



# Statement Against Slavery and Human Trafficking

Complying with the California Transparency in Supply Chains Act and the United Kingdom Modern Slavery Act for the reporting year 2022

## OUR COMPANY AND OPERATIONS

The Hershey Company, together with its wholly-owned subsidiaries and other entities in which it has a controlling interest (“Hershey,” “we,” “us” or “our”), is committed to operating responsibly and sustainably throughout the world. Hershey has a history of operating with the highest ethical standards and integrity, which includes managing modern slavery and human rights risks in our operations and our supply chain. The manner in which our employees and business partners manage social, environmental and economic impacts is critical to our long-term business success.

Hershey is a global confectionery leader known for making more moments of goodness through chocolate, sweets, mints and other great tasting snacks. We are the largest producer of quality chocolate in North America, a leading snack maker in the United States and a global leader in chocolate and non-chocolate confectionery. We market, sell, and distribute our products under more than 100 brand names in approximately 80 countries worldwide. Hershey’s annual revenue for 2022 was more than \$10.4 billion.

Hershey aspires to become a Leading Snacking Powerhouse, enabled in part by our acquisitions of Dot’s Pretzels, LLC and Pretzels Inc. in 2021, and Amplify Snack Brands, Inc. in 2018. In 2022, Hershey reorganized to better align our brands and the markets we serve; this new structure has three reportable segments: North America Confectionery; North America Salty Snacks; and International.

## Owned Operations & Brands

Hershey employs approximately 20,000 people worldwide. We have operations and manufacture product in 21 owned and leased manufacturing plants in six countries – Brazil, Canada, India, Malaysia, Mexico, and the U.S. – primarily for consumers in these regions, and also distribute and sell confectionery products in Asia, Latin America, Middle East, Europe, Africa and other regions.

We also have retail operations, including Hershey’s Chocolate World stores in Hershey, Pennsylvania; New York, New York; Las Vegas, Nevada; Niagara Falls (Ontario) and Singapore, as well as operations associated with licensing the use of certain Company trademarks and products to third parties around the world.

Our principal product offerings include chocolate and non-chocolate confectionery products; gum and mint refreshment products and protein bars; snack items such as popcorn, pretzels, spreads, snack bites and mixes; and pantry items, such as baking ingredients, toppings and beverages.





## Our Supply Chain

We rely on a global supply chain to source our ingredients and to manufacture and deliver our products. Our supply chain can be broadly grouped into the following categories:

- **Tier 1 Suppliers:** Suppliers who invoice Hershey for goods and/or services:
  - Direct Suppliers may supply goods to Hershey in categories including but not limited to commodities, specialty ingredients, and packaging. In 2022, our direct supply chain had more than 600 suppliers and sites in more than 35 countries. More details on our priority ingredients and materials are available on our [website](#) and pages 42 to 63 of our [2022 ESG Report](#).
  - Indirect Suppliers may supply goods and/or services to Hershey in categories including but not limited to manufacturing alliances; transportation, logistics and distribution; marketing; waste and recycling; facilities maintenance and cleaning services; technology and professional services; and third-party contingent labor. In 2022, our indirect supply chain had more than 5,000 suppliers in more than 100 countries.
- **Beyond Tier 1 suppliers:** Any supplier that makes up our extended supply chain and provides goods and/or services to our Tier 1 partners. Through our extended supply chain, large-scale agricultural sites, family farms and smallholders as well as manufacturers, distributors and processors help deliver high quality, reliable and sustainable materials and ingredients such as cocoa, sugar, dairy, palm oil, pulp and paper, peanuts and tree nuts, coconut, flour, soy, corn and more.

More details about our business, including reportable segments, products and brands, and global operations and supply chain are available in our [2022 ESG Report](#) and [2022 Form 10-K](#).

## POLICIES AND GOVERNANCE

Hershey recognizes issues like child labor<sup>1</sup>, forced labor<sup>2</sup>, human trafficking, and other forms of modern slavery are less likely to occur in environments where human rights are respected, governance and economic development policies are strong and corruption levels are low. As a result, we have a number of foundational

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<sup>1</sup> Child Labor is defined by ILO Conventions 138 on the Minimum Age for Admission to Employment and 182 on the Worst Forms of Child Labor.

<sup>2</sup> Forced Labor is defined by ILO Convention 29.





standards and expectations that guide our programming and activities in this space, including the key policies and programs described below.

We review and continue to evolve our policies and programming to ensure they remain relevant and effective as an output of our due diligence process, align to the United Nations Guiding Principles (UNGPs), and adapt to changing consumer, customer, regulatory, NGO, and investor expectations.

## **Our Policies**

### **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 interests of Hershey. We also expect nothing less from our business partners, including but not limited to our consultants, distributors, co-manufacturers, co-packers and suppliers, as well as our subsidiaries and joint venture partners.

