



# The Hershey Company Statement Against Slavery and Human Trafficking

Complying with both the California Transparency in Supply Chains Act and the United Kingdom Modern Slavery Act

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## OUR COMPANY & OPERATIONS

The Hershey Company, together with its subsidiaries, is committed to operating responsibly and sustainably throughout the world. Hershey has a history of operating with high ethical standards and integrity. The manner in which our employees and business partners manage social, environmental and economic impacts is critical to our long-term business success.

As the largest producer of quality chocolate in North America, The Hershey Company is also a leading snack maker in the U.S. and a global leader in chocolate and non-chocolate confectionery. We operate 15 factories in seven countries and employ over 16,100 people worldwide who help bring more than 80 beloved Hershey brands to approximately 85 countries worldwide. With approximately \$8 billion in total revenue in 2019, our North America business generates around 89 percent of total revenue, through the sale of traditional chocolate and non-chocolate confectionery, as well as our grocery, food service and snacking product lines. Our manufacturing operations in China, Mexico, Brazil, India and Malaysia produce products for consumers in these regions.

We rely on a global supply chain to source our ingredients, manufacture and deliver our beloved products. Large-scale agricultural sites, family farms and smallholders help deliver affordable, reliable and quality supplies of crops such as cocoa, sugar, dairy, palm oil, coconut, pulp & paper, peanuts and tree nuts, flour, soy and more.

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## POLICIES & GOVERNANCE

The Hershey Company recognizes that issues like child labor, forced labor, human trafficking, and other forms of modern slavery are less likely to occur in environments where human rights are respected, governance is strong, and corruption levels are low. As a result, we have a number of foundational standards and expectations that guide our programming and activities in this space, including the following key policies and programs.

### The Hershey Company Ethical Code of Conduct

[Hershey's Code of Conduct](#) sets forth the standards by which we conduct our operations and establishes a clear expectation that the standards be followed in all job-related activities, regardless of business pressure. It further memorializes our guiding principles to act lawfully, ethically, and in the best interest of Hershey.

### The Hershey Company Human Rights Policy

In 2019, Hershey released its first [human rights policy](#) outlining our broader commitment to respect human rights throughout our value chain including efforts to address modern slavery and forced labor. Our policy was informed by undertaking a United Nations Guiding Principles (UNGP)-guided [saliency assessment](#) that included in-depth consultation with diverse internal and external stakeholders including suppliers, human rights groups, nonprofit organizations working in our raw material value chains, government representatives, and labor organizations, amongst others.



## The Hershey Company Supplier Code of Conduct

The backbone of Hershey's commitment to a responsible and sustainable supply chain is our [Supplier Code of Conduct](#). This document sets forth Hershey's standards and expectations for suppliers with respect to corporate and social responsibility. Our Supplier Code of Conduct prohibits forced labor and human trafficking including, but not limited to, any form of prison, slave, bonded, or forced indentured labor. In 2019, we updated our Supplier Code of Conduct to incorporate our new human rights policy and salient human rights issues. In particular, we strengthened language around ethical recruitment practices (including prohibiting recruitment fees and withholding of identity documents) as well as freedom of movement, knowing these issues often contribute to forced labor. Finally, we communicate our Supplier Code of Conduct via multiple means including through 1) language in Hershey's contracts that require our suppliers to comply with our Supplier Code of Conduct, 2) our Responsible Sourcing Supplier Program that requires enrolled suppliers' formal acknowledgment, and 3) our website where it is available in 10 languages.

## Governance: The Hershey Company Sustainability Steering Committee

The Hershey Company Global Sustainability Team is responsible for managing human rights issues including forced labor, modern slavery and human trafficking. Day to day management of human rights is overseen by our Manager for Global Sustainability & Social Impact and the implementation of human rights in our value chain is overseen by our Director for Global Responsible Sourcing. All sustainability efforts, including human rights, are directly overseen by the Sustainability Steering Committee, which is led by our Senior Vice President and Chief Supply Chain Officer, and includes senior level representation from Hershey's legal, investor relations, human resources, R&D, and commercial organizations. Ultimate oversight for human rights falls within our Board of Directors (BOD) and our Executive Committee (which includes our Chief Executive Officer (CEO) and the CEO's direct reports) who are briefed on at least a bi-annual basis by the Sustainability Steering Committee and its members.

Finally, when needed Hershey seeks external expertise to help our BOD and management team understand material sustainability and salient human rights issues. In 2019, The Hershey Company hosted the Executive Director of the International Cocoa Initiative to speak on the issue of child and forced labor in cocoa.

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## **HERSHEY'S HUMAN RIGHTS DUE DILIGENCE AND RISK ASSESSMENT APPROACH**

### Risk Mapping

As identified by our saliency assessment, forced labor and human trafficking are priority issues for Hershey's human rights due diligence efforts along with related topics such as child labor and access to grievance mechanisms. In 2019, Hershey worked with the nonprofit organization, [Verité](#), to conduct more targeted risk assessments of forced labor and other human rights issues across our key value chains and geographic footprint. We also commissioned commodity reports from Verité on soy and sugar along with country risks reports on Malaysia, Mexico and Brazil. Overall, our risk assessment identified the following – the majority of which are current focus areas for Hershey's human rights and responsible sourcing efforts.

