

**HERSHEY** 

**RESPONSIBLE SOURCING  
PROGRAM GUIDEBOOK**

Responsible Sourcing Team  
March 2020



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## A. Welcome & Introduction

The Hershey Company was founded on the principle of doing well by doing good. For more than 125 years, we have operated our business demonstrating that we are integral members of the communities where we live and work.

Hershey recognizes that each step in our supply chain has an impact on people, communities and the planet. As a result, we prioritize implementation of strong social, environmental and ethical business standards throughout our supply chain. Ultimately, our long-term success is dependent on respecting the rights of the individuals who make up our value chain and the sustainability of the materials that we source.

Hershey relies on our global network of suppliers and business partners to work ethically and sustainably to provide great tasting, high-quality products to our consumers. Like many of you, we leverage a continuous improvement mindset, a collaborative approach, and a bias for action. By working together, we can have a much larger and longer lasting impact. We welcome your partnership to build more moments of shared goodness and a bright future.

Sincerely,

*Jason Reiman*

Jason Reiman, Senior Vice President, Chief Supply Chain Officer

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## B. Our Commitment & Expectations

Operating with integrity and excellence are two fundamental values of The Hershey Company. Our [Supplier Code of Conduct](#) outlines Hershey's expectations and guidelines with respect to responsible sourcing including our commitments to human rights, labor standards, the environment, health and safety, business ethics, and the development of a diverse and sustainable supply chain.

We expect all suppliers and business partners to ensure compliance with our [Supplier Code of Conduct](#) and all other [relevant policies](#)<sup>1</sup>. Suppliers are also expected to communicate and cascade the Supplier Code of Conduct and relevant policies throughout their supply chain.

We require our Suppliers to abide by all applicable national, state and local laws/regulations in the markets where they operate; however, where local laws or standards differ from the Supplier Code, we expect our Suppliers to comply with the more stringent standards and principles.



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<sup>1</sup> Farm Animal Welfare Position <https://www.thehersheycompany.com/content/dam/corporate-us/documents/legal/farm-animal-welfare-position.pdf>

Pulp and Paper Sourcing Policy <https://www.thehersheycompany.com/content/dam/corporate-us/documents/legal/pulp-and-paper-sourcing-policy.pdf>

Responsible Palm Oil Sourcing Policy <https://www.thehersheycompany.com/content/dam/corporate-us/documents/legal/palm-sourcing-policy.pdf>

Sustainable Sugar Sourcing Policy <https://www.thehersheycompany.com/content/dam/corporate-us/documents/legal/sugar-sourcing-policy.pdf>



## C. Verification & Continuous Improvement

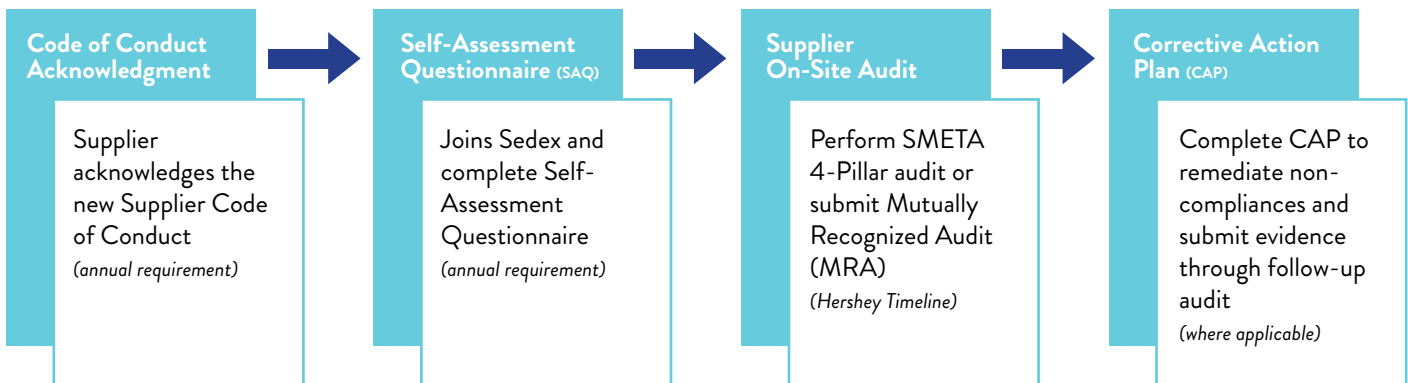
Understanding our suppliers' own responsible sourcing journey is critical to our vision of improving social and environmental conditions in our supply chain. To achieve this, Hershey has partnered with Intertek, a leading global provider of outsourced program management services, to support supplier development and continuous improvement as part of The Hershey Company Responsible Sourcing Supplier Program. Intertek Program Managers (IPMs) are integrated in the program to provide the right level of engagement supporting supplier participation in the Responsible Sourcing Supplier Program and ensure its requirements are properly communicated.