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 encouraged to report anything that may be considered a violation via our [Concern Line](#). Mandatory Code of Contract training for Hershey employees occurs every three years; employees are required to certify they have read the Code of Conduct on an annual basis. Please see the "Training and Capacity Building" section to learn more.

Accountability for our Code of Conduct and Concern Line at the management level resides with our Deputy General Counsel, Chief Compliance Officer.

### **Human Rights Policy**

The Hershey Company [Human Rights Policy](#) outlines our broader commitment to respect human rights throughout our value chain, including efforts to prevent and address modern slavery and forced labor. Our policy was informed by undertaking a 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.

### **Supplier Code of Conduct**

The backbone of Hershey's commitment to a responsible and sustainable supply chain is our [Supplier Code of Conduct \("Supplier Code"\)](#). This document sets forth Hershey's standards and expectations with respect to environmental, social and governance issues in our supply chain. Our Supplier Code prohibits forced labor and human trafficking, including but not limited to, any form of prison, slave, bonded or forced indentured labor. Our Supplier Code also emphasizes responsible recruitment practices, including prohibiting recruitment fees and withholding of identity documents, as well as freedom of movement, as these issues often contribute to forced labor. Finally, we communicate our Supplier Code through multiple channels, including through





(i) language in Hershey's contracts that requires Supplier Code of Conduct compliance, (ii) our [Responsible Sourcing Supplier Program](#) that requires enrolled suppliers' formal acknowledgement of our Supplier Code and (iii) our website where our Supplier Code is available in 11 languages.

### **Responsible Recruitment & Employment Policy**

Hershey does not tolerate child or forced labor in our operations and in our supply chain. One of the ways Hershey combats forced labor is through our commitment to responsible recruitment and employment and our endorsement of the Priority Industry Principles and the Employer Pays Principle. Our [Responsible Recruitment & Employment Policy](#) is our global standard for responsibly recruiting workers employed by third parties that support Hershey operations. It is meant to be used in conjunction with and to provide additional guidance beyond our Supplier Code to third-party labor providers.

### **Living Wage & Income Statement**

Hershey believes that all individuals deserve the opportunity to earn a decent standard of living. We recognize the concepts of living wage and living income as human rights for people that work for Hershey directly or are within our extended supply chain – and that poverty increases the risk of human rights violations such as child or forced labor. Our [Living Wage & Income Position Statement](#) is our global commitment to pay a living wage to full-time Hershey employees as well as to improve farmer income and livelihoods in our Cocoa For Good programs in Côte d'Ivoire and Ghana. Our work on cocoa farmer incomes with IPSOS can be found on page 50 of our [2022 ESG Report](#).

## **OVERSIGHT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)**

Operating sustainably and with integrity are key drivers for how we build trust with our consumers, grow our business and make a positive impact in our society. Ultimate responsibility of our ESG governance rests with our Board of Directors, including our Chairperson of the Board and CEO, and executive management through regular reviews of our ESG strategies, priorities, progress, risks and opportunities. Each of our Board committees oversees certain ESG responsibilities and reporting requirements, as further detailed in our committee charters. Accountability for ESG and sustainability at the management level resides with our Chief Sustainability Officer, who reports to our Chief Supply Chain Officer.

### **Board of Directors**

The full Board oversees our ESG strategies and priorities, including human rights, along with the most important emerging ESG trends, risks and opportunities. ESG-related oversight responsibilities are divided among the Board's committees, with oversight for ESG governance residing with the Governance Committee. Management and ESG leaders provide in depth update and reviews on ESG issues for the full Board at least once a year, with relevant committee updates occurring frequently throughout the year.

### **Executive Committee**

Our Chief Executive Officer and her direct reports are a critical component of embedding ESG principles into





our culture. We hold monthly discussions and reviews of our Shared Goodness Promise strategies, data and progress towards our commitments and targets, including our human rights initiatives, as well as emerging ESG and sustainability challenges and opportunities. As an organization deeply committed to human rights, the Executive Committee ensures our growth strategies are aligned with our ESG ambitions and that our ESG initiatives support our business strategy and investments.

### **Disclosure Committee**

Our Disclosure Committee, led by our Chief Accounting Officer and comprised of senior management in key functions, including our Chief Sustainability Officer, ensures that our public disclosures, including those related to ESG such as our human rights disclosures, are consistent, accurate, complete and timely.

### **Sustainability Steering Committee**

Composed of key global business leaders and ESG subject matter experts, this cross-functional group meets at least quarterly to evaluate ESG strategy effectiveness and interdependencies, including our enterprise human rights initiatives as well as human rights topics included in responsible sourcing and cocoa. It provides input on investments to support ESG program deliverables and reviews progress towards goals and key performance indicators relevant to our global ESG and sustainability programs.

