

A close-up photograph of a hand holding a ripe, bright red cocoa pod on a tree branch. The pod is elongated and has a slightly wrinkled texture. In the background, another dark brown, unripe pod hangs from a branch. The scene is set in a lush green environment with many leaves and branches.

**FERRERO**

**ANNUAL COCOA PROGRESS  
REPORT 2020/21**



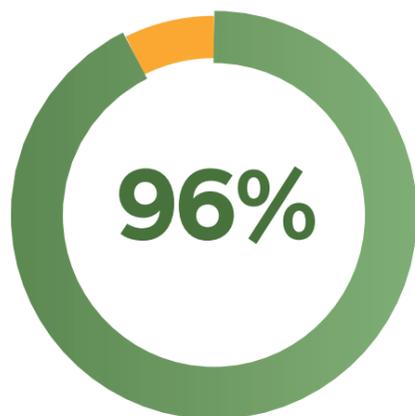
# KEY FIGURES ON FERRERO'S PROGRESS IN 2020/21



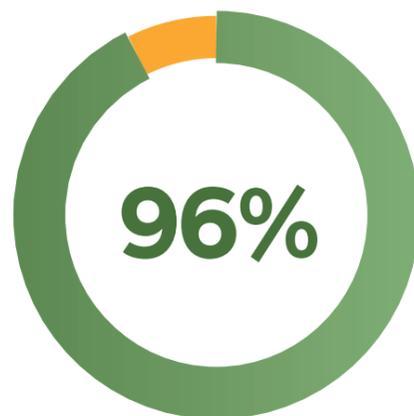
Cocoa Suppliers Acknowledged Our Supplier Code



Sourced through certification and independently managed sustainability standards



Traceable to farm level via GPS\*



Farmer groups covered by a Child Labour Monitoring and Remediation System (CLMRS) – or equivalent



**208,000 Metric Tons**  
Cocoa sourced



**27,000** Farmers received targeted support to improve farming practices and diversify incomes



**937**  
VSLA groups established



**1.5 Million**  
Cocoa seedlings distributed (5.8 Million in total by 2020/21)



**111,000 ha**  
Agroforestry developed



**19**  
Schools built or renovated (83 in total by 2020/21)

\* 88% traceable to farm level via Polygon mapping



# 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.

We aim to be driving force in a cocoa sector where production creates value for all: where the livelihoods of smallholders and farming communities are improved; children’s rights are respected; and the environment is actively protected and enhanced through sustainable agricultural practices.

## FERRERO COCOA CHARTER

In line with our **Supplier Code**, the **Cocoa Charter** lays out our requirements and long-term commitments for sourcing cocoa responsibly.

## 2020/21 ACTION PLAN FOR COCOA

The **Cocoa 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: Sustainable Livelihoods</b>	Number of farmers with Farm Development Plan Number of people supported with Income Generating Activities (IGAs) <sup>1</sup>
	<b>PILLAR II: Human Rights and Social Practices</b>	Percentage of farmers’ groups with Child Protection Systems such as CLMRS <sup>2</sup> Number of children reached via holistic Community Development programmes <sup>3</sup> Number of VSLA groups established <sup>4</sup>
	<b>PILLAR III: Environmental Protection</b>	Hectares of cocoa farms with agroforestry in development
 Standards and Certifications	<b>PILLAR I: Sustainable Livelihoods</b>	Percentage of cocoa sourced responsibly <sup>5</sup> Percentage of cocoa sourced with Living Income Differential (LID) <sup>6</sup>
 Supply Chain Visibility	<b>PILLAR IV: Supplier Transparency</b>	Percentage of cocoa sourced traceable to farm level
 Supplier Risk Management Due Diligence	<b>Basic Requirements - Due Diligence</b>	Percentage of Supplier Code acknowledged

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

1. Income Generating Activities
2. Child Labour Monitoring and Remediation System
3. Implementing partners: Save the Children and suppliers
4. Village Savings and Loans Associations
5. Sourcing is done through certification and independently managed sustainability standards
6. Applies to Ivory Coast and Ghana only

## THIS COCOA PROGRESS REPORT

In this report, we outline our progress against the **Cocoa Action Plan** in the 2020/21 growing season, illustrating it with case studies and examples from our suppliers and partners.



