimizing operational costs for farmers.

We collaborate with strategic suppliers to promote these initiatives and we invest in selected sustainability programs that offer financial incentives to farmers, encouraging and enabling them to make necessary investments in sustainable farming practices to adapt to evolving environmental challenges while safeguarding their livelihoods for future generations.

In fiscal year 2022/2023 >270 dairy farmers were incentivized⁶ to accelerate adoption of sustainable farming practices.



⁶ Via supply chain programs that include dedicated sustainability financial support mechanisms for farmers.



PILLAR II: ENVIRONMENTAL PROTECTION & ANIMAL WELFARE

In partnership with suppliers, we support farmers in adopting sustainable farming practices while collaboratively developing effective methods to measure progress.

Commitment: Measure and improve dairy CO2 footprint & Animal welfare

Carbon Footprint

Assessing and addressing carbon footprint of our dairy supply chain is fundamental, particularly given its significant share within our scope 3 emissions. By understanding our carbon footprint, we can promote sustainability throughout our supply chain and make meaningful progress toward reducing our overall emissions.

In fiscal year 22/23 raw material sourcing accounted for nearly 65%⁷ of our total corporate emissions, with the dairy category being one of the most significant contributors. The majority of these emissions arise from farm-level activities, including livestock and feed management, methane emissions from cows, and manure handling. Addressing these emissions is essential for driving substantial environmental improvements.

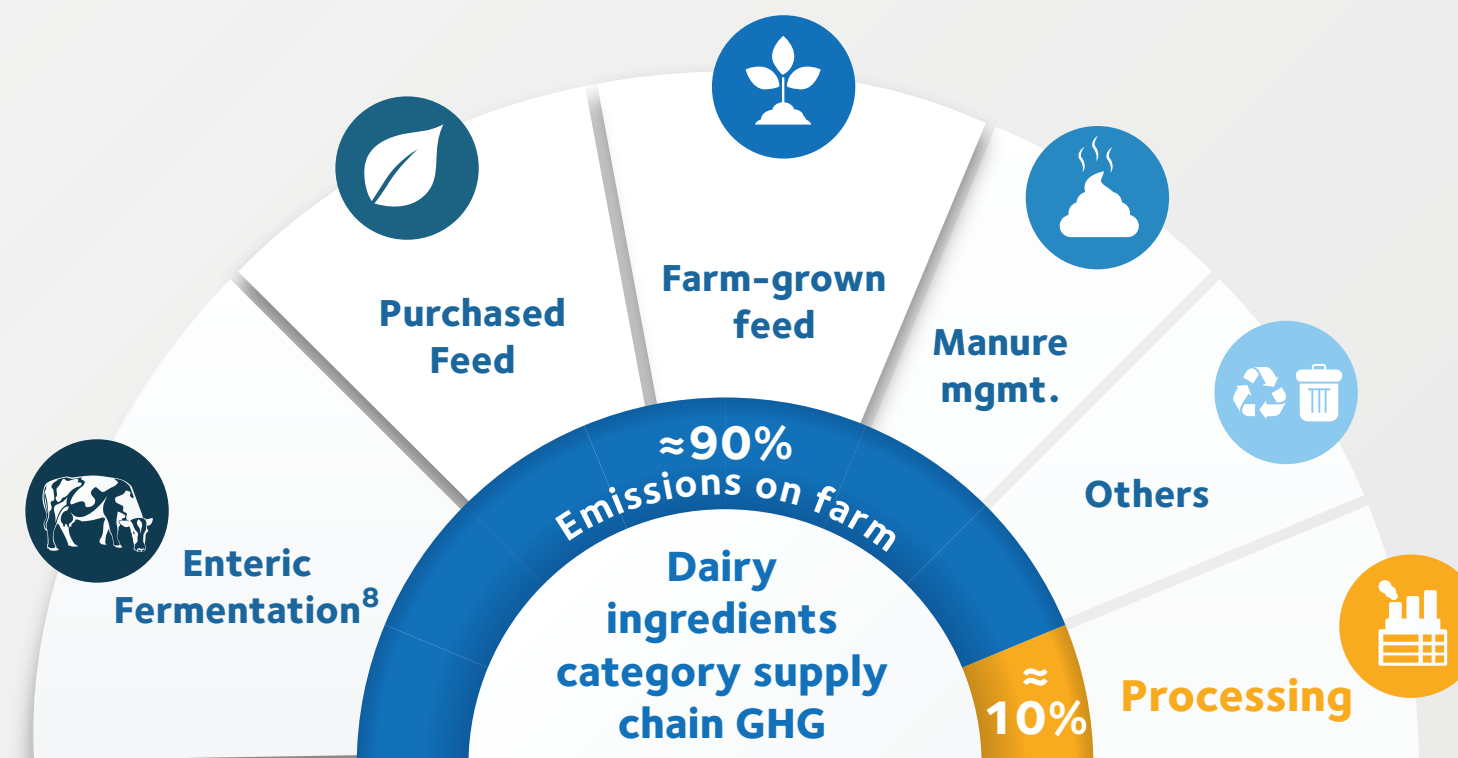
How is Ferrero working on this commitment?