The Hershey Company will engage and collaborate with our suppliers, when possible, to support continuous improvement and forward progress in their responsible sourcing journey. When verifying compliance, The Hershey Company reserves the right to access and review supplier and business partner management systems and processes, standards, and records through self-assessment questionnaires, third party-social audits and/or other worker-centric models of due diligence. In the spirit of continuous improvement, our ambition is to work with our suppliers and business partners to address any performance gaps needed to achieve and sustain a supply chain that is fully aligned with our Supplier Code of Conduct.

While any supplier may be required to verify compliance with our Supplier Code, our supplier and business partner network is extensive and diverse. As a result, The Hershey Company prioritizes due diligence and verification of our Code with suppliers and business partners whose operations and activities are more likely to present greater risk to our salient or priority human rights issues and long-term business strategy. We also look to develop partnerships with suppliers and business partners who are in a unique position to help us deliver programs and improve practices that address some of the underlying issues that contribute to ethical and responsible sourcing challenges.

Hershey assesses risk via a scoring methodology that factors in four dimensions: two human rights risk categories (geography and value chain) and two business risk categories (spend and the nature of our relationship). Complementing our scoring methodology, Hershey's risk segmentation also considers our broader sustainability commitments including the environment and supplier diversity.

As part of The Hershey Responsible Sourcing Supplier Program, our suppliers and business partners will participate through a series of activities to ensure compliance with Hershey's expectations. This includes a combination of our risk assessment conducted by Hershey, Supplier Code of Conduct acknowledgment, Self-Assessment Questionnaire (SAQ) and, On-site Social Compliance Audits, as required.



## STEP 1: UNDERSTAND, ALIGN AND SHARE OUR COMMITMENT

- **Understand:** Familiarize yourself with The Hershey Company [Supplier Code of Conduct](#), our [Responsible Sourcing Commitments](#), our [Human Rights](#) and [Environmental Policies](#), and the requirements outlined in this Responsible Sourcing Guidebook.
- **Align:** Work to align your facility with our Supplier Code of Conduct by taking the steps described in this Guidebook.
- **Share:** Communicate and require compliance with Hershey's Supplier Code of Conduct throughout your own supply chain and have the appropriate management systems in place to demonstrate and verify your suppliers' compliance with our standards.

## STEP 2: JOIN SEDEX AND SHARE YOUR SELF-ASSESSMENT QUESTIONNAIRE (SAQ) WITH HERSHEY

- Join Sedex & initiate a relationship with The Hershey Company: Hershey strongly encourages its suppliers and business partners to join [Sedex](#), one of the world's leading ethical trade service providers. Joining Sedex reduces duplication of social compliance auditing efforts and associated resources, making it simpler for suppliers to share audit reports and information to multiple buyers in an industry-standard format. By joining Sedex, suppliers and business partners will also benefit from a broad range of capacity building tools and resources including a community network to help improve responsible and sustainable business practices. After joining, please initiate a relationship with The Hershey Company (Sedex Reference number: ZC1090865) so that we can share information.



