

About Palm Oil in Our Products

➤ 1. Why do you use palm oil?

▪ IN NUTELLA®

Palm oil is used in Nutella® for three reasons:

- It allows giving the product its special creaminess and its right texture and - what's really important - without resorting to the hydrogenation process, which produces "trans fats" that have been recognized by the authorities and the scientific world as particularly harmful to health.
- It contributes to the combination of the other ingredients (such as hazelnuts), enhancing their taste, since it is odorless and tasteless, after the refining process.
- Palm oil helps to maintain the unique Nutella® taste along its whole shelf life, because of its higher stability to oxidation compared to other vegetable oils.

▪ IN KINDER®

Palm oil is used in Kinder® products for three reasons:

- Palm oil can be adapted to the different requirements of each Kinder® recipe, since some require more creamy fillings, other crunchy texture, while some others both, and - what's really important - without resorting to the hydrogenation process, which produces "trans fats" that have been recognized by the authorities and the scientific world as particularly harmful to health.
- It contributes to the combination of the other ingredients (such as milk, cocoa and hazelnuts), enhancing their taste, since it is odorless and tasteless, after the refining process.
- It helps to maintain the unique Kinder® taste along its whole shelf life, because of its higher stability to oxidation compared to other vegetable oils.

▪ IN OTHER FERRERO PRODUCTS

Palm oil is used in a variety of other Ferrero products, along with other carefully selected ingredients, for three reasons:

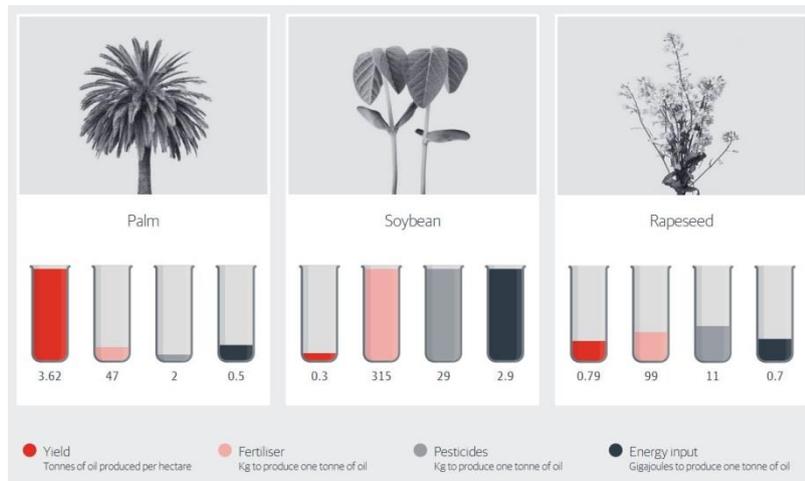
- Palm oil is very versatile and can be adapted in different quantities to the requirements of each recipe, as some require more creamy fillings, others have a crunchy texture, and – what's really important – without resorting to the hydrogenation process, which produces "trans fats" that have been recognized by the authorities and the scientific world as particularly harmful to health.
- The palm oil, that is used in different quantities in Ferrero products, plays an important role in achieving a balance between the components, which ensures that the product has the right structure without resorting to the hydrogenation process, and enhancing the taste of the other ingredients, since it is odorless and tasteless after the refining process.
- It helps to maintain the unique taste of Ferrero products along the whole shelf life, because of its higher stability to oxidation compared to other vegetable oils.

➤ 2. Why doesn't Ferrero use other oils instead of palm oil?

▪ Palm oil is the best option to ensure that the product has the right consistency and structure, and does not interfere with the characteristic flavours of the other ingredients. Most importantly, it does not resort to the hydrogenation process, which produces "trans fats" that have been recognized by the authorities and the scientific world as particularly harmful to health. Many other oils would need to be submitted to hydrogenation in order to create the consistency necessary for our products, which palm oil achieves without hydrogenation.

Furthermore palm oil is the most important vegetable oil in terms of production volume in the world. An important aspect of this is down to its productivity per hectare. It is at least 5 times higher than other vegetable oils, such as rapeseed or sunflower, whose use would therefore require significantly more land

to produce the same quantities of palm oil. Moreover palm trees require less input of fertilisers and pesticides per tonne of production than the plants that produce other vegetable oils.



