



# HAZELNUT CHARTER

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 hazelnut industry that is good for people and nature, and our commitment to make this ambition a reality through activities of hazelnut production and sourcing.

## OUR AMBITION

Our ambition is to be a driving force behind a hazelnut industry where hazelnut production creates value for all; farmers and farming communities are thriving, workers' and children's rights are unequivocally respected, and environmental values are enhanced through regenerative agriculture practices.

For Ferrero, ensuring compliance with our own principles (Ferrero's Human Rights Policy Statement and Ferrero Supplier Code), with applicable laws and regulatory requirements is a **Basic Requirement**. We monitor compliance of our suppliers to these requirements through value chain traceability, a robust Due Diligence and Consequence Management approach. We highlight clear principles and expectations under the Basic Requirements which we require our suppliers to acknowledge through the Ferrero Supplier Code.

At the same time, we are convinced that Ferrero must **Go Beyond** the basics in order to fulfil 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, farmers, 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 our 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**).

**Image 1** below captures under each pillar our initial high-level commitments we have established until December 2023. These will be matched with more granular targets as we publish separately to this Charter our annual Action Plan and Progress Report.

# FERRERO HAZELNUT CHARTER



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

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

**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.

Image 1 Ferrero High Level Commitments

## 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 grow hazelnuts or work in hazelnut production, 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**

#### Child<sup>1</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.

#### 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>2</sup> as reference to take appropriate steps to identify, prevent and address forced labour.

<sup>1</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>2</sup> [11 ILO indicators](#)

### **Responsible labour recruitment<sup>3</sup>**

Responsible recruitment refers to protecting workers, especially temporary workers and seasonal workers, from recruitment practices that disrespect human rights.

We require suppliers to ensure that workers in the value chain, including at the farm 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 at least be in accordance with national regulation while seeking ways to honour international standards.

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>4</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.

### **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:

- Demonstrate practices to protect the natural environment and ecosystem as the basis to protect land rights, traditional culture and livelihood of local communities.

### **GOING BEYOND**

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

#### **Through selected initiatives Ferrero committing to joyful growth and child protection across its sourcing**

Joyful growth and child protection require solutions to be created with national and local authorities, relevant institutions and key stakeholders that are effective and beneficial for all parties involved. With the focus on the harvest season, we commit to creating a safe working environment where children are not involved in work, whilst having the right to education through selected initiatives.

#### **Through selected initiatives fostering community-based solutions to achieve enhanced social outcomes and farmer resilience**

Finding ways to enhance resilience in farming communities is key. At the same time, we recognise that in order to tackle some of the more complex social challenges, we need to have a thorough understanding of the context and create solutions based on this knowledge.

We believe the path to long lasting positive change comes from solutions created with the communities linked to the hazelnut value chain: solutions incubated through pilot projects with farmers, workers and community members to enhance farmer resilience and reduce social risks during the hazelnut harvest season, including but not limited to decent living conditions on farm.

We commit to:

- Work with farming communities to create community-based solutions to tackle social challenges and to enhance farmer resilience within the hazelnut sector;
- Ensure and respect the right to a decent and adequate standard of living for workers;
- Promote the inclusion of women in farming with equal pay for equal work, equal access to resources and information and a specific focus on tackling the challenges faced by women.

<sup>3</sup> Refers to Ferrero Supplier Code Section of: Fair Wages; Working Hours; Diversity and Inclusion, No Discrimination and Harassment; Health and Safety

<sup>4</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>5</sup> Refers to Ferrero Supplier Code Section of: Environmental related Human Rights Issues

## **PILLAR 2**

### **ENVIRONMENTAL PROTECTION / 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 our hazelnut orchards and those we source from are connected to a wider, more global ecosystem. As such, the health of the orchards is deeply linked to the practices of the farmer and the health of the surrounding environment.

