



Company Engagement Questions:
KnowTheChain Food & Beverage benchmark

Name of company: The Hershey Company

Name of respondent: Jeff King

Position of respondent: Sr. Director Sustainability, CSR, and Social Innovation

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Note: For companies with vertically integrated supply chains, any reference to 'suppliers' in the following questions includes manufacturing and production sites owned by the company.

Documents

1. Please share links to any policy statements, reports, or other documents that you would like to be taken into account in a review of your company's approach to managing forced labor risks in the supply chain.

Supplier code of conduct: <https://www.thehersheycompany.com/content/dam/corporate-us/documents/partners-and-suppliers/supplier-code-of-conduct.pdf>

CSR report https://www.thehersheycompany.com/en_us/responsibility/csr-reports.html#top

CocoaAction <http://www.worldcocoaafoundation.org/about-wcf/cocoaaction/>

Commitment and governance

Awareness and commitment

2. Has your company made a formal commitment (e.g. adopted a policy) to address human trafficking and forced labor? Please include a link to the commitment.

Related to indicator A.1.2 of the CHRB

Hershey currently utilizes our supplier code of conduct as our formal commitment to addressing human trafficking and forced labor.

Supply chain standards

2. Does your company have a supply chain standard that requires suppliers to uphold workers' fundamental rights and freedoms, including the elimination of forced labor? Please include a link to the standard, and provide information on how frequently the standard is updated.

Suppliers, upon signing formal contracts, are bound to the supplier code of conduct and are required by that signature to abide by the principles outlined in the Code of Ethical Business Conduct.

Management

4. Who within your company is responsible for the implementation of your company's supply chain policies and standards relevant to human trafficking and forced labor? Please indicate the committee, team or officer, and describe the scope of their responsibility and how they interact with other internal teams, groups or departments

Chief Supply Officer is ultimately responsible for the implementation of our supply chain policy. Multiple, cross-functional engagement is leveraged from the following organizations - commodities, responsible sourcing, sustainability/CSR, and legal.

Training

5. Does your company conduct training programs for internal decision-makers and suppliers' management teams on risks, policies and standards related to human trafficking and forced labor (this may include training on elements such as passport retention, payment of wages, and vulnerable groups such as migrant workers)? Please describe.

Related to indicator B.1.5 (internal training) and B.1.7 (training of suppliers) of the CHRB

Internal members are trained on the supplier code of conduct. Specifically, in our cocoa supply chain, our suppliers are responsible for the training of their farmer field staff, and group trainings at the farmer co-operative and farmer group levels to ensure proper education to farmers to understand the definition of inappropriate child labor.

Stakeholder engagement

6. In the last three years, has your company engaged on human trafficking and forced labor, especially as it relates to the supply chain a) with local stakeholders such as NGOs, trade unions or policy makers or b) in multi-stakeholder initiatives? Please describe with whom your company has engaged, the purpose of the engagement and how it relates to forced labor and human trafficking in the supply chain, and your company's role and level of engagement.

Related to indicator A.1.4 of the CHRB

Hershey holds a board seat on the International Cocoa Initiative (ICI) to engage on child labor issues across cocoa industry. Additionally, Hershey actively engage ICI as part of its supply chain, working thru suppliers to have ICI conduct Child Labor Measurement and Remediation Systems (CLMRS) in Hershey's supply chain.

Hershey is a founding member of CocoaAction, a pre-competitive collaborate among the leading cocoa manufacturers, processors, and suppliers. CocoaAction is actively measuring the reduction of inappropriate child labor by 2020 as one of the CocoaAciton community development goals.

Traceability and risk assessment

Traceability

7. Please describe your company's supply chain tracing processes. Does your company publicly disclose a) the names and locations of first-tier suppliers, and b) some information on suppliers beyond the first tier? If yes, please provide a URL.

Related to indicator D.1.3 of the CHRB

Hershey has committed to 100% sustainable cocoa by 2020, which will ensure traceability in its cocoa supply chain. As of the end of 2015, Hershey reached 50% certified cocoa, a full year ahead of schedule. All of these commitments are done through our supplier base and are third party verified by UTZ, Rainforest Alliance, or Fairtrade USA.