To join Sedex, please visit: <https://www.sedexglobal.com/join-sedex/supplier/>

- Complete Self-Assessment Questionnaire (SAQ): To be compliant with Hershey's Responsible Sourcing Supplier Program, you will need to complete or update your facility's Sedex SAQ(s) on an annual basis. Suppliers are notified via email by Intertek Program Managers and required to respond within the given timeframe. The Sedex SAQ is a critical tool for demonstrating strengths in your business practice and areas for improvement. Hershey uses the SAQ for our overall supply chain management efforts to identify issues that may require follow up in audits and other assessments. If suppliers and business partners have an alternative SAQ, other than Sedex, Hershey will review and may accept the SAQ on a case by case basis.



## STEP 3: VERIFY

- Supplier On-site Audit: Hershey requires that suppliers undergo a SMETA 4 -pillar social compliance audit or equivalent in accordance to the guidelines of the Hershey Responsible Sourcing Supplier Program and conducted by a Hershey approved Monitoring Firm. Hershey reserves the right to request follow up audits (desktop review or onsite) based on identified non-compliances to confirm sustainable remediation of corrective action plans in addition to any other remedies available to Hershey.

If your site has recently completed a social compliance On-site audit, the report may qualify for the Mutual Recognition Audit (MRA) service. For additional questions on the MRA process or which standards Hershey accepts, please contact your IPM.