## PILLAR I: SUSTAINABLE LIVELIHOODS

### Foster a more equitable value chain for the people involved in cocoa production at every level

#### Commitment: Support cocoa farmers to prosper

Cocoa farmers face significant challenges in securing a sustainable living. Many factors lead to low yields and incomes: poor farm design and management, small plots, ageing trees, diseases and pests, limited access to affordable and appropriate agricultural tools and materials, lack of financial access and literacy, and limited access to agricultural education, infrastructure, and technologies.

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

Through our sustainability programme, we provide targeted support to cocoa



farmers to improve their farming practices so they can earn more from cocoa. As cocoa doesn't provide a year-round income, we also help farmers diversify their income and increase food security.

The objective is to make cocoa farming more profitable for farmers and improve their resilience to climatic, natural resource and market shocks.

#### What steps have been taken in 2020/21 growing season?

In 2020/21 in total 168,000 farmers participated in Ferrero's Cocoa Program. We provide individual and tailored coaching and support to a large segment of our farmers to help them professionalise and diversify their operations. In 2020/21 around 50,000 farmers have received one-to-one coaching on farm and business planning, and 27,000 farmers are supported with individual long-term Farm Development Plans. In addition, 134,000 farmers participated in group training on good agricultural practices. We also supported 27,000 people in diversifying their on-farm and off-farm incomes through additional income-generating activities such as soap-making, chicken farms, beekeeping, grass-cutting and small shops.

By distributing high-yielding and resilient cocoa seedlings, farmers can rejuvenate and rehabilitate ageing cocoa fields. We distributed 1,500,000 cocoa seedlings in 2020/21 alone, making a total of 5,800,000 since 2014/15. In addition, on top of the commercial prices, we pay cash premiums to farmers, doing so for 150,000 farmers this year. Of these, we paid 16% digitally to increase financial transparency. We are aiming to increase this percentage next year. Finally, we involved 2,100 young adults in community-service groups or 'pruning gangs' to provide farming services to farmers.