We commit to having a hazelnut value chain that not only respects the environment, but becomes a positive driver to regenerate biodiversity, soils and water systems. This creates healthy farming ecosystems that benefits 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**

Although hazelnut orchards and new orchard developments are not typically linked to deforestation, we recognise the importance of preserving forests.

We require suppliers to:

- Endorse and promote no deforestation into High Carbon Stock (HCS)<sup>6</sup> forests, High Conservation Value (HCV)<sup>7</sup> areas, or legally-protected areas.

#### **High Conservation Values**

High Conservation Value (HCV) areas, contain rich biological, ecological, social or cultural values that are worth protecting for nature or local communities. The experience in the hazelnut sector shows us that these habitats can be easily overlooked and degraded.

We require suppliers to:

- Obtain all legal approvals and permissions, when establishing new operations or expanding existing ones. Supplier shall keep documentary evidence of land use history and provide it, if requested.

#### **Water management and conservation**

Fresh water is a precious resource and one increasingly under pressure from a growing global population. Although many hazelnut orchards are not irrigated, water use remains an important

element to manage responsibly.

We require suppliers to:

- Minimize the impact on water by optimizing their water usage and ensuring groundwater quality is maintained or improved, as far as possible, supporting water conservation.

#### **Chemical and fertiliser management**

Although hazelnut production is not as chemical or fertiliser intensive as many other agricultural crops, we still face a reality that farmers manage orchards in very inconsistent ways with chemicals and fertilisers often applied in greater quantities than needed or applied at frequencies not correlated to outcomes desired.

We require suppliers to:

- Not use chemicals considered harmful<sup>8</sup> to the environment and/or to people;
- Perform and promote, across their supply chain and towards their farmers, a reduced use of chemicals and fertilizers, and put in place practices on chemical management.

#### **GOING BEYOND**

**Ferrero, in partnership with farmers and suppliers, fosters the principles of regenerative agriculture to enhance farm biodiversity, improve soil health and farmers' climate change resilience**

#### **Through selected initiatives Ferrero applying the principles of regenerative agriculture in hazelnut farming on its farms and across selected territories<sup>9</sup>**

As a long-term tree crop, if managed well, hazelnut orchards have the potential to contribute to the regeneration of farming landscapes. Regenerative agriculture principles are about supporting farmers to work better with nature. The principles of Regenerative Agriculture that we seek to promote, focus on building soil health (including carbon storage capacity), developing agro-ecological ways to fertilize and manage pests and importantly enhance biodiversity. We seek to work on our farms and with farmers to demonstrate the ways they can adapt and the benefits that come with these, towards the regeneration of farming landscapes.

We commit to:

- Promote the development, practical application and expansion of the principles of regenerative agriculture in hazelnut production through our farms and in association with experts and the wider

<sup>6</sup> Methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values

<sup>7</sup> Natural habitats where biological, ecological, social or cultural values are of outstanding significance at the national, regional or global level or of critical importance at the local level

<sup>8</sup> Defined as chemicals appearing on World Health Organization (WHO) class 1a and b, Stockholm POP, or Rotterdam PIC lists.

<sup>9</sup> Selected territories: selected territories in Italy and Turkey

farming community, e.g. assessments at landscape level to identify watercourses and take risk mitigation measures when inputs are being applied, etc.;

- Establish active demonstration plots to help farmers with the application of alternatives including organic treatments, organic fertilisers and phasing out herbicide use;
- Establish comprehensive Farm Management Plans<sup>10</sup> across all our farms in order to properly and scientifically establish baselines and actions needed to implement the principles of regenerative agriculture.

In addition, Ferrero will continue to:

- Identify and protect HCVs where we own or manage hazelnut orchards;
- Raise awareness on the importance of HCVs in the hazelnut farming communities we source from.

### **Through selected initiatives fostering hazelnut climate change resilience**

Climatic stresses such as, drought, heat waves and flooding which impact agricultural crops globally are now increasingly evident as a result of changes to our climate. We consider the evaluation of hazelnut varieties with increased resilience to both extreme climatic variations and diseases as a key for farmers and the wider hazelnut sector. Our farms are located in six countries covering a wide range of growing conditions; hence we are well placed to continue the efforts in identifying the varieties best suited to the different farming environments.