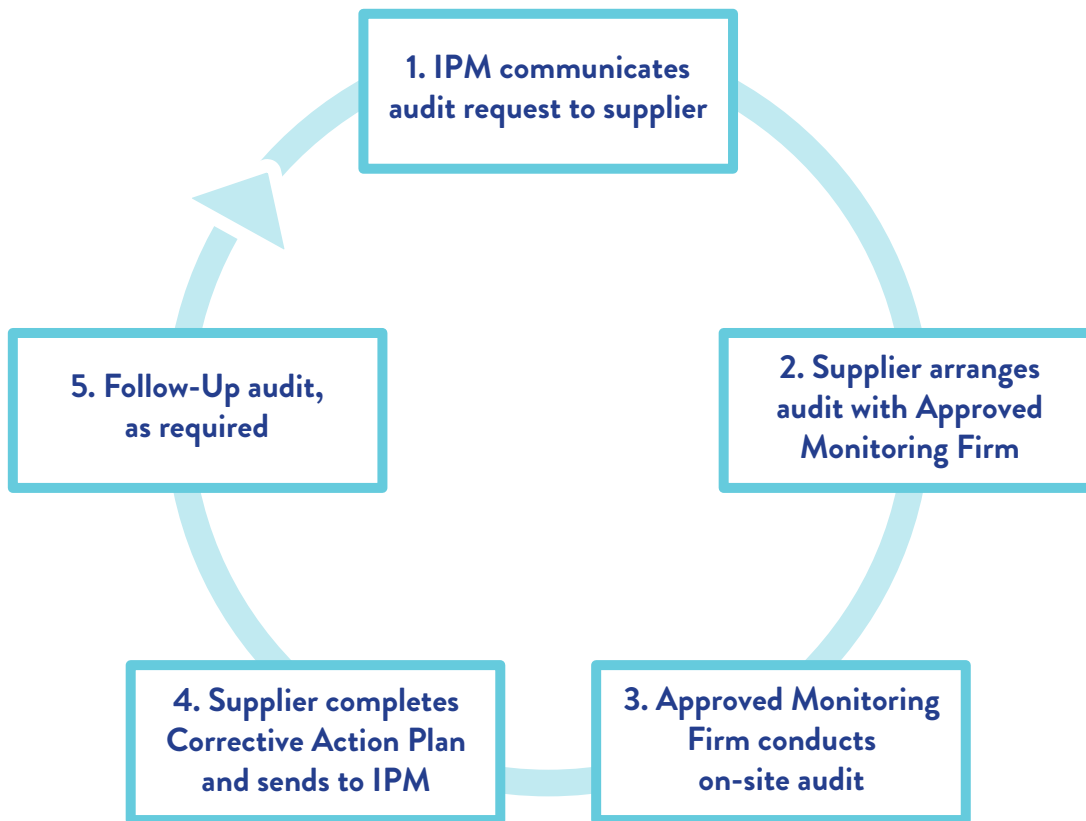


## MUTUAL RECOGNITION

As a member of AIM-Progress, Hershey supports the process of mutual recognition in an effort to reduce audit duplication, fatigue and cost. When reviewing audits through the mutual recognition process, Hershey will review these audit reports along with any corrective action plans (CAPRs) and closure audit reports to assess and verify the facility's compliance with our Supplier Code of Conduct. Hershey is not obligated to recognize the report and depending on the audit results and report quality, may require additional follow up or assessment measures.

## ON-SITE AUDIT PROCESS

The following steps includes scheduling on On-Site Audit with a Hershey approved Monitoring Firm, the process for the On-Site audit and follow-up.



**1) Audit Request:** Via email, Intertek Program Manager (IPM) will request supplier to undergo SMETA 4-Pillar audit.

**2) Audit Scheduling:** On-site Audits are scheduled with an approved Monitoring Firm. You may contact any of the Hershey approved Monitoring Firms to request quotation and auditor availability to make a selection. Please inform your IPM once you have selected the Monitoring Firm. For a list of Hershey approved monitoring firms please contact your IPM.

**3) On-site Audit:** During the opening meeting, facility management will be advised about the purpose of the audit, scope, process and roles. The audit process will also include management interview, document review, facility tour, private worker interview and closing meeting.



## WORKER ENGAGEMENT

Hershey prioritizes direct feedback from workers to gain a more holistic understanding of worker well-being in our supply chain. When undergoing social compliance audits, it is standard practice for the auditor to interview and include the perspective of at least one representative of each of the labor demographics employed at the site.

Outside of the audit, we also encourage partnership on efforts to implement more worker-centric forms of due diligence that go beyond compliance to standards but also inform areas for advanced worker engagement.

**4) Corrective Action Plan Management:** During the closing meeting, the auditor will provide the Corrective Action Plan Report (CAPR) summarizing the audit non-compliances, observation and good practices (if any). Site management should notify IPM with a completion of CAP outlining the immediate and preventative corrective action, root cause analysis and the timelines and person(s) accountable for the remediation. Please see Appendix A for more information on critical non-compliances.

As part of the CAP, a Root Cause Analysis (RCA) must also be conducted in order to analyze and identify the source(s) or cause(s) leading up to the non-compliances.

## UNDERSTANDING THE ROOT CAUSE ANALYSIS (RCA)

During an audit, a facility uncovers an issue – many of the fire extinguishers have expired tags. While the facility will want to immediately correct this non-compliance to ensure the site's fire extinguishers will function properly when needed, it is also important to understand why and how this happened so that the issue will not resurface presenting a safety risk to the facility.

**Root Cause Analysis (RCA) can help a facility determine if:**

- 1) Someone has been assigned responsibility for fire extinguisher inspection and maintenance;
- 2) The responsible person has the knowledge and skills to carry out the responsibilities;
- 3) There is an adequate procedure in place for inspection of fire extinguishers;
- 4) The procedure is effectively implemented, and
- 5) Records of fire extinguisher inspection and maintenance are available.

There are many industry techniques and methodologies used to conduct a root cause analysis that should help a facility understand the gaps in their management system processes, identify a sustainable solution and monitor to prevent previously identified issues from reoccurring.



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## D. UNDERSTANDING MANAGEMENT SYSTEMS & SUPPLY CHAIN DUE DILIGENCE

### – A Key Component to Responsible Business Operations and Continuous Improvement

The Hershey Company Supplier Code requires that our suppliers and business partners cascade our expectations throughout their supply chain. Effective management systems along with supply chain due diligence<sup>2</sup> are key components to ensuring that the expectations of our Supplier Code are met beyond our Tier 1 direct suppliers and business partners.