Between 2022 and 2024, we conducted a comprehensive carbon footprint mapping, utilizing a Life Cycle Assessment (LCA) methodology supported by supplier-reported primary data, and supplemented with secondary data where supplier-level information was unavailable.

This initial carbon footprint mapping covered 65% of the dairy volumes (in dry matter) that we sourced in fiscal years 2021/22 and 2022/23.

The insights gained have allowed us to identify key areas for improvement and prioritize our resources to target the most impactful emissions reductions within our dairy supply chain.

Dairy ingredients category supply chain GHG emissions





Looking ahead, we are committed to enhancing the efficiency of our data collection and reporting mechanisms,

ensuring that we can prioritize actions at farm level, where it can have the most positive impact.

In 2024 and 2025, we will focus on:

- **Adopting a dedicated sustainability analytics platform** to improve the reliability and accuracy of our dairy supply chain carbon footprint assessments, while progressively increasing the proportion of supplier-reported data.
- **Collaborating with partner suppliers** to integrate carbon footprint reduction targets into supply contracts, while scaling up our investments in carbon reduction initiatives at the farm level. This will help us drive meaningful action and accelerate the adoption of sustainable farming practices.

Responsible sourcing of soy & palm-based products for animal feed

The main risk of deforestation and conversion of native vegetation in High Conservation Value Areas within the dairy industry is primarily linked to the production of soy and palm oil products used in animal feed. Despite representing a relatively limited portion⁹ of the feed ration for dairy livestock animals, these products pose a risk due to their association with potential deforestation of the land used for their cultivation. This demonstrates the need for a comprehensive analysis and risk management accordingly.

Assessing Embedded Soy and Palm Oil in Dairy Supply Chains

In fiscal year 2023/2024, with support of FAI Farms¹⁰ consultants, we conducted an estimation and risk assessment of soy and palm oil fractions embedded in animal feed across our dairy supply chain.

The analysis considered the total dairy sourcing volumes, the country of milk origin, and information gathered to estimate the deforestation- and conversion-free (DCF) status of soy and palm embedded in animal feed in each respective country of milk origin.

The evaluation provides a range of percentages for soy and palm oil in feed, based on literature, and insights into potential deforestation risks based on the industry soy and palm sourcing practices in the origin countries.

Initial estimates are based on model data rather than specific conditions and practices within our supply chain, resulting in a wide range of estimates and restricting definitive conclusions about the volumes of embedded soy and palm oil in our dairy supply chain, but providing key insights regarding potential risk areas.

These findings are driving our efforts to refine the assessment with input from suppliers. With these improvements, alongside industry ongoing developments for compliance against the upcoming implementation of the European Union Deforestation Regulation (EUDR), we aim to continuously enhance our methodology and effectively prioritize actions to address these risks.