### **Global Sustainability Team**

Led by our Chief Sustainability Officer, this team is composed of ESG experts and leaders from across the business who manage the strategy, implementation and reporting of our global ESG and sustainability initiatives, including our human rights strategies and initiatives. The Global Sustainability team partners closely with our Global Procurement, Supply Chain and Human Resources teams to protect and detect issues with external, third-party support. The close collaboration enables an ESG culture closest to our extended supply chain where we have the greatest need to affect change. The Global Sustainability team communicates regularly with external stakeholders who provide valuable perspectives on our strategies, program decisions and focus.

The Director of Global Sustainability & ESG, Director of Responsible Sourcing, and Head of Sustainable Sourcing Cocoa are responsible for developing and delivering our human rights due diligence programs and assurance frameworks to detect, protect and remediate human rights risks and issues, including forced and child labor issues, in our value chain, including our agricultural and manufacturing supply chains. Accountability for the Sustainability & ESG resides with our Chief Sustainability Officer; accountability for Responsible Sourcing and Sustainable Cocoa Sourcing resides with the Vice President of Global Procurement. The Chief Sustainability Officer and Vice President of Global Procurement report to the Chief Supply Chain Officer.

## **HERSHEY'S HUMAN RIGHTS DUE DILIGENCE APPROACH**

Hershey's approach to Human Rights Due Diligence (HRDD) is guided by the UNGPs and is an ongoing risk management process that allows us to identify, prevent and mitigate human rights risks throughout our value chain.





Saliency assessments are critical to ensure our HRDD systems and broader human rights programs are focused on those human rights issues that have the greatest potential to put our people throughout our value chain and business at risk. Hershey updated its human rights saliency assessment in 2022 and covered our full value chain, including our owned operations, and upstream and downstream supply chains, in line with the guidance of the UNGPs.

Our saliency assessment confirmed that Hershey remains focused on the most important issues. Forced labor, child labor and human trafficking remain salient issues and are priorities for Hershey's human rights due diligence efforts.

More details on our full list of salient human rights issues and their definitions are available on pages 42-44 and 134 of our [2022 ESG Report](#) and its Appendix.

## **Identifying and Assessing Human Rights & Modern Slavery Risks**

Hershey continues to rely on and adapt the human rights risk assessment approach we developed with Verité, that allows us to dynamically identify current and future human rights risks across our key value chains and geographic footprint even as our business changes.

### **Tier 1 Supplier Risk Assessment**

Hershey used the Risk Segmentation tool developed in partnership with Verité to assess all our Tier 1 raw material and packaging suppliers as well as co-manufacturers, co-packers, licensees and labor service providers across all Hershey regions. The risk segmentation approach is multi-dimensional to capture country-level and value chain human rights risks, ability to reliably source the material or service and the importance it to our business. We use this tool to develop a prioritized list for supplier due diligence, resulting in the following:

- As of end 2022, 571 high-risk or high-priority suppliers and sites identified through the risk segmentation tool have been enrolled in our Responsible Sourcing Supplier Program ("Supplier Program") and prioritized for due diligence. We continue to assess Tier 1 suppliers and sites and enroll those who we identify as high-risk or high priority into the Supplier Program. The majority of the high-risk or high-priority supplier sites enrolled in the Supplier Program are located in China, India, Malaysia, Mexico and the U.S. and who supply cocoa, packaging material, palm oil, sugar, or are co-manufacturers/co-packers, licensing partners or The Hershey Experience vendors.

In 2022, 101 new suppliers and sites were enrolled into the Supplier Program based on risk. The majority of these new suppliers and sites were contract manufacturers and co-packers supporting our confectionery, salty and licensing business.

- Our risk assessment approach and active engagement in the Responsible Labor Initiative indicates that responsible recruitment risks remain higher in South and East Asia.





However, we monitor risks globally for all vulnerable groups such as migrant workers and women, including tracking the number and geographic locations of migrant workers in our broader supply chain through supplier audits.

In 2022, through our Responsible Recruitment Program, we maintained full coverage of our 65 labor service providers in Brazil, Canada, India, Malaysia, Mexico and the United States. Outside of Malaysia, Hershey has very few migrant workers in our contract labor population. However, we believe that any contracted labor population is at risk of vulnerabilities and therefore focus on the management systems and practices that promote responsible recruitment practices amongst all contracted labor.

- We conduct responsible sourcing and human rights risk screenings in advance of entering a commercial relationship with ingredient and packaging suppliers; co-manufacturer/co-packers; and Licensing manufacturing sites. Based on the country location, any new potential supplier or site must provide a social compliance audit and/or a responsible sourcing self-assessment questionnaire about their management systems related to human rights and labor topics. Potential suppliers may be required to submit corrective actions and/or undergo follow-up verification audits prior to an approval or rejection decision.

Once a supplier is approved, they may be enrolled into our Supplier Program or reviewed on an annual basis as part of our risk segmentation assessment.

