

## EXECUTIVE SUMMARY

We believe that all individuals deserve the opportunity to earn a living wage & income, including the remarkable and diverse group of people who work at The Hershey Company and the many individuals who make their living within our broader supply chain. Living wage and living income are basic human rights. Mandated minimum wages are not always sufficient to allow workers a basic, but decent, standard of living including but not limited to adequate housing, food, access to education, childcare and savings for unexpected events. Furthermore, within our extended supply chain, lack of income is a root cause of poverty, which increases the risk of other human rights violations such as child or forced labor, as well as deforestation.

We are taking action to maintain our strong pay practices in our own operations and focus our work in areas where we see the largest vulnerability and where Hershey has significant leverage, influence, and responsibility. As a result, we continue to prioritize work in the following areas:

- Maintaining our commitment to pay a living wage to all full-time employees globally
- Programming and investments focused on measuring and improving incomes of farmers
- Strengthening our engagement in the pre-competitive platforms and multi-stakeholder collaborations that we feel are critical to enable an environment necessary for promoting a living wage and income in our supply chain

Our living wage and income programming across our value chain is guided by collaboration with internal and external stakeholders, including Hershey employees, nonprofit & advocacy organizations, human rights organizations, academic institutions, our suppliers, national and local governments, industry associations, and certifying bodies. We will continue to report progress and provide updates on existing or new commitments in our annual ESG report.

### Definition of a Living Wage

Hershey supports the Global Living Wage Coalition's definition of a living wage:

*The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.<sup>1</sup>*

### Definition of Living Income

Hershey is a member of and supports the Living Income Community of Practice definition of living income which builds on the concept of wages above and describes living income as:

*The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.<sup>2,3</sup>*

<sup>1</sup> [What is a Living Wage? - Global Living Wage Coalition](#)

<sup>2</sup> <https://www.living-income.com/>

<sup>3</sup> <https://www.living-income.com/sdg-s-and-living-income>





## THE CASE FOR ACTION

We directly employ thousands of workers, and our supply chain encompasses hundreds of thousands of manufacturing, agricultural and other workers, as well as smallholder farmers globally, who do not work directly for our company. Through our own experience, fair wages and respectful treatment lead to increased productivity among workers, while also fostering a sense of dignity and respect. When employees are compensated fairly, turnover decreases, contributing to stability and continuity within the workforce.<sup>4,5</sup>

Additionally, ensuring economically viable farms within our supply chain is crucial. When farmers are unable to earn a living income, they are less likely to invest in the best agricultural practices and techniques. This lack of investment undermines productivity, environmental and labor practices. By promoting living wages and incomes throughout our supply chain, we support the economic resilience of farmers and enable them to adopt sustainable practices and ensure the health and longevity of the supply of the raw materials and ingredients we need for the products that our consumers love and expect.

## CHALLENGES & OPPORTUNITIES

While we can control wages for our own employees, it is difficult for us to influence the external variables that factor into household income, such as income diversity, fluctuating commodity prices, government programs and policies, annual inflation, increasing costs of farm inputs, and underlying assets such as farm size or bankability. In addition, collecting accurate and reliable data on farmer income is challenging and inconsistency in existing approaches has led to divergence in living income reference points. Finally, while there has been progress in areas like income diversification, promoting savings and loans, and efforts to promote women's empowerment, proven strategies to close the living income gap are limited and the identification of best practices for project implementation is still at an early stage.

As a result, improving wages and income must be a shared responsibility among governments, industry, and community-based organizations including women's organizations, working in concert to align income collection and measurement approaches, and effective strategies to close the gap. Together, we must address root causes, including looking more holistically at rural economic development strategies, land tenure, and national or regional sustainability strategies to create the enabling environment for assets that ultimately strengthen income. Hershey is committed and has taken action to use our leverage as a global company to advance this alignment, share information in a pre-competitive fashion with peers and other industry actors, and address these challenges directly in our own supply chain.

## TAKING ACTION

At Hershey, we continue to follow the UN Guiding Principles on Business & Human Rights (UNGPs), prioritizing our efforts based on the results of our risk assessments, to identify where the largest vulnerabilities exist and where we have significant influence.

### Hershey Employees & Operations

Hershey's compensation philosophy and value proposition is grounded in our strong commitment to fair and competitive pay practices that are inclusive of our living wage and gender equity compensation programs. Hershey has long

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<sup>4</sup> <https://irle.berkeley.edu/productivity-profits-and-pay/>

<sup>5</sup> <https://betterwork.org/wp-content/uploads/2020/10/Harnessing-Compliance-to-Improve-Well-being-and-Productivity-The-Impact-of-Better-Factories-Cambodia.pdf>





celebrated the positive contributions of a diverse workforce<sup>6</sup>. We recognize that living wages and pay equity are important drivers for our ability to attract, hire, retain, and support employees from all backgrounds and circumstance. By providing fair and equitable compensation, we foster an environment where all individuals, regardless of gender, race, or other identities, can thrive and contribute to our shared success.

We continue to partner with BSR for our living wage program at Hershey, including an annual update of relevant living wage benchmarks and an annual gap assessment of wages in our company operations. We also work in close collaboration with Living Wage For US for further access to living wage benchmarks, measurement tools, and best practices. All full-time Hershey employees continue to meet BSR's living wage benchmarks. We are also proud that we have maintained aggregate pay equity for women across our U.S. workforce and achieved aggregate pay equity for our U.S. salaried people of color (POC) team members. Now, we're setting our sights across our global workforce to achieve pay equity for similar job categories across our global salaried employees by 2025.