#### THE IMPORTANCE OF SUPPLY CHAIN DUE DILIGENCE

Supply chain due diligence is a process of managing social, environmental, and ethical risks that may result from a business' operations and activities. Properly conducted due diligence should identify, prevent and mitigate adverse human rights impacts and other risks in all tiers of the supply chain. Key steps in the process include:

- Having a clear commitment to respect human rights, protect the environment, and operate ethically via policy or position statements
- Identifying and assessing actual and potential impacts
- Reviewing and acting on the findings that are identified
- Tracking responses and follow up activities
- Communicating how impacts are addressed

A management system is the way in which an organization manages<sup>3</sup> the inter-related parts of its business in order to achieve its objectives. Delivering on social, environmental, and ethical standards is no different than many other business requirements. Suppliers and business partners are responsible for putting in place the management systems required to meet the performance and due diligence expectations set forth by Hershey.

Management systems can differ in their level of formality and complexity depending on an organization's size and context. Smaller organizations may rely on a strong leader to clearly outline expectations. Larger or more complex businesses may have extensive documentation and controls to meet their organizational objectives. Overall, a well-defined management system should support an organization's growth and productivity while also improving risk management and the ability to identify risks related to human rights, the environment or business ethics.

One of the most well-known management system models is "Plan-Do-Check-Act" or PDCA model. This model while simple, provides a great framework for assessing goals, implementing an activity, monitoring the result, and identifying areas for improvement.

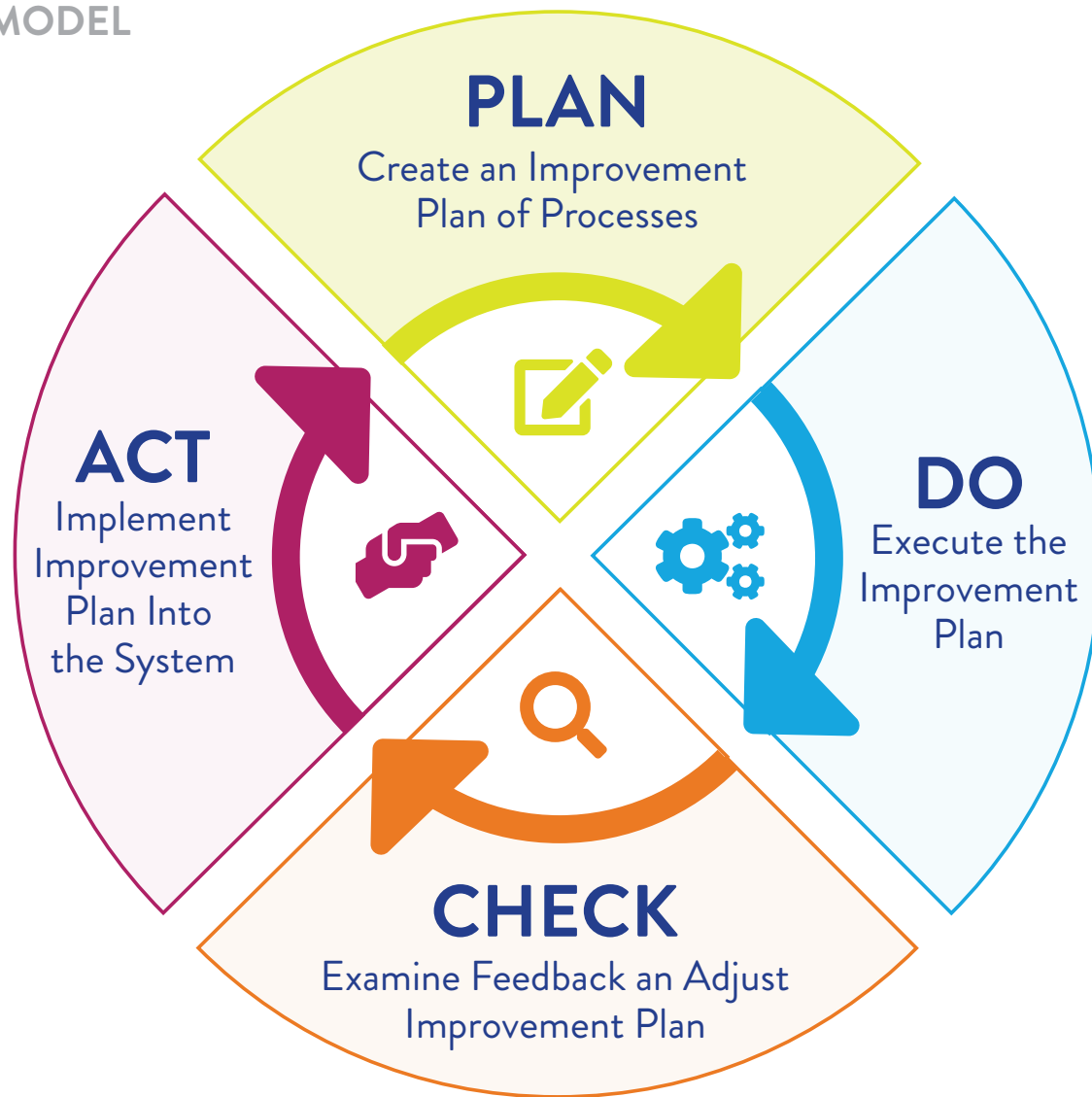
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<sup>2</sup> ISO <https://www.iso.org/management-system-standards.html>