(Source: http://www.eco-business.com/media/uploads/ebmedia/fileuploads/palm_oil_vs_alternatives_image_from_the_guardian.jpg)

3. How much palm oil is there in Ferrero products?

The worldwide success of our products comes from secret recipes that no one has ever managed to successfully copy. They are a very important asset of the Ferrero Group, so it is understandable that - just like any other product known for its unique recipe - we cannot answer this question in detail.

We can, however, say that palm oil, that is used in different quantities in Ferrero products, plays an important role in achieving a balance between the components, which ensures that the product has the right structure without resorting to the hydrogenation process, and enhancing the taste of the other ingredients, since it is odorless and tasteless after the refining process.

4. Does palm oil in Ferrero products contain hydrogenated fats?

No, palm oil used in our products does not contain hydrogenated fats.

In fact, palm oil plays a crucial role in achieving a balance between the components, ensuring the special spreadability of Nutella® and a various but unique texture experience in the Kinder® products, without resorting to the hydrogenation process.

5. Where does the palm oil used in Ferrero products come from?

Our current records (as of Dec 2015) show that 99.5% of our palm oil supply comes from 63 mills and 301 plantations located in: Peninsula Malaysia (75.87% of total volumes), Papua New Guinea (18.17%), Insular Malaysia (3.67%), Brazil (1.2%), Indonesia (0.91%), Guatemala (0.1%) and the Solomon Islands (0.08%). Furthermore, 6.34% of the palm oil volumes we buy are coming from approximately 20,941 smallholders or small farmers.

6. Do Ferrero products contain certified palm oil?

Yes, Ferrero products only contain sustainable, 100% RSPO certified as segregated palm oil as of January 2015. This means that the palm oil used in the Ferrero products is kept separated from conventional palm oil along the whole supply chain. So Ferrero products physically contain certified sustainable palm oil. Segregation also allows us to identify the mill of origin of the palm oil, and thanks to the e-trace online system we can trace the physical trade of certified RSPO oil along the supply chain.

“In achieving 100% segregated certified sustainable palm oil within the context of the Roundtable on Sustainable Palm Oil, Ferrero has demonstrated that it is tackling tropical deforestation in a credible way” said Richard Holland, Director of WWF's Market Transformation Initiative. RSPO itself has recognized the Ferrero's achievement : *“As of 1st January 2015, Ferrero products contain only 100% segregated CSPO. For a large food manufacturer this is a considerable achievement. We encourage other companies to mirror Ferrero's commitment to sustainable palm oil sourcing.”*

Furthermore, in order to satisfy consumers' expectations, in November 2013 Ferrero moved beyond the RSPO certification by adopting a 'No Deforestation' policy, the [Ferrero Palm Oil Charter](#). To turn the Charter commitment into concrete actions on the ground, always in November 2013, Ferrero established a technical partnership with the TFT to support it in the implementation of its Palm Oil Charter.

▶ **7. Does Ferrero adopt a 'no-deforestation' policy?**

■ Yes, Ferrero has adopted a 'no-deforestation' policy related to the palm oil supply chain. Specifically, in November 2013 the [Ferrero Palm Oil Charter](#) was published in order to address the leading causes of deforestation and exploitation that can be related to the palm oil production, closely working with its suppliers.

In November 2013 we also became a member of [TFT](#), a global non-profit organisation, whose teams support us to implement our Charter commitments directly in the plantations we supply from.

Specifically, in order to satisfy our consumers concerns and civil society expectations, we are committed to make sure that our palm oil suppliers are:

1. Providing fully traceable oil, while including smallholders.
2. Not clearing High Carbon Stock forests.
3. Not using fire to clear land.
4. Not planting on peat soils.
5. Protecting orangutans and other endangered species by maintaining High Conservation Value areas.
6. Reporting on the greenhouse gas emissions of their production.
7. Respecting human rights, including the right to Free, Prior, and Informed Consent of indigenous and local communities.
8. Recognizing, respecting and strengthening the rights of workers.
9. Not using paraquat.
10. Actively fighting corruption.

Since 2013, we have been working with TFT to engage with our sub-suppliers and support them in the adoption of the Charter.