### **Priority Ingredients and Materials Risk Assessment**

In addition to our Tier 1 suppliers, Hershey uses the Risk Segmentation tool to assess risks across the supply chains of our ingredients and materials. We expanded our priority ingredients and materials risk assessment in 2022 to account for changes in our supply chain, including the acquisitions of Dot's, Pretzels Inc. and Lily's. We reviewed current human rights data from sources including the Freedom House Political Freedom Index, the U.S. Department of Labor Reports on Forced and Child Labor and others to update human rights' risk scores.

Overall, this process identified the following:

- [Cocoa](#), [sugar](#) and [palm oil](#) continue to present risks of forced labor due to the nature of their value chains and a range of social and economic factors in the regions where they are produced. These ingredients remain the focus areas for Hershey's human rights and responsible sourcing efforts.
- While cocoa is sourced from multiple regions, Côte d'Ivoire and Ghana remain the focus of our responsible cocoa sourcing efforts, including the implementation of [Child Labor Monitoring & Remediation Systems \("CLMRS"\)](#). Based on identified risks, Hershey has committed that 100% cocoa from Côte d'Ivoire and Ghana in our supply chain will be





visibly sourced by our suppliers by 2025. Visibly sourced cocoa is key in giving us greater transparency into how the cocoa used in our products is grown, including the associated labor practices. We also committed to 100% CLMRS coverage of cocoa visibly sourced by our suppliers in these two countries by 2025. We are also a member, alongside other industry and civil society stakeholders, of the International Cocoa Initiative's Sub-Group on Forced Labor, which is developing cross-sector approaches for addressing forced labor in cocoa-producing countries.

- Child labor and forced labor risks in sugarcane exist across multiple origins, including but not limited to Mexico, Brazil and the Dominican Republic. In 2022, we continued working with our suppliers to trace our sugar to the mill level to understand high-risk sourcing areas for human rights issues.
- Child labor and forced labor risks in palm oil exist across multiple origins from which Hershey sources, including Indonesia and Malaysia. Hershey's [Responsible Palm Oil Sourcing Policy](#) communicates our requirements around an exploitation-free palm supply chain, including promoting and following ethical recruitment, hiring and employment practices in line with the Priority Industry Principles.
- Our 2022 priority ingredients and materials risk assessment identified other ingredients with varying degrees of human rights and/or business risks and opportunities. In 2023, we are committed to continuous improvement and will evaluate whether interventions are required.

Responsible Sourcing priority ingredient and materials commitments and criteria are integrated into our Research and Development, Innovation and Quality and Regulatory Compliance processes. This helps us ensure that all existing ingredients meet our responsible sourcing commitments and that we consider and mitigate any human rights risks associated with the introduction of new ingredients or materials to our portfolio.

## DUE DILIGENCE

Hershey performs due diligence on our own facilities and on high-risk and high-priority suppliers based on the results of our risk assessment process described above.

### Hershey-Owned Operations

- Onsite Audits: We conduct SMETA 4-Pillar audits at all Hershey Owned Operations. In 2022, we moved from a time-based to a performance-driven cadence which is triggered by issue identification and remediation. Corrective action plans and follow-up audits are required if non-compliances are identified. Health and safety related non-compliances are most frequently identified in owned operations. We put the safety of people first –







from our employees to contractors and guests at Hershey facilities — and work to protect and promote their well-being. We strive to uphold the highest standards of health and safety, ensuring mental and physical safety of all employees while avoiding an unsafe working environment. No instances of forced or child labor were identified.

Please see page 92 on Keeping People Safe in our Owned Operations within our [2022 ESG Report](#).

- **Worker Voice Surveys:** We deployed an additional worker engagement survey at our Malaysia plant to third-party workers in 2022. This was performed at the conclusion of various human rights assessments and SMETA 2-Pillar audits, corrective action plans, and follow-up verification audits on our labor agencies, we deployed an additional worker engagement survey. The survey targeted contract labor including migrant workers from these labor agencies to assess their perspective on the effectiveness of the due diligence efforts.

To learn more, please see page 53 for our Owned Operations audits and pages 48 and 49 for worker voice surveys in our [2022 ESG Report](#).

## Tier 1 Suppliers

**Responsible Sourcing Supplier Program:** Our Responsible Sourcing Supplier Program (“Supplier Program”) verifies our Tier 1 suppliers’ compliance with our Supplier Code. The program is aligned with our saliency assessment of our most significant human rights issues, including child labor, forced labor and modern slavery, and leverages third-party verification tools, including self-assessment questionnaires (SAQ) and independent third-party audits, and requires corrective action plans and issue remediation. Our Supplier Program requirements can be found on page 52 of our [2022 ESG Report](#).