<sup>3</sup> <https://www.iso.org/management-system-standards.html>



## PDCA MODEL



**Plan:** Establish objectives, policies, and processes, assess risks

**Do:** Outline responsibilities, provide necessary training, implement programs & activities

**Check:** Gather data, monitor results and determine if you are on track

**Act:** Address issues identified by monitoring, and review results with leadership and determine what steps or changes need to be made.

The PDCA model above<sup>4</sup>, and other management system tools, can help organizations implement the root cause analysis for continuous improvement.

<sup>4</sup> [PDCA Graphic](#)





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## E. PROMOTING WOMEN'S RIGHTS & EMPOWERMENT

Promoting Women's Rights & Empowerment is a priority for The Hershey Company. It is important for all of our business partners to understand that men and women in the workplace face unique and different challenges – often due to cultural norms and different legal contexts. Furthermore, women may experience increased vulnerability due to specific gender roles (such as caretaker expectations or pregnancy) or the nature of their work. As a result, we encourage our business partners to consider gender issues in their compliance approach by considering activities such as:

- Ensuring that under no circumstances are women discriminated against on the basis of their sex - including ensuring that employees are not forced or pressured to use contraception and that pregnancy tests are not administered as a condition of employment
- Ensuring that workplace and management data is disaggregated by gender in order to identify differential impacts on male and female workers
- Considering gender sensitivities or the unique needs of men and women when designing grievance mechanisms
- Providing appropriate and reasonable accommodations for women employees in connection with pregnancy and nursing.

For additional resources on Women's Empowerment please see Appendix B.

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## F. BOOKS & RECORDS

Hershey expects suppliers and business partners to maintain records that accurately and fairly reflect the supplier's transactions and dispositions with Hershey, and to devise and maintain an adequate system of internal accounting controls. Suppliers and business partners must comply with all record keeping and retention best practices and laws, including the Foreign Corrupt Practices Act. Each Supplier must record and report facts accurately, honestly and objectively. Suppliers and business partners shall not hide, fail to record, or make false entries. All financial books and records must conform to generally accepted accounting principles.

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## G. RAISING & REPORTING CONCERNS

Our suppliers and business partners are responsible for prompt reporting of actual or suspected violations with respect to ethics, policy or law, our Supplier Code of Conduct, or this Guidance Document. Suppliers should have a process that is communicated to their personnel to support raising any concerns or reporting violations without fear of retaliation. Suppliers and their employees should promptly report to Hershey any violations of the Supplier Code of Conduct, ethics, policy or law. Reports can be made to Hershey's Ethics and Compliance Program, Hershey's Legal Department or via Hershey's Confidential Concern Line, with the contact information provided below. We take every report seriously and will not tolerate any reprisal by a Hershey employee against a supplier who has reported a concern in good faith or collaborated with us on an investigation.