Hershey has also committed to 100% traceable palm oil to the plantation by 2020. At the end of 2015, we have reached 10% to plantation, and believe we will meet our goal by the end of 2016.

Hershey does not publically disclose information on its supplier base.

Risk assessment

8. Please describe your companies' risk assessment processes. Please include specific examples of when your company has conducted forced labor risk or impact assessments focused on a particular commodity, region or group (e.g. migrant workers in a specific context), as well as the forced labor risks identified through these risk assessment processes (e.g. high risk commodities or high risk sourcing countries).

For examples of commodities where forced labor risks have been identified - such as tomatoes from Italy, rice from India or strawberries from the United States - see Verite (2016) – "[Strengthening protections Against Trafficking in Persons in Federal and Corporate Supply Chains Research on Risk in 43 Commodities Worldwide](#)".

Related to indicator B.2.1 of the CHRB

We review risk correlations as part of our Enterprise Risk Management working group oversight with the goal to improve risk management practices across the organization—taking into consideration both likelihood and impact of key risks as they may affect strategic initiatives and priorities. Company leadership supports and oversees the process and associated risk mitigation. From a correlation analysis perspective, each risk is considered on how it may affect or be affected by other factors.

In regards to labor issues, as part of CocoaAction, the cross-industry collaboration mentioned in question #6, the elimination of inappropriate Child Labor is one of the key issue the industry has committed to address. This can be seen on pages three and four http://www.worldcocoaoundation.org/wp-content/uploads/CocoaAction-Frequently-Asked-Questions-April-2016_Final.pdf

Purchasing practices

Purchasing practices

9. Does your company make an effort to avoid purchasing practices that increase the risk of human trafficking and forced labor in the supply chain (e.g. short-term contracts, excessive downward pressure on pricing, sudden changes of workload?) Please elaborate.

Related to indicator D.1.2 of the CHRB

We do not knowingly engage in purchasing practices that would increase the risk that our suppliers knowingly would violate the supplier code of conduct.

Supplier selection

10. Does your company assess risks of forced labor at potential suppliers prior to entering into contracts with them (this may include aspects such as passport retention and payment of wages)? Please describe.

The Company performs compliance due diligence on its key business partners, which allows it to obtain information about the business partners that we engage to equip the Company with knowledge to understand the partner's reputation and history of business conduct. This process allows us to manage our commercial, financial, regulatory, and reputational risks and the information gathered throughout these processes better informs our interactions with the business partner and allows the company to make appropriate engagement decisions.

11. How does your company take into consideration the capacity of suppliers to meet fluctuating demands (to reduce the risk of undeclared subcontracting)?

We evaluate all suppliers' capacity constraints as we build a supply chain strategy. This factors into the diversification of our supplier base across multiple suppliers, regions, countries, etc.

Integration into supplier contracts

12. Does your company integrate its supply chain standards addressing forced labor and human trafficking into supplier contracts?

Related to indicator B.1.4.b of the CHRB

As previously stated, all supplier are required to adhere to the supplier code of conduct.

Cascading standards

13. Does your company have a process to cascade standards on forced labor down the supply chain (e.g. requiring first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's standards)? Please describe.

Related to indicator A.1.2 of the CHRB

As previously stated, all suppliers are required to adhere to the supplier code of conduct, which would cover of their activities to satisfy any Hershey contract.

Recruitment

Recruitment approach

14. Please describe your company's recruitment approach, including a) whether your company requires recruitment agencies in its supply chain to uphold workers' rights (this may include aspects such as written contracts, access to passports, and regular payment of wages), b) whether it has a policy on direct employment (i.e. a policy prohibiting suppliers in its supply chain from using recruitment agencies), and c) whether it requires suppliers to disclose to the company the recruiters that they use.

As previously stated, all supplier are required to adhere to the supplier code of conduct.

Related to indicator D.1.5.b of the CHRB

Recruitment fees

15. Please describe your company's approach to recruitment fees in the supply chain, including whether your company requires that no fees be charged to supply chain workers during recruitment processes, and whether and how your company ensures that fees paid by workers are reimbursed.