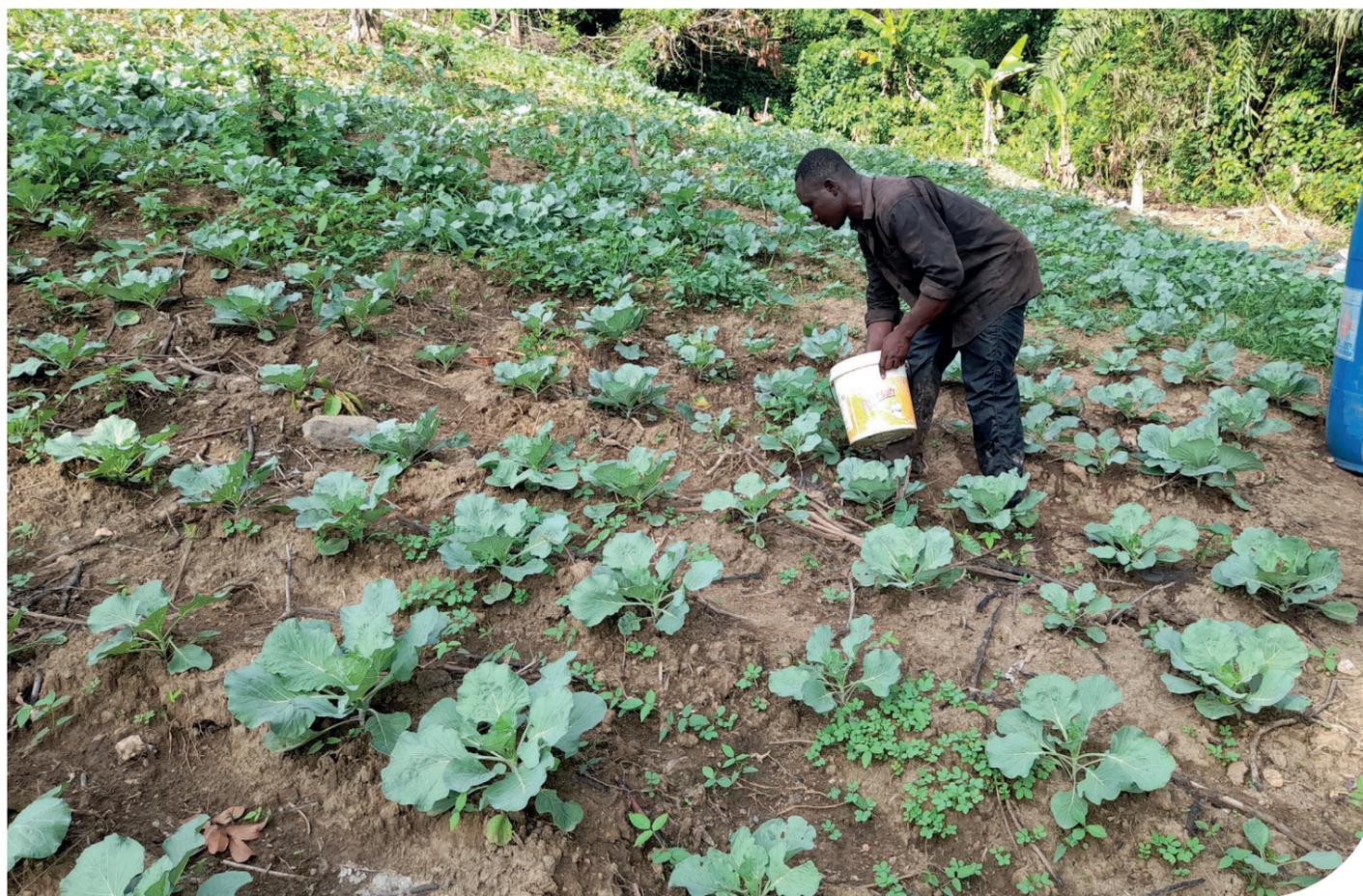
### Next-generation skills

At cocoa farms in Ghana, older farmers and women are not always able to implement certain farming practices. To help them and to also create a new supply of skilled farm labour, several of our suppliers train young adults to provide farm management services. Over the 2020/21 growing season, 508 people were involved in these “youth teams” supporting more than 15,000 farmers with pruning and weeding, and the applications of pesticides and fertilizers.



### Extra profit and yields from training and support

Ivorian farmer Akwasi Duah struggled to earn extra income outside the cocoa season before joining a Ferrero-ECOM programme in 2017. As well as training in good agricultural practice, the programme also provides seeds, credit, agrochemicals and created market access. Akwasi has seen cocoa yields nearly double and has made USD 1,700 profit on his harvest of cabbages.





### The Cocoa Fruit Lab project

Supporting female farmers is essential to drive prosperity and child protection. Together with partner ETG/Beyond Beans, Ferrero is helping women to develop a new source of revenue from cocoa. The pulp that surrounds the cocoa bean usually goes to waste. But it can be collected and turned into cocoa juice, a refreshing drink that is already quite common in South America. Trialled with an all-female cooperative, the Cocoa Fruit Lab project has the potential to increase farm income by 30%.



*As we add value into the chain of production, we add value into our personal lives as producers.*

**Zouzou N'Guessan Helene (39 years old), member of the Cocoa Fruit Lab.**





## PILLAR II: HUMAN RIGHTS AND SOCIAL PRACTICES

**Contribute to the holistic wellbeing and development of children in cocoa-growing communities by reducing the risk factors for child labour in cocoa farming.**

**Commitment: Protect children and provide joyful growth.**

We are strongly committed to promoting human rights throughout the global supply chain and supporting families to enable joyful growth for children. It is critically important that children are not involved in any form of child labour, particularly its worst forms, as this can seriously damage their physical and mental wellbeing. Children also need to have access to quality education, good nutrition and basic necessities like clean drinking water.



Although it is much less prevalent, we also recognise the issue of adult forced labour in the cocoa sector, and we commit to taking action together with our key stakeholders to mitigate and prevent it.

### How is Ferrero working on this commitment?

The first critical step is to have reliable Child Protection Systems in place that can 1. identify households at risk of child labour in our cocoa supply chain; and 2. remediate any cases that are identified. The objective is to integrate the systems we implement in our cocoa supply chain into the broader national systems.

In addition, together with our strategic partner **Save the Children** and suppliers, we are implementing a holistic Community Development approach that has a strong focus on child labour prevention in high-risk communities in our cocoa supply chain.