In 2014 our teams, with TFT's support, started visiting priority mills and carrying out documentation verifications and field visits in the supplying plantations, with four supplier group companies in Peninsula Malaysia (covering 75.49% of our palm oil supply). At the end of each visit, a meeting was held with the suppliers to advise them of any issues found related to our Charter, and to establish and discuss a time-bound action plan with each grower.

Along our 'No-deforestation' journey, in recognition of community land rights, we support the HCS (High Carbon Stock) Approach's toolkit. This is a landscape based approach and gives commodity-producing companies worldwide practical guidance on how to identify tropical forests for conservation and degraded lands for potential plantation development; <http://www.greenpeace.org/seasia/Press-Centre/Press-Releases/High-Carbon-Stock-Toolkit/>.

The last two years of our work with TFT have revealed the different layers of complexity of the implementation of our Charter depending on the suppliers. We have understood that our Charter works as a well-established tool to bring our suppliers closer to better practices. Within this context, we can consider

the objective of the Charter's work achieved and we are ready to make a further step toward responsible palm oil through the implementation on our entire supply chain of a Verification Protocol.

Indeed, to further ensure that our Charter's implementation is robust and credible, Ferrero, with TFT's support, has developed a Verification Protocol, which defines the system Ferrero is applying to monitor compliance with the Charter Principles throughout its entire supply chain. An auditing company will be hired - as a 3rd party verification body - to validate the Protocol implementation and the information communicated (outcome, progress, etc.).

Currently the Verification Protocol is under consultation with suppliers and NGOs and its launch is expected by Spring 2016.

Furthermore Ferrero has been evaluated by Greenpeace's 2016 scorecard as 'on track' to ending deforestation, and has been recognized for its strong responsible sourcing and industry reform strategy: http://www.greenpeace.org/international/Global/international/publications/forests/2016/gp_IND_Palm_Scorecard_FINAL.pdf.

Ferrero has also endorsed the [New York Declaration on Forests](#) a non-legally binding political declaration that grew out of dialogue among governments, companies and civil society, spurred by the UN Secretary-General's Climate Summit. The aim is to cut natural forest loss in half by 2020, and strive to end it by 2030. In endorsing this Declaration, Ferrero shares the vision of slowing, halting, and reversing global forest loss while simultaneously enhancing food security for all.

To view the Charter progress updates on a 6-month basis, please visit <https://www.ferrero.com/group-news/Ferrero's-fourth-palm-oil-progress-report/?searchcat=&searchdate=2015-12>

▶ **8. How is Ferrero implementing its 'no-deforestation' policy?**

▪ Since 2013, we have been working with TFT to engage with our sub-suppliers and bring them towards adopting the Charter.

The Forest Trust (TFT) is the non-profit technical partner whose teams are helping Ferrero implement its 'no-deforestation' policy in the palm oil plantations we supply from, since the launch of the [Ferrero Palm Oil Charter](#) in November 2013.

As of December 2015, with TFT, we have achieved 99.5% full FFB (Fresh Fruit Bunch) traceability to the growers we are sourcing from. Specifically, in December 2015, we recorded 63 mills and 301 plantations. Knowing the location of the plantation we are sourcing from has allowed us to identify where to go and consequently by directly visiting a sample of our plantations in cooperation with TFT we have been able to identify any gaps in policies, procedures and field practices defined through our Charter requirements.

These action plans are now being executed and monitored to ensure their proper implementation. We publically provide progress updates on the Charter implementation on a 6-month basis.

To summarize the work conducted with TFT, we have been engaged in:

- ▶ Mapping Ferrero' supply chain up to plantations.
- ▶ Desk assessment of the Ferrero suppliers.
- ▶ Identification of potential risks within Ferrero supply chain.
- ▶ Visiting the identified priority suppliers and evaluating the gaps between production practices and the Charter.
- ▶ If gaps are present, an action plan is established and the gaps evaluated with the supplier.

The way our suppliers implement the Charter requirements will be verified by a 3rd party body from 2016.

Aware of the responsibility that comes with having leading global Brands, we are committed to leveraging this position to transform and innovate the palm oil industry.

Within this context, Ferrero's membership with the POIG in November 2015 represented a natural step to carry out our commitments and actions on a credible and innovative platform.