[www.HersheysConcern.com](http://www.HersheysConcern.com); [ethics@hersheys.com](mailto:ethics@hersheys.com)

Law Department, The Hershey Company  
19 East Chocolate Avenue, Hershey, PA 17033 USA



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## H. CONTACT US

For general questions about our program requirements and overall responsible sourcing efforts please contact [responsiblesourcing@hersheys.com](mailto:responsiblesourcing@hersheys.com)

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## APPENDIX A : Hershey Company Zero Tolerance & Critical Violations

### Zero Tolerance Violations

Zero Tolerance violations are those which could result in severe impact to individual rights, life safety and/or Hershey's brand reputation.

If existing suppliers are found to have one or more Zero Tolerance violations in their facility, their Hershey relationship manager and IPM will be notified. The supplier's CAPR should be submitted to Hershey and their IPM no later than 15 days from the day they receive the report. The CAPR should include immediate actions taken, root cause analysis and preventative actions that will be implemented.

In instances where a supplier is unwilling or unable to remediate the Zero Tolerance violation in the appropriate timeframe, Hershey reserves the right to suspend or remove the supplier.

The following non-compliances are considered Zero Tolerance violations under Hershey's Program:

#### Child Labor:

- Evidence of children in labor as defined by ILO conventions [138](#) and [182](#)
- Employment of workers under the age of 18 that interferes with schooling or vocational education or exposes children to unreasonable risks that can harm physical, mental or emotional development
- Young persons employed found doing hazardous work, working at night or overtime in a way that inhibits or limits their schooling

#### Forced Labor:

- Evidence of prison labor, slave labor, indentured labor, bonded labor, or coercion of any employee through any means
- Personal documents involuntarily held, or access denied when requested
- Workers restricted freedom of movement or inability to terminate work without penalties

#### Violations of Ethical Business Standards

- Evidence of gifts, entertainment, or other hospitality that would influence, or appear to influence, the decision making of government agents or anyone in a position of influence
- Offering business opportunities, commissions, or advantageous financial arrangements that would personally benefit or appear to be a kickback
- Violation of books and records provisions of the Foreign Corrupt Practices Act (FCPA) or other anti-bribery laws

### Immediate Life-Threatening Health, Personal Safety and/or Environmental Issues

Failure to complete Zero Tolerance or Critical (defined below) corrective actions within the agreed-upon timeframe



## Critical Violations

Critical violations are those which could result in negative impact to individual rights, life safety and/or Hershey's corporate reputation.

If existing suppliers are found to have one or more Critical violations in their facility, their Hershey relationship manager and IPM will be notified. The supplier's CAPR should be submitted to Hershey and their IPM no later than 15 days from the day they receive the report. The CAPR should include immediate actions taken, root cause analysis and preventative actions that will be implemented.

In instances where a supplier is unwilling or unable to remediate the Critical violation in the appropriate timeframe, Hershey reserves the right to suspend or remove the supplier.

The following non-compliances are considered Critical violations under Hershey's Program:

### Child Labor

- No process to verify the age of workers/employees

### Forced Labor

- Workers found paying recruitment, hiring or other fees
- Contract/conditions not communicated prior to employment

### Wages and Benefits

- Workers not paid wages or benefits on time or paid below legally or contractually mandated pay rates, including overtime pay rates

### Violations of Ethical Business Standards

- Transactions directly or indirectly involve parties that are subject to U.S. economic sanctions
- Unlawful transactions involving items or information subject to export controls.