In our Cocoa Programme we also have a strong focus on women’s empowerment, acknowledging the critical role of women as agents for economic, environmental and social change, and for ensuring child protection.

We strive to contribute to positive change across the entire cocoa value chain, so also beyond our own supply chain. We do this through multi-stakeholder platforms such as the **World Cocoa Foundation**, the **International Cocoa Initiative** and collective initiatives like the **Child Learning Education Facility (CLEF)**.



### What steps have been taken in 2020/21 growing season?

Last season, 96% of our farmer groups were covered with a CLMRS or equivalent system.

In addition, we informed 194,000 people about children’s rights, and 95,000 people about adult forced labour; we monitored 101,000 households and 151,000 children through our child protection systems, and helped children obtain 4,700 official birth certificates.

To improve education prospects, we constructed or renovated 19 schools and nine school canteens in 2020/21, bringing the total respectively to 83 and 30 since 2016/17, and gave 31,000 children school kits. We supported 170 youth with vocational training in 2020/21, bringing the total to 224 since 2018/19.

We are also a partner of the **Child Learning and Education Facility (CLEF)**, a collective initiative between the Ivorian government, companies and foundations that aims to promote access to quality education to over 6 million children in cocoa-growing communities in Ivory Coast.

Of critical importance has also been the further scaling of Village Savings and Loans Associations (VSLA), bringing the total by 2020/21 to 937 VSLA groups, involving 28,500 members, mainly women, that together saved over 1.1 million euro in 2020/21, of which 710,000 euro was loaned to set up small businesses, pay school fees, among other activities.

We also established three vegetable greenhouses in 2020/21, bringing the total to 10 since 2018/19, and constructed or renovated 35 water pumps in 2020/21, bringing the total to 132 since 2012/13.

In 2020/21 we also renewed the strategic partnership with **Save the Children** to further scale and strengthen activities to protect children in our supply chain.

Finally, we started phase 1 of a Community Development project with **Save the Children**, involving 32 communities in the Haut-Sassandra region in Ivory Coast.





### STRATEGIC PARTNERSHIP FERRERO AND SAVE THE CHILDREN

In December 2020, Ferrero and Save the Children began a five-year project to protect children in 65 cocoa-growing communities in the Haut-Sassandra region of Ivory Coast, building on the successful 3-year project (2017-2020) in 20 communities in the Nawa region.

Through a holistic approach based on four pillars (Child Protection, Community Development, Access to Education and Youth & Adolescents Empowerment) we aim to reach by the end of the project 37.000 direct beneficiaries (15.000 children) and 90.000 indirect beneficiaries (49.000 children).

To ensure coordinated action and drive impact on the ground Save the Children works closely with the local and national authorities as well as with other key stakeholders like the International Cocoa Initiative (ICI), the Jacobs Foundation and the World Cocoa Foundation. In addition to the project in Haut-Sassandra region, Save the Children is also providing strategic guidance and technical support to Ferrero and its tier-1 suppliers. The objective is to ensure a harmonized approach on child protection in Ivory Coast and Ghana by all suppliers in Ferrero’s cocoa supply chain by aligning the supplier’s approach with the programmatic framework developed by Ferrero and Save the Children. The first step in this process is an elaborate Capacity Building program for our suppliers that Save the Children launched in 2021.



*Child labour is a major issue in West Africa and has its roots in poverty, and lack of basic education and awareness. Only by trying to address these problems together with key relevant stakeholders, we can manage to make child protection, access to quality education and adolescents and youth empowerment, central assets for the communities’ development. For this reason, we are glad to work together with Ferrero and to support the company's commitment to contributing to a fair and sustainable cocoa supply chain, in coordination with the relevant actors. Thanks to all these efforts, thousands of children will have significant improvements in their lives.*

**Daniela Fatarella**  
Chief Executive Officer of Save the Children Italy



Source: <https://www.ferrero.com/news/ferrero-continues-to-scale-cocoa-sustainability-programme>



### FIRST YEAR RESULTS PROJECT HAUT-SASSANDRA REGION

In 2021 we started phase 1 involving 32 communities with an estimated population of 65,000 people of which 36,000 children. The other group of 33 communities starts in 2022.