We, at Ferrero, share the POIG's vision to "break the link between palm oil and deforestation, and human, land and labour rights violations." (www.poig.org). In line with this vision we support the HCS Approach and the "Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance". Endorsed respectively in April 2015 and April 2016, both of these toolkits provide practical guidance for our suppliers in addressing our 'no deforestation-no exploitation' Charter requirements.

In fact Ferrero has been evaluated by Greenpeace's 2016 scorecard as 'on track' to ending deforestation, and has been recognized for its strong responsible sourcing and industry reform strategy:

http://www.greenpeace.org/international/Global/international/publications/forests/2016/gp_IND_Palm_Scorecard_FINAL.pdf.

To view the progress updates on a 6-month basis, please visit <https://www.ferrero.com/group-news/Ferrero's-fourth-palm-oil-progress-report/?searchcat=&searchdate=2015-12>

➤ **9. Why has Ferrero adopted a 'no-deforestation' policy?**

■ Although Ferrero achieved the 100% certification in 2015 according to the RSPO Segregated supply chain, Ferrero wanted to go beyond the RSPO certification in order to satisfy its consumers concerns and civil society expectations. Consequently in November 2013 the Ferrero Palm Oil Charter was published, in order to address the leading causes of deforestation and exploitation that can be related to the palm oil production, closely working with its suppliers. Furthermore, in line with our Charter's aims, in November 2013 we also became a member of TFT, a global non-profit organization, whose teams support us to implement our Charter commitments directly in the plantations we supply from.

We are working with TFT to engage with our suppliers and to build visibility on the palm oil mills and the plantations we are buying from. The first step in this process of increased visibility is full traceability. As of December 2015, we have achieved 99.5% full FFB (Fresh Fruit Bunch) traceability to the growers we are sourcing from and 100% to the mills. Furthermore we have started visiting the priority plantations, providing recommendations for meeting our Charter where necessary, with timelines.

In addition, aware of the responsibility that comes with having leading global Brands, we are committed to leveraging this position to transform and innovate the palm oil industry.

Within this context, Ferrero's membership with the POIG in November 2015 represented a natural step to carry out our commitments and actions on a credible and innovative platform.

We, at Ferrero, share the POIG's vision to "break the link between palm oil and deforestation, and human, land and labour rights violations." (www.poig.org). In line with this vision we support the HCS Approach and the "Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance". Endorsed respectively in April 2015 and April 2016, both of these toolkits provide practical guidance for our suppliers in addressing our 'no deforestation-no exploitation' Charter requirements.

Ferrero has been evaluated by Greenpeace's 2016 scorecard as 'on track' to ending deforestation, and has been recognized for its strong responsible sourcing and industry reform strategy:

http://www.greenpeace.org/international/Global/international/publications/forests/2016/gp_IND_Palm_Scorecard_FINAL.pdf.

To view the progress updates on a 6-month basis , please visit <https://www.ferrero.com/group-news/Ferrero's-fourth-palm-oil-progress-report/?searchcat=&searchdate=2015-12>

➤ **10. Is the palm oil in Ferrero products traceable?**

- So far, Ferrero has achieved traceability of:
 - 100 % to known mills (RSPO certification under the Segregated supply chain)
 - 99.5 % to known plantation/farms - we know the name of the estates as well as their GPS coordinates.

As of December 2015, our current records show that this 99.5% of our palm oil supply comes from 63 mills and 301 plantations located in: Peninsula Malaysia (75.87% of total volumes), Papua New Guinea (18.17%), Insular Malaysia (3.67%), Brazil (1.2%), Indonesia (0.91%), Guatemala (0.1%) and the Solomon Islands (0.08%). In addition, 6.34% of the palm oil volumes we buy come from approximately 20,941 smallholders or small farmers.

➤ **11. How does Ferrero intend to include smallholders in its supply chain?**

One of the pillars of the Palm Oil Charter is the inclusion of smallholder farmers in our supply chains. In the palm oil sector, they make up around 40 % of planted hectares but they are not always integrated into the market value chain, mainly in the context of RSPO certified segregated palm oil. Indeed certification is difficult and not always profitable for small holders. Additionally there are challenges of linking diverse smallholders to formal markets.

Specifically, larger plantations have long tried to improve efficiency and minimise costs by simplifying and standardising their supply bases, which often reduces opportunities for smallholders. With TFT, Ferrero is working on launching the Rurality initiative, focused on the cultural, ecological, and logistical diversity of smallholders' work, to thus provide tailored support to enable them to be part of the market as well as improve their resilience. As of December 2015, 6.34% of the palm oil volumes we buy come from approximately 20,941 smallholders or small farmers.