¹⁰ [Home - FAI Farms](#)



Animal Welfare

At Ferrero, our commitment to ethical and responsible business practices extends to ensuring the welfare of farm animals. All our suppliers are required to adhere to our Supplier Code, which incorporates animal welfare standards based on the Farm Animal Welfare Council's Five Freedoms. Our first Dairy charter includes requirements for suppliers to have specific animal welfare policies in place, including bull calves health and welfare assurance and responsible use of antibiotics.

How is Ferrero working on this commitment?

We are convinced that assuring animal welfare requires a clear understanding of our current standing, identifying key areas for improvement, and collaborating with our suppliers to monitor progress in a consistent manner. To this end, we have undertaken an assessment process throughout 2023 and 2024, focusing on sustainability and animal welfare practices within our dairy supply chain.

The outcome of this process has provided us with greater visibility into the diverse practices across different geographies and farming systems from which we source, enabling us to set clear, actionable priorities. However, it also reaffirms that a "one-size-fits-all" approach to animal welfare metrics does not fulfil the needs of a wide-ranging global assessment. Therefore, this highlights the need for an adaptable yet harmonized system to track and drive progress across various regions, diverse farming systems and specific legislative frameworks.



As such, during 2025 & 2026 our animal welfare roadmap is centred in 2 main streams:

1. Develop and formalize our **Ferrero Animal Welfare Principles** and promote them across the supply chain; outlining what we consider basic requirements as well as our top priorities to drive progress along our supply chain.
2. Through industry collaborative initiatives, we are actively contributing to develop and launch a **harmonized approach to data collection** within the dairy supply chain to better assess animal health and welfare practices¹¹.

Through these efforts we aim to keep developing our approach to promoting ethical practices and improving animal welfare across our supply chain.

¹¹ [Sustainable Dairy Partnership — SAI Platform](#)



PILLAR III: SUPPLIER TRANSPARENCY

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

The environmental and social challenges within the dairy supply chain are often complex, systemic and deeply ingrained. By embracing transparency and shared responsibility, we can drive meaningful, positive impact on people and the planet. We believe in strong and productive relationships between all nodes of the supply chain as well as with other key stakeholders such as NGOs, governments, and scientists, is key to create meaningful and lasting impacts within the dairy industry. By aligning on common sustainability goals and standards and sharing knowledge we can collectively streamline efforts to jointly create a more sustainable sector for the future.



How is Ferrero working on this commitment?

Supplier Engagement and Industry Collaboration.

The Sustainable Dairy Partnership¹² (SDP), offers a consistent global framework for dairy buyers and processors to enhance sustainability in the dairy sector. By aligning on common sustainability goals, the SDP reduces the need for multiple buyer-specific programs and audits, allowing processors to focus on continuous improvement at the farm level.

We are using the Sustainable Dairy Partnership (SDP) as part of our strategy to promote continuous improvement in the sustainability of our dairy ingredients. We encourage our dairy suppliers to use the SDP, which offers a harmonized global approach to dairy sustainability.

In fiscal year 2022/2023 24% of our dairy Ingredients suppliers, in volume, are using the SDP.



¹² [Sustainable Dairy Partnership — SAI Platform](#)



TRACEABILITY

Commitment: Traceability to farm for our dairy sourcing.

At Ferrero, we recognize the importance of tracing dairy back to its source. By enhancing supply chain transparency, we strengthen relationships with suppliers and farming communities, allowing us to identify key challenges and implement solutions that create shared value for all.

How is Ferrero working on this commitment?

Fiscal year 23/24 marked the first implementation of our company's long-standing traceability methodology for the dairy category. Through our partnership with Sourcemap and our close collaboration with suppliers, we innovatively adapted our approach to address the complexity of dry dairy ingredient supply chains and successfully achieved a high level of farm-level mapping.

67.5% of dairy ingredients volume, in dry matter, sourced during fiscal year 22/23 are traced back to farm.