Progress has been made along all four pillars reaching 4,767 direct beneficiaries including 929 children:

#### Improving child protection

- 2 Social Centres for referral managed by the local authorities revitalized.
- 31 Child Protection Committees (CPCs) established.
- 3,744 CPC community members trained.
- 2 social centres renovated and equipped.
- 58 community leaders trained in child protection and child participation.

#### Strengthening communities

- 31 Village Savings and Loans Associations (VSLAs) set up.
- Communities consulted about community action plans, which will be developed by at least 30 people from each community.
- Quality and availability of water supplies assessed and support for improvements engaged

#### Increasing access to education

- 2 bridging classes opened in 31 communities, enabling 779 outofschool children aged 9 to 14 to catch up with learning and gain the skills or knowledge they need for further education.
- 28 class facilitators selected and trained by Save the Children and the Regional Directorate of National Education and Literacy.

- 42 education stakeholders trained on good hygiene, water and sanitation facilities in schools.

#### Empowering adolescents and young people

- Social workers and staff from implementing partners ORASUR and Agriculturalist in action trained on Save the Children’s “life skills for success” approach. Training focused on enabling adolescents and young people to navigate their social environment effectively, work with their peers, and set and work towards achievable goals.
- Discussions were held with the Chamber of Trades, ANADER and the Youth Employment Agency about apprenticeship programmes for adolescents and young people.





## PILLAR III: ENVIRONMENTAL PROTECTION

**In partnership with our suppliers, actively protect standing forests and/or restore natural forest areas, and support farmers to convert to agroforestry systems and become more climate resilient**

**Commitment: Contribute to end deforestation and promote biodiversity.**

The rate of deforestation and forest degradation, particularly in Ivory Coast and Ghana, threatens to undermine the resilience of the cocoa sector and the surrounding environment, and accelerate the climate, biodiversity and natural resource crisis. This affects the livelihoods of the millions of smallholder farmers who depend on it.

### How is Ferrero working towards this commitment?

Working with our suppliers, we're contributing to ending deforestation and restoring forest areas, and to supporting farmers in converting to agroforestry systems and becoming more climate-resilient. We do this through the **Cocoa & Forests Initiative (CFI)** that brings together companies and governments to act collectively and in a coordinated manner. To prevent deforestation, we aim for traceability back to farm level and use satellite monitoring to monitor potential deforestation and ecosystem conversion in our supply chain.

### What steps have been taken in the 2020/21 season?

In 2020/21 Ferrero continued to achieve a high level of traceability from farm to first purchase point through our polygon mapping of cocoa farms and we covered 356,000 hectares with deforestation risk assessments to ensure no cocoa was sourced from protected forest areas. As a cross-cutting solution to many cocoa sustainability issues, agroforestry is one of our primary **Cocoa Charter** priorities, and links to other targets such as distribution of seedlings. To date, we have supported the development of over 111,000 hectares of agroforestry, involving a total of 70,000 farmers.

Over 10,000 farmers have been involved in Payment for Ecosystem Services (PES) initiatives. The PES initiative provides farmers with valuable resources and incentives such as financial payments, trainings, fertilisers and tools in return for their work on environmental protection and restoration.

In 2020/21 important steps have also been made on forest restoration made possible through additional investments. Over 500,000 non-cocoa trees were distributed for off-farm planting, helping to restore 3,500 ha of forest area of which 200 ha in classified forests. When combined with multi-purpose trees for on-farm planting, in total Ferrero has distributed 2.2 million trees in 2020/21 alone and 3.2 million trees including previous years.



For more details and case studies we invite you to read our latest **Cocoa and Forest Initiative Report**



## PILLAR IV: SUPPLIER TRANSPARENCY

**Know where our raw materials come from and foster data management and reporting.**

**Commitment: We are committed to ensuring traceability of our cocoa and to foster data management and reporting.**

Traceability has been the cornerstone of our responsible sourcing approach from the beginning. It has always been one of the key quality and sustainability pillars at Ferrero.

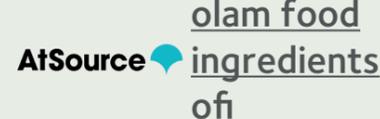
### How is Ferrero working towards this commitment?