### Freedom of Association

- Improper obstruction of freedom of association and collective bargaining or alternative means of freedom of association
- Discrimination, retaliation, harassment or intimidation of workers participating or not participating in trade unions and/or collective bargaining

### Discrimination and Harassment

- Verified discrimination in hiring and/or employment decisions
- Verified discipline, threats of violence, or other forms of harassment reported without action taken by plant management

### Grievance Mechanisms

- No accessible, confidential grievance mechanism for all workers
- Retaliation against workers who file grievances

**Health, safety, environmental issues that pose a serious threat to an individual's safety and health or to the environment.**



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## APPENDIX B : Additional Resources for Suppliers & Business Partners

### Overarching Standards & Guidelines

- Universal Declaration of Human Rights <https://www.un.org/en/universal-declaration-human-rights/>
- The ILO Declaration on Fundamental Principles and Rights at Work <https://www.un.org/en/universal-declaration-human-rights/>
- OECD Guidelines for Multinational Enterprises <https://www.oecdwatch.org/oecd-ncps/the-oecd-guidelines-for-mnes/>
- UN Guiding Principles on Business and Human Rights (UNGPs) [https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)
- The 10 Principles of the UN Global Compact <https://www.unglobalcompact.org/what-is-gc/mission/principles>
- ETI Base Code <https://www.ethicaltrade.org/eti-base-code>

### Responsible Sourcing Approaches

- Responsible Sourcing Tool: <https://www.responsiblesourcingtool.org/>
- Aim Progress Responsible Sourcing Journey <https://aim-progress.com/storage/resources/responsible-sourcing-journey-v1.0-oct2016.pdf>
- Business Toolkit for Suppliers <https://aim-progress.com/files/125/business-toolkit-complete-final-20-feb-2018.pdf>

### Creating Effective Management Systems

- Global Social Compliance Program Reference Tool on Social and Labor Management Systems: [https://www.theconsumergoodsforum.com/wp-content/uploads/2018/01/GSCP\\_Reference\\_Tools\\_SLMS\\_interactive.pdf](https://www.theconsumergoodsforum.com/wp-content/uploads/2018/01/GSCP_Reference_Tools_SLMS_interactive.pdf)
- The Hershey Company Partners in Quality Manual <https://www.thehersheycompany.com/content/dam/corporate-us/documents/partners-and-suppliers/Supplier%20Quality%20Expectations%20Manual%202017%20new%20logo%20final.pdf>

### Forced Labor & Ethical Recruitment

- IHRB Responsible Recruitment [https://www.ihrb.org/uploads/member-uploads/Six\\_Steps\\_to\\_Responsible\\_Recruitment\\_-\\_Leadership\\_Group\\_for\\_Responsible\\_Recruitment.pdf](https://www.ihrb.org/uploads/member-uploads/Six_Steps_to_Responsible_Recruitment_-_Leadership_Group_for_Responsible_Recruitment.pdf)
- Verité Help Wanted Toolkit <https://www.verite.org/help-wanted/>
- Responsible Recruitment Toolkit <https://responsiblerecruitmenttoolkit.org/about-rrt/>

### Child Labor

- ILO- IOE guidance tool for business <https://www.unglobalcompact.org/library/3881>
- Fair Labor Association <https://www.fairlabor.org/topic/child-labor>

### Additional Topics

- Grievance Mechanisms: <https://www.shiftproject.org/resources/publications/remediation-grievance-mechanisms-corporate-responsibility-respect-human-rights/>
- Women's Empowerment: <https://www.unglobalcompact.org/take-action/action/womens-principles>
  - Gender Dimensions on the UN Guiding Principles
  - [https://www.bsr.org/reports/BSR\\_Gender\\_Equality\\_in\\_Codes\\_of\\_Conduct\\_Guidance.pdf](https://www.bsr.org/reports/BSR_Gender_Equality_in_Codes_of_Conduct_Guidance.pdf)
- Discrimination & Harassment: [https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS\\_DOC\\_ENT\\_HLP\\_BDE\\_FAQ\\_EN/lang--en/index.htm](https://www.ilo.org/empent/areas/business-helpdesk/faqs/WCMS_DOC_ENT_HLP_BDE_FAQ_EN/lang--en/index.htm)