In 2022, 274 initial, periodic and follow-up audits were completed by enrolled suppliers. The top three categories of non-compliances identified through audits included health and safety, working hours, and wages and benefits. All instances of non-compliances require a corrective action plan to be closed out via a desktop or follow-up onsite audit. As of the end of 2022, 88% of all audit reports with instances of non-compliances have corrective action plans in place with the remaining underway.

We have found no instance of forced or child labor in our Tier 1 suppliers. Through social compliance audit as part of our Supplier Program, we have improved our ability to detect indicators of forced labor. The highest prevalence of these indicators in our Tier 1 supplier value chain is in Malaysia. Based on these assessments, we work closely with these suppliers to develop corrective action plans. We continue to assess additional capacity building opportunities for these suppliers.

More details about the results of our Supplier Program are available on pages 58 to 63 of our [2022 ESG Report](#).





**Responsible Recruitment:** Our Responsible Recruitment and Employment program verifies labor service providers' compliance with our Responsible Recruitment Policy and our commitment to the Employer Pays and Priority Industry Principles. Suppliers in the program are required to complete a recruitment specific self-assessment questionnaire and corrective action plan for identified instances of non-compliances and receive access to training through the Responsible Labor Initiative E-learning Academy. Suppliers are further assessed via SMETA 4-Pillar audits of Hershey's owned operations. Where needed, suppliers may be required to undergo an on-site assessment or deploy an anonymous and confidential engagement survey to their workers.

Following the human rights assessment and SMETA 2-Pillar audits of nine labor agencies in Malaysia in 2021, we focused our efforts in 2022 on remediation and verification of due diligence efforts. Through one of the human rights assessments, we learned that 11 Nepali agency workers at our Malaysia facility had paid recruitment fees to a labor agent in Nepal and that the workers' passports were being held by the labor agency. We worked with the labor agency to implement a Corrective Action Plan. We then engaged Impactt, an independent human rights consultancy to conduct an additional investigation on the issues originally identified. Impactt verified the amount of the fees owed to the 11 workers. Hershey and the specific labor agency jointly reimbursed these recruitment fees, valued at \$25,600, to the workers. Impactt also verified that the labor agency had implemented their Corrective Action Plan and successfully closed all the issues, including returning the passports to the workers.

More details on our [Responsible Recruitment Program](#) are available on pages 48 and 49 of our [2022 ESG Report](#).

**Pre-Qualification Process:** In 2022, 127 potential suppliers and licensees underwent our human rights screening process. The screening has been successful in identifying risks, resulting in four sites that were not qualified for use due to potential human rights risks. Around 20% of the sites are pending approval due to the qualification process beginning late in the year.

## Ingredient and Material Sourcing

Hershey has expectations for priority materials and ingredients that go beyond the requirements of our Supplier Code and reflect our commitment to human rights and a transparent and traceable supply chain. These commitments include, but are not limited to, our positions or policies on [cocoa sourcing](#), [pulp and paper sourcing](#), [responsible palm oil sourcing](#), and [sustainable sugar sourcing](#).

Hershey has also developed a more comprehensive approach to human rights due diligence in priority ingredients, including cocoa, palm oil and sugar. This due diligence process includes country of origin risk assessments (as described in the "Priority Ingredients and Materials Risk Assessment" section), supplier sustainability assessments (desktop and on-the-ground), and Tier 1 manufacturing site risk assessments using the SMETA audit protocol. We work with our suppliers to create action plans based on results from these various assessments which are verified for closure by third parties.





## Cocoa For Good

Hershey purchases 100% independently verified cocoa<sup>3</sup> and our Cocoa For Good program does not tolerate the use of forced and child labor. Beyond purchasing independently verified cocoa, Hershey is collaborating with origin country governments, [key suppliers](#) and sustainability partners, listed on page 29 in our [2022 ESG Report](#), through Hershey's flagship [Cocoa For Good program](#), to address systemic social and environmental issues in our cocoa supply chain.

Through Cocoa For Good and our 12-year commitment to invest \$500 million in cocoa communities, Hershey seeks to contribute to disrupting the cycle of poverty by combating child labor, poor nutrition and deforestation, which are all symptoms of poverty. The portfolio of programs under our Cocoa For Good strategy works to improve 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.

Hershey began implementing industry aligned best practice [Child Labor Monitoring and Remediation System \("CLMRS"\)](#) executed by supply chain and community partners in 2018. CLMRS is the leading method of detection and remediation of child labor among children aged 5-17 and was developed through the International Cocoa Initiative (ICI). Hershey has committed that all cocoa sourced from Côte d'Ivoire and Ghana will be visibly sourced by our suppliers by 2025 and with 100% CLMRS coverage of our visibly sourced cocoa in these two countries by 2025.

Since 2018, we have identified more than 11,000 children via CLMRS in Cote d'Ivoire and Ghana who were doing inappropriate work and were in the process of remediation. As of Dec. 31, 2022, nearly 3,000 children were either remediated or have aged out of the CLMRS. More information on the results of our CLMRS program can be found [here](#).