*BSR's calculation methodology is scoped to apply to multiple countries and is based on the cost of food for an individual, which then, through various computations, generates an estimate of total average household expenditures on all goods and services and finally a living wage after estimating the number of workers per household. To calculate subnational living wages, the methodology deploys a variety of data-intensive approaches, including the use of regional price indices associated with the calculation of Purchasing Power Parity conversion rates.*

## Cocoa

At Hershey, we envision a world where cocoa farmers and their families can live healthy, prosperous lives and where cocoa communities and ecosystems thrive for generations to come. Currently, around 120,000 farmers participate in Hershey's Cocoa For Good program, which seeks to create the best outcomes for farmers, their families and the communities throughout our supply chain. Fundamental to our programming are investments focused on increasing assets and resilience, concepts we believe are directly connected to increasing farmer income and reducing poverty, which is a root cause of issues like child labor and deforestation. As a result, since 2018 we have gone beyond our 100% independently verified cocoa commitment to support broader sustainable livelihood initiatives in Côte d'Ivoire and Ghana. These efforts include improving crop yields, working on land tenure titling, generating alternative income on-farm and off-farm, financial literacy training, supporting the establishment of village savings and loan associations (VSLAs), investing in schools and classrooms, and training on gender awareness.

To further our work on farmer income, we recently launched our [Income Accelerator in Côte d'Ivoire](#). The development of our Income Accelerator was directly informed by results from living income research conducted with IPSOS in 2021<sup>7</sup>. In addition, Hershey held consultations with the Ivorian government, farmer groups and other local and international partners to further inform programming.

The Income Accelerator is a five-year program that is being implemented in partnership with Rainforest Alliance and CARE and is focused on two strategies: the provision of cash transfers to supplement farmer income, and investment in VSLAs.

<sup>6</sup> The case for living wages | Murray Edwards College - University of Cambridge

<sup>7</sup> Hershey 2022 ESG Report: Improving Income Resiliency and Livelihoods, Page 30.





Cash transfers (CTs) are a proven poverty reduction strategy that provide cocoa households with an additional source of income. As part of the Income Accelerator, Hershey in partnership with the Rainforest Alliance will distribute mobile cash transfers of up to \$600 per household per year to approximately 5,000 cocoa farming households within its supply chain. These CTs, which will offer an additional source of income for households, will be based on the adoption of sustainable and regenerative farm management practices that increase farm profitability and resiliency to unexpected environmental circumstances.

VSLAs are community-based groups that help individuals — especially women — and communities learn about saving, borrowing and investing responsibly. With the support of CARE and cocoa farmer cooperatives, Hershey plans to strengthen approximately 200 existing Village Savings and Loan Associations (VSLAs) in its supply chain and establish another 350 new VSLAs. These 550 VSLAs will support an estimated 15,000 members and their families. VSLAs provide members with a local structure for increasing savings, and accessing loans at low interest rates in farming communities where formal banking and micro-financing services are scarce<sup>8</sup>.

In addition to our Income Accelerator, we support living income in cocoa by:

- Continuing to support the Living Income Differential (LID) established by the governments of Côte d'Ivoire and Ghana and requiring our suppliers to comply with paying the LID.
- Maintaining our commitments to 100% independently verified cocoa and paying premiums to farmer groups and farmers who successfully meet internationally recognized environmental and labor standards.
- Through the Côte d'Ivoire-Ghana Cocoa Initiative (CIGCI), joining peers in signing the Joint Statement of Intent, a commitment to accelerate the move towards living income and long-term sustainability for cocoa.

## Enabling Environment

At Hershey, we believe in empowering companies and business partners of all sizes and categories to understand and measure living wage gaps. This can be accomplished by providing access to publicly available benchmarks with credible methodologies and measurement tools that can be consistently applied and yet are flexible enough to accommodate the needs of diverse supplier categories and sizes. We've taken several steps to accomplish this:

- As co-chair of the AIM-Progress Living Wage Working Group, we helped to create the [Living Wage Playbook](#), a practical tool for fast-moving consumer goods companies and their suppliers to build living wage into their supply chains.
- We provided grant funds to Living Wage For US to build out a user-friendly tool and database that will make U.S. specific living wage data and benchmarking widely available to companies with employees and operations in the U.S.
- Through our role with the IDH Call to Action, Hershey joined with other companies to co-fund the [IDH Salary Matrix](#) for living wage.

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<sup>8</sup> <https://www.careevaluations.org/evaluation/vsla-by-the-numbers-a-comprehensive-analysis-of-the-impact-and-roi-of-vslas/>





- We continue to invest in living wage tools and resources as evidenced by our support for the Living Wage Consortium and WageMap project.

## **MEASURING PROGRESS**

A strong learning, monitoring and evaluation agenda is critical to inform our current and future work on living wage and income across our value chain. We have established several programs and partnerships to further our learning on living wages and income and will continue to report our progress and activities in our annual ESG Report. Examples of our learning and measurement activities include:

- Hearing directly from farmers, in collaboration with impact measurement expert groups like 60 Decibels, to better understand the livelihoods of cocoa farmers.
- Partnering with Fair Wage Network (FWN) in 2022 to conduct a supply chain living wage risk assessment. Using the insights from our work with FWN, we continue to collaborate with peers to understand how we can progress living wage discussions in Tier 1.
- Measuring and evaluating progress on our Income Accelerator, Hershey is leveraging tools and expertise provided by a Learning Advisory Committee that is supported by Sustainable Food Lab and is chaired by Côte d'Ivoire's Conseil du Café-Cacao.
- Engaging in industry associations and partnerships to share, leverage and co-create industry best practices.
- Engaging in conversations with key certifying bodies like Bonsucro to understand opportunities for measurement and progress in sugarcane.
- Continuing to advance our own learning agenda and understanding of best practices and methodologies through our involvement with partnerships like the UN Global Compact, IDH, and Living Wage For US.