➤ **12. How does Ferrero ensure the rights of workers within its palm oil supply chain?**

Ferrero acknowledges the importance of ensuring responsible labor practices in its palm oil supply chain and the Group intends to support an ongoing dialogue with suppliers on responsible palm oil production.

Therefore, within Ferrero's commitment to ensuring such rights, it launched its Palm Oil Charter in November 2013, which includes specific requirements regarding the working conditions topic in the plantations it sources from. It states that Ferrero is committed to making sure that its suppliers comply in "Recognizing, respecting and strengthening the rights of workers" according to defined ILO conventions. Since then, considerable resources have been dedicated to map Ferrero's palm oil supply chain in order to identify any major gaps concerning the Charter.

Ferrero has consulted the main documents on workers' rights developed by the principal stakeholders: ILO conventions, RSPO standards, TFT "No Exploitation" Guidelines and furthermore endorsed the "**Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance**". This was released in March 2015 by a wide alliance of international human rights and environmental organizations gathering around a common platform as it pertains to fair labor working conditions. This document provides a common point of reference on what constitutes free and fair labor in palm oil production based on the frameworks enshrined in ILO core conventions and the UN Guiding Principles on Business and Human Rights, and it builds on the existing standard established by the RSPO.

In line with its Palm Oil Charter and by endorsing the "*Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance*", Ferrero will engage and support its suppliers to develop, implement and follow-up a pragmatic and long-term oriented action plan in order to address the issues in their own and third party estates.

To view the latest Palm Oil Charter update, please visit <https://www.ferrero.com/group-news/Ferrero's-fourth-palm-oil-progress-report/?searchcat=&searchdate=2015-12>

For more information on the document, please follow the link: "[Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance](#)".

➤ **13. What are the Ferrero milestones towards responsible palm oil?**

The Ferrero milestones towards a responsible supply of palm oil can be summarized as follows:

2005 - January - Ferrero [becomes RSPO](#) (Roundtable on Sustainable Palm Oil) member

2013 - November - Ferrero launches the [Palm Oil Charter](#) and becomes a member of The Forest Trust.

2014 - May - Ferrero publishes its [first progress report](#) about the Charter's implementation

2014 - November - Ferrero becomes a Palm Oil Innovation Group (POIG) supporter.

2014 - November - Ferrero acknowledges some remaining issues in the plantations it sources from and agrees on an action plan with its suppliers.

2015 - January - all Ferrero products worldwide are RSPO certified under the Segregated supply chain - which means that they physically contain sustainable palm oil from a certified supply chain.

2015 - April - Ferrero endorses the High Carbon Stock (HCS) Approach; a toolkit on how to identify tropical forests for conservation and degraded lands for potential plantation development.

2015 - October - Ferrero has identified the mills and related plantations of origin for 99.5 % of the palm oil products it buys.

2015 - November - Ferrero becomes a Palm Oil Innovation Group (POIG) member.

2015 - December - Ferrero shares its Palm Oil Charter Verification Protocol with suppliers and NGOs.

2016 – March - Ferrero endorses the "[Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance](#)"

➤ **14. Is palm oil declared on the Ferrero product labels?**

■ The content of Ferrero's labels is always in strict compliance with the relevant local legislations.

For example, Ferrero began indicating the type of vegetable oil used on its product labels in EU countries by August 2014, months before the EU law enforced it in December 2014.

Furthermore, in January 2015, Ferrero started indicating the type of vegetable oil used on its product labels in Australia, even if not legally required.

Read more:

For information regarding all of the raw materials we use for our products and our commitment to excellence and sustainability, please refer to our Corporate Social Responsibility Report <http://www.ferrerocsr.com/>

[Charter launch](#)

[1st update](#)

[2nd update](#)

[3rd update](#)

[4th update](#)

For further information regarding the Ferrero products, please refer to the following links:

Nutella® → www.nutella.com

Kinder® → www.kinder.com

For further information regarding palm oil use in food products across the European Union countries, please refer to the following link: <http://www.palmoilandfood.eu/en> (also available in Italian, Swedish and Norwegian)