In addition to CLMRS, Hershey is a partner with the Jacobs Foundation, the government of Côte d'Ivoire, the UBS Optimus Foundation, and 15 other chocolate and cocoa companies in the Child Learning Education Facility (CLEF), which is building classrooms and improving quality of education at several thousand schools in Côte d'Ivoire. Beyond CLEF, Hershey funds the construction of schools in communities where our suppliers source cocoa. We also encourage child well-being and school attendance via our children's nutrition program, which is providing vitamin-fortified peanut-based snacks to more than 50,000 children daily during the school year in Côte d'Ivoire and Ghana.

More details on our Cocoa For Good Program are available on our [website](#) and pages 29 to 41 of our [2022 ESG Report](#).

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<sup>3</sup> Independently verified cocoa refers to cocoa that is either certified to the Rainforest Alliance standard, Fair Trade USA standard, or independently verified programs through our suppliers





## **Palm Oil**

We progressed our work in 2022 towards achieving a traceable and exploitation-free palm oil supply chain, which requires continuing to identify human rights risks and partnering 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% RSPO Mass Balance or Segregated certified palm oil, which we have been doing since 2017. We continue to follow our public [Palm Oil Grievance Procedure](#) and [Log](#), developed in partnership with our partner, Earthworm Foundation, to investigate allegations of child labor and forced labor, transparently disclose how we investigate violations against our Responsible Palm Oil Sourcing Policy and develop thresholds for suspension and re-entry into our supply chain. As of 2022, a total of 21 palm companies have been suspended, including five in 2022. Of the five suspended in 2022, three were suspended due to human rights violations, including a case of verified forced labor and issues related to community conflict and Free, Prior, and Informed Consent (FPIC). Finally, given our role in the value chain, we work with suppliers leveraging sustainability assessments and on-the-ground landscape investments in Indonesia and Malaysia led by Earthworm Foundation to support remediation efforts.

More details are available on our [website](#) and on page 57 of our [2022 ESG Report](#).

## **Sugarcane**

For all sugar we use that is grown outside the U.S., we seek to purchase Bonsucro certified mass balance sugar where possible. Bonsucro prohibits the use of forced and child labor. When purchasing Bonsucro certified mass balance sugar is not feasible, we purchase [Bonsucro credits](#) to match the volumes of the conventional sugar we buy from international sources. We also require that all the refining facilities we source sugar from enroll in and complete our Supplier Program requirements.

We are strengthening our approach to certification and on-the-ground programming. In 2022, we completed a baseline assessment of our suppliers’ sustainability and responsible sourcing practices and management systems, including human rights and labor topics. The results are helping us to identify potential risks and opportunities and create improvement action plans through training and investment. In addition, we continue to co-invest with one of our strategic sugar suppliers in the “Learn to Grow” sugar program in Mexico and Belize to holistically address social issues, including supporting the development of a standard labor contract between the cane cutters and cane farmer associations that provide cane to mills that supply Hershey via our sugar supplier.

More details are available on our [website](#) and on page 56 of our [2022 ESG Report](#).

## **MULTI-STAKEHOLDER ENGAGEMENT AND PARTNERSHIPS**

We recognize child labor, 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, along with engagement with local governments, 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:

- 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](#). The SMETA 4-Pillar standard is a prescriptive audit procedure that is a compilation of effective ethical audit techniques covering Labor Standards (including audit criteria on forced labor, human trafficking and child labor), Health and Safety, Environment and Business Ethics. We share the audits of our facilities with our customers and request our suppliers share their audits and corrective action plans with us through SEDEX as part of our Supplier Program.
- Participating in the [Society of Product Licensors Committed to Excellence](#) Social and Environmental Responsibility Committee, which works to build capacity and alignment on tools and social compliance audit standards and programs across Licensors which include addressing human rights risks like forced and child labor.
- Serving as members of the [AIM-PROGRESS](#) Human Rights Steering Committee, and co-chairs to the Responsible Recruitment Working Group and Living Wage Working Group. AIM-PROGRESS continues to drive industry alignment on tools and best practices for addressing forced and child labor, mutual recognition of social compliance audits, alignment on responsible recruitment and living wage tools and best practices and worker voice engagement models.
- Joining the [Responsible Labor Initiative \(“RLI”\)](#), a multi-stakeholder, multi-industry initiative focused on ensuring that the rights of workers who are vulnerable to forced labor in global supply chains are consistently respected and promoted. Through our participation in the RLI, Hershey leverages industry best practices and tools, including training resources, risk assessment tools, and migration corridor data and research. Participating in the RLI also allows Hershey to support advocacy efforts and larger initiatives to address the root causes of forced labor and recruitment-related issues. We continue to leverage the RLI E-learning Academy to train suppliers on best practices for identifying and preventing forced labor along with responsible recruitment practices.
- Continuing our active engagement with the [World Cocoa Foundation \(WCF\)](#), which we helped establish more than 20 years ago. Through membership on WCF’s Board of Directors, participation in numerous WCF sub-committees and advisory panels, and involvement in key WCF-coordinated industry initiatives such as the Cocoa & Forests Initiative, we work alongside our industry peers to achieve WCF’s vision of a thriving