- Cocoa, sugar, and palm present the most significant risks of forced labor due to the nature of their value chains and geography. Hershey will continue its efforts to mitigate these risks as well as other human rights risks via programs like the Child Labor Monitoring and Remediation system ([CLMRS](#)) in cocoa, our [Responsible Palm Oil Sourcing Policy](#) and partnership with the Earthworm Foundation, and our [Sustainable Sugar Sourcing Policy](#). More information on our raw material & ingredient sourcing is described below.



- We should continue to monitor ingredients like soy – which in the future may have climate impacts that could contribute to adverse human rights impacts.
- Recruitment risks are higher in South and East Asia, but we should be monitoring risks globally of all vulnerable groups such as migrant workers and women.

Ultimately, the risk assessment directly contributed to a new methodology and risk tool for:

- assessing our Tier 1 suppliers on key human rights topics such as forced labor and which suppliers will be prioritized for our social compliance program,
- a decision to enhance our sustainable sugar approach in 2020, and
- plans for conducting worker voice surveys in 2020 to inform a larger ethical recruitment strategy. Read more about our [approach](#) and work with [Verité here](#).

### Due Diligence on Hershey Facilities and Tier 1 Suppliers

Hershey performs due diligence on our own facilities and on suppliers to assess compliance with our Supplier Code of Conduct and advance our human rights commitments. Hershey uses a risk-mapping tool (developed in partnership with Verité and based on our salient human rights issues) to assess all of our Tier 1 raw material and packaging suppliers as well as co-manufacturers, co-packers, licensees, and labor service providers. This method develops a prioritized list for supplier due diligence and self-assessment questionnaires, independent third-party audits, and opportunities for capability building and continuous improvement. We are currently in the process of relaunching our responsible sourcing program based on this prioritization with a goal of enrolling 100% of our high-risk suppliers in our program by 2021.

When a Supplier Code of Conduct violation is identified, the Hershey Responsible Sourcing team reviews the findings and suppliers are asked to develop a corrective action plan that includes addressing the root cause of the issues. A follow up audit is then required to verify that the violation has been addressed. In instances where a supplier is unwilling or unable to remediate violations in the appropriate timeframe, Hershey reserves the right to suspend or remove the supplier.

### Raw Material & Ingredient Sourcing

Hershey has also laid out expectations for certain issues and materials ingredients that go beyond the requirements of our Supplier Code of Conduct and reflect our commitment to human rights and a transparent supply chain. These commitments include, but are not limited to, our positions or policies on [cocoa sourcing](#), [farm animal welfare](#), [pulp and paper sourcing](#), [responsible palm oil sourcing](#), and [Sustainable sugar sourcing](#).

### **Cocoa for Good**

Hershey is purchasing 100% certified and sustainable cocoa, and each certification program prohibits the use of forced and illegal child labor. Beyond purchasing certified cocoa, Hershey is working with key suppliers and sustainability partners, listed on [Hershey's website](#), through Hershey's flagship [Cocoa For Good](#) program, which holistically addresses systemic social and environmental issues in our cocoa supply chain. Through Cocoa For Good, Hershey aims to disrupt the cycle of poverty which is an underlying contributor to issues like child or forced labor. Specifically, the program works to increase the profitability of cocoa farming as well as diversify incomes at the household level, educate families on the value of savings, empower communities, foster women's leadership and improve the quality of nutrition and access to education.

We further strengthened our efforts to combat child labor by introducing the [Child Labor Monitoring and Remediation System](#) (CLMRS) through our suppliers on Cocoa For Good farms and their local communities in Cote d'Ivoire and Ghana. CLMRS



is the leading method of detection and remediation of child labor amongst children aged 5-17 and was developed through the International Cocoa Initiative (ICI). We are encouraged by the early, but positive, impact of CLMRS and the scalability this system can have. More information on the results of our CLMRS program can be found [here](#).

### **Palm Oil**

In our palm oil supply chain, we continued our work in 2019 towards achieving a traceable palm oil supply chain, which allows us to further identify human rights risks and partner with our suppliers to address them. We continue to support the work of the Roundtable for Sustainable Palm Oil (RSPO) and remain committed to purchasing 100 percent Mass Balance RSPO-certified palm oil. Please visit our recently updated [palm oil facts page](#) for more information on our work in palm as well as our [palm grievance procedure](#) and [grievance log](#).