We work towards further enhancing the visibility of our value chain by strengthening partnerships with our suppliers and by leveraging the most advanced technology available. We are developing a cocoa-dedicated platform that gives us visibility over our entire supply chain. This will make it possible not only to trace the cocoa we source from the farm – an area where Ferrero has already made a lot of progress in the past years – but also to perform risk assessments and check compliance. Each year, we will continue to update the **public list of tier-1 suppliers and farmer groups in our cocoa supply chain** on our website<sup>9</sup> and will publish a progress report on the implementation of our Cocoa Charter.

### What steps have been taken in the 2020/21 season?

The total cocoa volume we received in 2020/21 was close to 208,000 metric tonnes (MT), of which 74% was cocoa beans sourced as physically traceable from farm to Ferrero plant and processed in-house. The remaining 26% were cocoa derivatives such as liquor, butter and powder, and chocolate products. All cocoa was sourced through independently managed sustainability standards such as Rainforest Alliance, Cocoa Horizons and Fairtrade<sup>10</sup>. In 2020/21, we published for the first time the tier-1 suppliers and farmer groups in our cocoa supply chain. We will update this list annually.

### Standards used by Ferrero in 2020/21

 <b>Beyond Beans</b>	 <b>Blommer Sustainable Origins</b>	 <b>Cargill Promise Cocoa</b>
 <b>Cocoa Horizons</b>	 <b>Echar Pa'lante</b>	 <b>Fairtrade Cocoa Program</b>
 <b>Guangala certified<sup>18</sup></b>	 <b>AtSource</b>	 <b>Rainforest Alliance</b>
 <b>Sudcen Traceable</b>	 <b>olam food ingredients ofi</b>	

<sup>9</sup> [https://www.ferrerosustainability.com/int/sites/ferrerosustainability\\_int/files/2022-03/cocoa-supply-chain\\_fy-2021\\_1.pdf](https://www.ferrerosustainability.com/int/sites/ferrerosustainability_int/files/2022-03/cocoa-supply-chain_fy-2021_1.pdf)

<sup>10</sup> Check the full list of Standards through which we source cocoa.



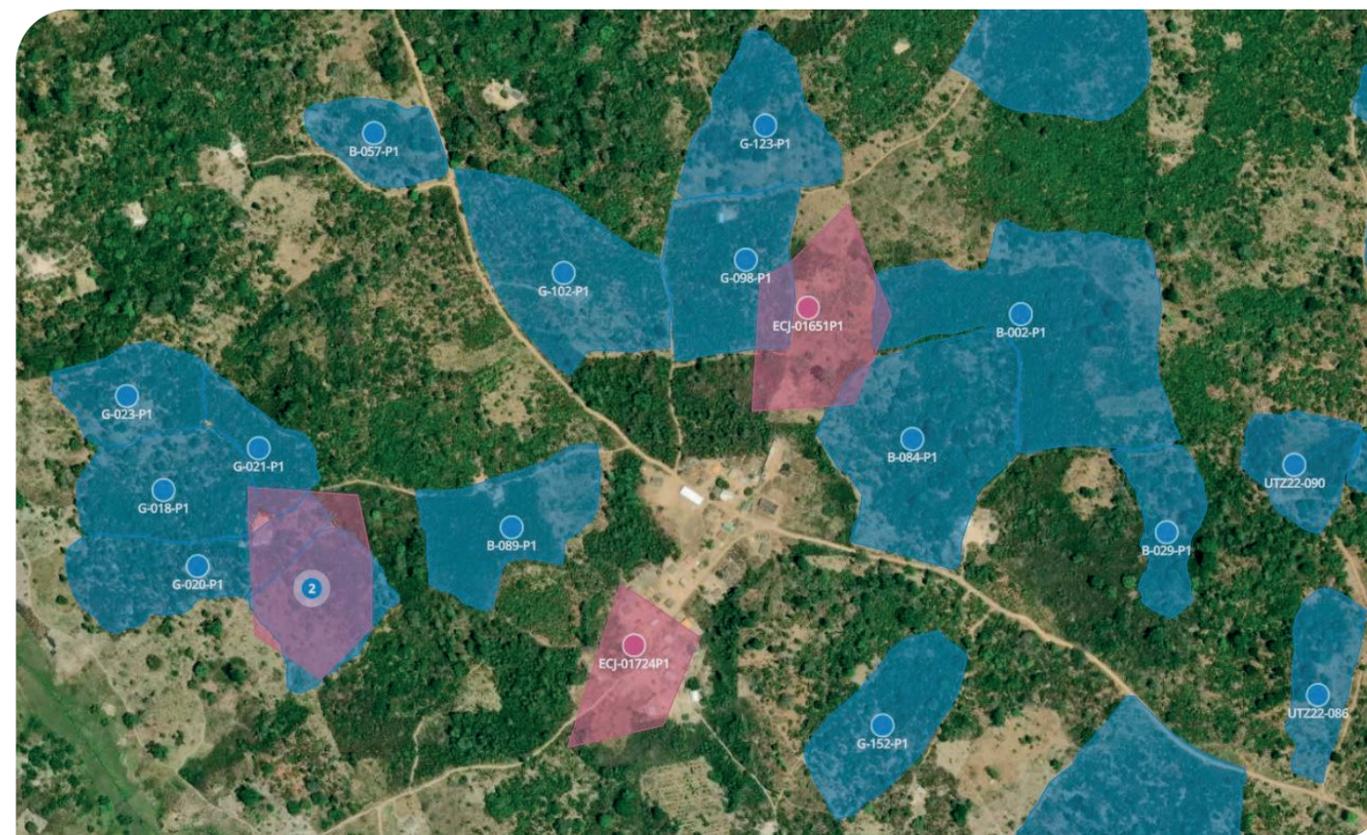
The traceability performance of our entire cocoa supply chain was as follows:

- 100% traceable to origin country.
- 99.64% traceable to farmer group level<sup>11</sup>.
- 96% traceable to farm gate if minimum GPS waypoint available.
- 88% traceable to farm gate if minimum requirement polygon-mapped<sup>12</sup>.

### Ferrero cocoa sourcing origins



We also began to partner with **Sourcemap**, a leading provider of supply chain mapping, which provides a comprehensive platform to visualize supply chains and enhance traceability, further strengthening our efforts in supply chain transparency. Through Sourcemap’s platform we will collect key data on social and agricultural practices, validate our value chain through data science and ensure that performance is continuously improving.



<sup>11</sup> Including farmer groups that are not part of Ferrero’s dedicated farmer groups.

<sup>12</sup> Farmer groups have on average a 5-10% annual turnover of farmers. Each year newly joined farmers must be mapped and we also re-map farmers, usually every 3 to 5 years, to ensure the data is still valid.



## GLOSSARY

- ▶ **Polygon mapping:** Polygon mapping is achieved with specially trained people who walk around the cocoa farm with technological devices to collect multiple GPS points through which they can very precisely identify the location of the farm and measure its size. Based on this information it is then possible to verify that a farm is not located in a protected forest, and to do a more accurate estimate of the total volume a cocoa farmer can produce. This method is more precise and robust than other methods, which collect only a single GPS point of a farm.
- ▶ **Independently managed standards:** These refer to our Suppliers' verified sustainability programmes. The standards we apply to our supply are publicly reported in our Cocoa Charter.
- ▶ **CLMRS:** Child Labour Monitoring and Remediation System.
- ▶ **VSLA:** Village Savings and Loans Associations. VSLAs are SLA groups are self-managed groups of community members who meet regularly to save their money in a safe space and have access to small loans.
- ▶ **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.
- ▶ **Farm Development Plan:** Together with our partners, we provide individual farm and financial management coaching to selected cocoa farmers and develop Farm Development Plans following a thorough assessment and tailored to their specific situation, socio-economic position, and motivation level. The FDPs have a strong focus on improving productivity but also support farmers to diversify their farms and implement agroforestry systems. The duration of the FDP cycle can vary from three to seven years. During this period farmers are monitored to track the implementation of their FDP and provide support where relevant.
- ▶ **Income Generating Activities:** These are small businesses managed by individuals or a group of people to increase their household income through livelihood diversification. Activities can be on-farm, for example the production of fruits and vegetables that can be used for own consumption or to sell locally, or off-farm activities such as beekeeping, grass-cutting or keeping small shops. Supporting farmers to increase and diversify their income is important to improve their resilience, and help them cope with cocoa price fluctuations.