and sustainable cocoa sector, where farmers prosper, communities are empowered, and the planet is healthy. This work directly informs how we address underlying issues such as poverty that contribute to situations of human rights violations and forced labor. We also rely on groups, such as WCF, the National Confectioners Association, and the Association of Chocolate, Biscuit and Confectionary Industries of Europe (CAOBISCO), to engage as an industry with local governments in West Africa and policymakers in the United States, European Union and elsewhere to discuss opportunities to prevent and address risks associated with child and forced labor.

- Serving on the board of the [International Cocoa Initiative \(“ICI”\)](#), as well as a member of ICI’s Forced Labour Sub-Group. Since the early 2000s, ICI has driven the industry approach, served as a thought-leader on child labor, published studies on the problem, implemented programs, championed best practices and provided 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 partner with the Governments of Côte d’Ivoire and Ghana on topics like child and forced labor.
- Joining the [Child Learning and Education Facility \(“CLEF”\)](#), a public-private coalition focused on improving access to quality education for children living in the cocoa-producing areas of Côte d’Ivoire so they can benefit from full enjoyment of their rights, and to contribute to the fight against child labor. In partnership with the Ivorian government, the Jacobs Foundation, and other companies in the chocolate and cocoa sector, through CLEF, Hershey will support the construction of classroom facilities and schools as well as quality education. CLEF supports industry due diligence with respect to human rights, as described in the United Nations Guiding Principles on Business and Human Rights and other international standards and demanded by law in a growing number of countries.
- Partnering with [Earthworm Foundation](#) to support our palm oil supply chain, including co-sponsoring and participating in the Aceh Landscape program (Indonesia) and Southern Central Forest Spine Landscape program (Malaysia) to support capacity building of palm producing communities around topics of labor exploitation, opportunities for supplementary livelihoods and deforestation.
- Participating in the [Palm Oil Collaboration Group](#) which brings together companies across the palm oil supply chain along with NGOs and other industry partners to accelerate effective implementation of No Deforestation, No Peat Expansion, No Exploitation commitments.

More details on our collaborations and partnerships are available [here](#).





## ENGAGING AFFECTED STAKEHOLDERS

Hershey recognizes the importance of directly engaging with workers and farmers who are impacted by our supply chain. We place a priority on identifying vulnerable stakeholders, such as workers and farmers, and engaging with them via methods and frequency that align with their individual needs. We do this both directly and with representative organizations when our position in the supply chain limits us from being the most effective partner for direct engagement.

Cocoa farmers and cocoa communities remain a priority. On smallholder farms reached through our Cocoa For Good strategy, Hershey and supplier team members maintain schedules for regular farm and community visits throughout the year. These visits are an opportunity to gain insights into the effectiveness of our sustainability programs and investments, including Child Labor Monitoring and Remediation System ("CLMRS"), and prevention and remediation efforts (such as building schools, helping get birth certificates, and distributing vitamin-fortified snacks to children in primary schools in regions of Côte d'Ivoire and Ghana where the risk of malnutrition is particularly high). They also help continue the important work of awareness-raising among farmers and communities on topics like child labor. Farmers and farmer groups also receive independent announced and unannounced audits from third-party certification bodies.

In 2022, we expanded our work to engage workers and farmers directly through on-site and mobile surveys in our own operations and in our supply chain. More details on our work with mobile and tech-enabled worker and farmer engagement tools are available on page 48 of our [2022 ESG Report](#).

## TRAINING AND CAPACITY BUILDING

### Hershey Employees

For the first time, in collaboration with our Ethics & Compliance team, we provided human rights training to all professional employees across our entire enterprise through a new human rights module integrated into our mandatory Code of Conduct training. More details about the human rights module and the percentage of employees trained are available on page 47 in our [2022 ESG Report](#).

In 2022, we maintained our commitment to provide human rights training to 100% of procurement professionals as well as our international supply chain and licensing teams and The Hershey Experience, our global retail operations. The training covers Hershey's salient human rights issues — including forced labor and child labor — the UNGPs, human rights considerations in purchasing practices and how to be an internal champion for human rights.

Supplemental human rights training is available for Hershey employees in Success Factors and is offered in English, Spanish, French, Chinese, Portuguese, and Hindi. Since 2020, more than 1,500 employees have chosen to expand their human rights knowledge and participate in this learning opportunity.