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## **MULTI-STAKEHOLDER COLLABORATION & PARTNERSHIPS**

We recognize that situations of forced labor and modern slavery often stem from socio-economic and cultural barriers that no one company or organization alone can solve. As a result, our partnerships with nonprofit organizations and pre-competitive industry collaborations play a critical role in informing, implementing and evolving our human rights policies and programs including those related to forced labor and human trafficking. Some of our key collaborations this past year included:

- Working with Verité to conduct risk assessments of key indicators of forced labor in key geographies and value chains as described above.
- Continuing as a member of the Associate Auditor Group of the Sustainable Ethical Data Exchange (SEDEX) and using the [SEDEX Member Ethical Trade Audit](#) (SMETA) standard or equivalent for verifying compliance with our Supplier Code of Conduct. SMETA is a prescriptive audit procedure that is a compilation of effective ethical audit techniques covering Health and Safety, Labor Standards (including audit criteria on forced labor and human trafficking), Environment and Business Ethics, and other criteria such as forced labor and human trafficking. We share the audits of our facilities with our customers through SEDEX, a platform that facilitates swift exchange of audit information.
- Serving as members of the AIM-PROGRESS Human Rights Steering Committee which undertook a mapping of key ethical recruitment initiatives and is informing our work in 2020 to develop an ethical recruitment standard – and to address common recruitment and employment practices that contribute to situations of forced labor.
- Continuing our partnership with the World Cocoa Foundation and participating in key industry initiatives such as Cocoa Action and the Cocoa & Forest Initiative which directly inform how we address underlying issues such as poverty that contribute to situations of human rights and forced labor. We also rely on these groups to engage as an industry with local governments in West Africa to discuss opportunities to prevent and address risks associated with child and forced labor.
- Serving on the board of the International Cocoa Initiative (ICI), which drives the industry approach, opinions and public statements, programs and best practices, and in-country organizational resource allocation towards eliminating child and forced labor in the cocoa supply chain in West Africa. ICI is also an important platform for industry (including Hershey) to engage the Governments of Cote d'Ivoire and Ghana on topics like child and forced labor.
- Partnering with Earthworm Foundation to support our palm oil supply chain, including co-sponsoring the Areas for Priority Transformation project in Southern Aceh and Aceh Tamiang landscapes to support capacity building of palm producing communities around topics of labor exploitation, opportunities for supplementary livelihoods, and deforestation.

More information on our collaborations and partnerships can be accessed [here](#).



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## TRAINING & CAPACITY BUILDING

Hershey's Code of Conduct is distributed to all Hershey employees and is supplemented by targeted training and communications addressing the principles set forth within it. Every year, employees must complete training modules or acknowledge the standards, guidelines and practices set forth in our Code of Conduct. Non-compliance with the Code of Conduct and related company policies may subject employees to discipline, up to and including termination. Hershey employees are also instructed to report anything that may be considered a violation via our [Concern Line](#).

In 2019, we also developed a specific Hershey Company human rights training to better educate and inform our employees on key human rights topics such as the UNGPs, our salient human rights issues including forced labor, considerations for human rights and purchasing practices, and how to be an internal champion for human rights. This 40-minute e-learning is now available to all employees via our online learning management system and is a required training program for procurement professionals. Finally, we developed a [new supplier guidebook](#) to assist our business partners in understanding and delivering on the expectations of our Supplier Code of Conduct and relevant sourcing policies. This guidebook is a starting place for what we hope will be more opportunities to partner and collaborate with other industry and country level actors on training and education on key human rights topics.

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## ASSESSING EFFECTIVENESS

We are only beginning to develop policies and practices that will help us assess and understand our effectiveness when it comes to addressing key human rights topics including forced labor and modern slavery. However, several of our existing processes are beginning to give us insight into our performance and areas for future action. Some examples include:

- Grievance mechanisms such as our [Concern Line](#) (available in 10 languages and accessible to our suppliers) and our palm grievance log helps us understand the nature of the complaints against our company and our supply chain and effective remediation strategies.
- Our social compliance auditing programming surfaces labor and human rights related performance and activity (both positive and negative) within our own manufacturing base and those of our Tier 1 suppliers – and more importantly opens a dialogue for sharing concerns, best practices, and where training and investment is needed for continuous improvement.
- Our origin level investments such as our Cocoa for Good program and Child Labor Monitoring and Remediation Systems gives specific insight into rights and experiences of smallholder farmers and their families.

We will continue to explore more specific KPIs that will help us track effectiveness in our efforts to promote human rights and address forced labor.

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## LOOKING AHEAD

[Respecting human rights](#) is a continuous effort and we are committed to revisiting and reassessing our approach in light of new best practices, changes in the external environment and landscape and the evolution of our business model and footprint. We will also continue to publish our [Responsible Sourcing](#) efforts on our corporate website as well as in our annual [Sustainability Report](#). Some of our focus areas for this upcoming year include:



- Further embedding the Child Labor Monitoring and Remediation System (CLMRS) deeper into our cocoa supply chain and working to ensure that 100% of cases of child labor are remediated.
- Launching our newly revised Responsible Sourcing Supplier program including communicating our new Supplier Code of Conduct and implementing our new social compliance and human rights due diligence program.
- Following the guidance of the Employer Pays and Priority industry principles, develop and communicate more specific expectations for labor service providers in our value chain, and pilot different approaches to verification.

Should any employee, customer, consumer or business partner have concerns about the conduct of The Hershey Company or its partners, confidential reporting is available at [www.HersheysConcern.com](http://www.HersheysConcern.com).

**Hereby Signed,**



Michele Buck  
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Approved by The Hershey Company Board of Directors, May 2020