As previously stated, all suppliers are required to adhere to the supplier code of conduct.

Related to indicator D.1.5.b of the CHRB

Recruitment audits:

16. Does your company audit recruiters used in its supply chain, to assess risks of forced labor and human trafficking, and/or require suppliers to audit their recruiters?

For further information, see Verité – [Fair Hiring Toolkit. Conducting Interviews with Labor Recruiters](#).

Audits are conducted with our key suppliers, which ensures adherence to the supplier code of conduct and all elements thereof.

Worker voice

Communication of policies to workers

17. Please describe how your company communicates its human trafficking and forced labor related policies and standards to workers in its supply chain, and whether your company makes its policies and standards available in the languages of suppliers' workers (including migrant workers).

Related to indicator B.1.4.b of the CHRB

Hershey's supplier code of conduct is available on our website and is available in eight languages.

Worker voice

18. Please describe how your company engages with workers in its supply chain on labor related issues and rights outside of the context of the factories/farms in which they work? (whether directly or in partnership with stakeholders).

[Example available here](#)

As previously stated, all supplier are required to adhere to the supplier code of conduct.

elated to indicator B.1.8 of the CHRB

Worker empowerment

19. Please explain how your company encourages its suppliers to ensure workplace environments where workers are able to organize, including through alternative forms of organizing, where there are regulatory constraints on freedom of association.

For additional information on worker empowerment, see context in "[Responding to Challenges of Freedom of Association](#)" chapter of [Ethical Trading Initiative's practical guide on "Freedom of Association in Company Supply Chains"](#), and related company example on page 35

Related to indicator D.1.6.b of the CHRB

As previously stated, all supplier are required to adhere to the supplier code of conduct.

Grievance mechanism

20. Please describe your company's grievance mechanism, and clearly indicate whether it is available to workers in the supply chain, and how it is communicated to workers in the supply chain. Please also note whether you require your suppliers to establish a grievance mechanism, and to convey the same expectation to their suppliers.

Related to indicator C.1 and C.5 of the CHRB

Monitoring

Auditing process

21. Please describe your company's supplier auditing process including whether the process includes a) scheduled and non-scheduled visits, b) a review of relevant documents (documents may include wage slips, information on labor recruiters, contracts, etc.)ⁱ, and c) interviews with workers.

For further details on document reviews see Verite – [Fair Hiring Toolkit. Conducting a Review of Documentation](#).

Related to indicator B.1.6 of the CHRB

We utilize SMETA audits to check for potential human rights issues with our suppliers, and contains questions about labor practices, pay, working hours, and any recruitment fees.

Additionally, we are developing a specific due diligence processes for child labor in cocoa. We are working with our supply chain partners, as well as the International Cocoa Initiative (global non-profit focused on child labor issues in cocoa) to develop Child Labor Monitoring and Remediation Systems (CLMRS) for our cocoa supply chain.

Audit disclosure

22. Does your company disclose

- the percentage of suppliers audited annually
- the percentage of unannounced audits
- information on who carried out the audits (this may include further information on the expertise of auditors such as relevant certifications, in cases where third-party audits are used, the names of the auditors, and in cases where internal auditors are used, details on department/team/group within which the auditor(s) sits), and
- a summary of findings, including details of any violations revealed?

Please provide a URL with the relevant information.

Related to indicator B.1.6 of the CHRB

Hershey does not publically disclose our audit process.

Remedy

Corrective action plans

23. Does your company have a process for creating corrective action plans when violations are discovered through an auditing process? Please describe this process and the elements of a corrective action plan.

Related to indicator B.1.6 of the CHRB

Corrective action plan as part of the SMETA audit process, any noncompliance must promptly submit corrective action plans to address their noncompliance.

Remedy

24. Does your company have a process to provide remedy to workers in its supply chain in cases where violations are discovered, including for responding to instances of forced labor and human trafficking? If yes, please provide examples of outcomes.

Related to indicator C.7 of the CHRB

Corrective action plan as part of the SMETA audit process, any noncompliance must promptly submit corrective action plans to address its noncompliance.