## Supplier Training

Hershey recognizes that our suppliers have different levels of expertise when it comes to sustainability, human rights and broader responsible business practices, and we actively seek opportunities to support suppliers on their journey of continuous improvement. Our [Supplier Guidebook](#) provides specific resources on how to prevent forced labor and other human rights abuses and our memberships with the RLI and SEDEX provide a broad range of e-learning and education on key human rights topics including forced labor and responsible recruitment. We also support supplier capacity building through our partnerships with AIM-Progress. In 2022, we co-sponsored and co-developed two supplier capacity building training events for Brazil and Mexico-based suppliers that focused on several human rights related topics, including responsible recruitment, worker engagement, working hours, wages and social security benefits. More details are available on our [website](#) and on pages 52 and 53 of our [2022 ESG Report](#).

## ASSESSING EFFECTIVENESS

Hershey reports its progress against stated human rights goals on our [website](#) and in our [ESG Report](#) annually. We continue 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. Processes that give us insight into our performance and areas for future action, include:

- In 2022, in partnership with TwentyFifty, a leading business and human rights consultancy, we assessed the effectiveness of our overall program and HRDD systems against international requirements in the UNGPs and Organization for Economic Co-operation and Development (OECD) sector guidelines to identify key strengths and areas of improvement in our human rights strategy and programs. Some of the key strengths include a clear governance structure, training programs, and responsible sourcing and supply chain due diligence programs. As with many companies, remedy, grievance mechanisms, and rightsholder engagement were areas of opportunity. We will continue to look for ways to strengthen these areas in collaboration with peers, suppliers, NGOs and governments.
- Grievance mechanisms, such as our [Concern Line](#) which is available 24/7, operates in more than 60 countries and has toll-free numbers available in each of our locations. Our Concern Line is also accessible to our suppliers. Our palm grievance log helps us understand the nature of the complaints against our company and our palm oil supply chain and effective remediation strategies.
- Our direct worker engagement surveys in our Malaysia facility, supplier facilities in Malaysia, Mexico and U.S., and on cocoa farms in Cote d'Ivoire allowed us to understand the experiences of more than 1,690 contract and temporary workers and farm workers in Hershey's supply chain and identified opportunities for improvement. This engagement







mechanism has led to meaningful conversations with individuals in various capacities and functions across the globe.

- Our social compliance auditing and responsible recruitment 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 strategy and CLMRS, give specific insight into rights and experiences of smallholder farmers and their families. CLMRS has also underscored the importance of remediation and investing in addressing the root causes of poverty (such as low income, gender inequalities, lack of access to land titles, etc.) that increase the likelihood of child labor.
- Hershey scored in the top 9% of 310 worldwide Food, Beverage & Personal Care companies for our performance in protecting children’s rights, as assessed by the Stockholm-based Global Child Forum in its Corporate Sector and Children’s Rights Benchmark report, The State of Children’s Rights and Business 2022. In collaboration with Boston Consulting Group, the Global Child Forum assessed how companies implement children’s rights and sustainability governance against 25 indicators, using publicly available data. Hershey performed well on the survey, scoring an 8.7 out of 10 in the benchmark, well ahead of peers in the sub-sector and was featured in the report as a best practice.

This recognition from the Global Child Forum is especially significant given its integration with the World Benchmarking Alliance and alignment with the Children’s Rights Principles. We use insights from this report and other industry standards to gain valuable insights into where our activities are promoting or potentially damaging children’s rights so we can take action to mitigate risks otherwise overlooked. This report and others help catalyze systemic change by informing our organization and others on current best practices.

We will continue to explore more specific KPIs that will help us track effectiveness, such as through our engagement with AIM-Progress Impact Measurement working group, in our efforts to promote human rights and address child labor and forced labor.

## 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 ESG Report. Over the next year, we will continue to focus our efforts on:

- **Accelerate efforts to address child labor and forced labor in cocoa**, including delivering on our commitment that 100% of the cocoa in our products that originates from Côte d'Ivoire and Ghana will be visibly sourced by 2025 and expand CLMRS to 100% in our visibly sourced supply chain across these two countries by 2025.
- **Expand supply chain human rights due diligence** approaches and mechanisms, such as direct worker engagement surveys, to additional segments of our value chain to help proactively identify and address potential human rights impacts and remediate child or forced labor-related findings through corrective actions plans and investments in supplier training and capability building.
- **Promote a living wage and income within our value chain**, including continuing to pay a living wage to Hershey employees and implementing concrete actions to improve farmer incomes in cocoa as well as assess living wage in our Tier 1 supply chain.

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

Hereby Signed,

Michele Buck  
President and CEO of The Hershey Company

Kathleen S. Purcell, Director  
Hershey UK Finance Limited

Mark Taylor, Senior Director, Strategic Sourcing  
Hershey Trading GmbH

Approved by The Hershey Company Board of Directors, May 2023