We commit to:

- Continue investing in this long term research in the varieties best suited to the evolving growing conditions and make the research results available to the wider farming community.

## **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 suppliers, farmers, and other key stakeholders along the value chain such as NGOs, governments and scientists. We consider this as

fundamental for tackling the systemic issues in the hazelnut sector and jointly creating a sustainable sector for the future.

## **BASIC REQUIREMENTS**

### **Knowing where our raw materials come from**

#### **Traceability**

Ferrero understands the importance of tracing hazelnuts to their source. For Ferrero this is not just an exercise of numbers, but a commitment to foster both a deep understanding and relationship with the businesses and farming communities. One that allows us to more precisely understand the challenges and realise sector wide benefits.

We require suppliers to:

- Trace where their hazelnuts originate from, retain critical records and report and manage the information as per agreed data set.

Ferrero will leverage the resulting traceability data to target actions to implement the commitments under this Charter.

## **GOING BEYOND**

### **Ferrero fostering data management and reporting**

#### **Through selected initiatives fostering 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 hazelnut 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.

#### **Through selected initiatives enhancing our hazelnut value chain through research and innovation**

Ferrero has developed good expertise in the hazelnut sector and is working every day with hundreds of farmers. However, if we look at Turkey as an example, with over 700,000 hectares of hazelnut orchards and more than

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<sup>10</sup> These will capture the existing physical characteristics of the farm including, but not limited to, existing vegetation and natural habitat, soil type and organic matter composition, water ways and water quality.

400,000 farmers, a farmer by farmer approach alone will not achieve the changes needed to create resilience for farms and farming communities. For this reason, we recognise the power in fostering innovations and research with the aim of gathering the evidence to enable the adoption of solutions at scale. This will require targeted partnerships with universities, and other local stakeholder as well as fostering financial and non-financial mechanisms to incentivise the adopting of changed practices.

We commit to:

- Generate innovations and research with a view that this is best done with the people on the ground and the lessons learned need to remain practical and widely available and adoptable to the people in the growing regions;
- Leverage our research to improve farm yield and profitability of the farmers we actively support through our programs and fostering changes to farming so it becomes a more attractive business opportunity for younger generations.

#### GRIEVANCE MECHANISM

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>11</sup> shall be dealt with in a timely and transparently manner.

Ferrero provides its “**Integrity Helpline**”, managed by a third-party, is open

24-hours-a-day, 365-days-a-year and can be accessed online and by phone in 43 languages. All notifications are managed confidentially. Ferrero will promptly investigate any concerns raised.

#### PUBLIC REPORTING

We are committed to transparency in order to accurately inform our stakeholders of our progress and challenges we face along the way.

Ferrero commits to publish action plans and provide regular updates every 12 months on the implementation of this Hazelnut Charter.

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

#### OUR STANDARDS

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

Ferrero co-created, in partnership with third party partners, its own standard, *The Ferrero Farming Values (FFV) Production Standard*, in order to outline the sustainable practices of hazelnut cultivation. This standard is updated annually through a multi-stakeholder consultation process.

Below we give details about the two standards that we apply on our own Agrifarms and with farmers, in order to improve practices.

| SCOPE                                   | STANDARD   | ELABORATION/ REFERENCE  |
|---|--|---|
| <b>Ferrero’s own Agrifarms</b>          | Sustainably Grown                                | This Standard provides a comprehensive framework and common set of environmental, social, and economic requirements to demonstrate that agricultural crops have been produced in a sustainable manner |
| <b>Ferrero Agribusiness Development</b> | Ferrero Farming Values (FFV) Production Standard | This Standard, developed with third party partners, outlines the best practices of hazelnut cultivation to influence and drive sustainable changes along the entire hazelnut value chain.             |

<sup>11</sup> [Ferrero Integrity Helpline](#)