

Living Wage & Income Position Statement



INTRODUCTION

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. Hershey recognizes the concepts of living wage and living income as human rights and that 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 for smallholder farmers 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. Lastly, we note the clear linkages between wages & income and achieving many of the United Nations Sustainable Development Goals.

As a result, we are taking action to maintain our strong pay practices within our Hershey operations including continuing to pay a living wage to full-time Hershey employees across our global locations. We are also establishing new partnerships and programming in our cocoa supply chain that will allow us to:

- Directly measure farmer incomes on Cocoa For Good Farms in Ghana and Cote d'Ivoire to better target our programs and investments focused on improving incomes
- Strengthen our engagement in the pre-competitive platforms and multi-stakeholder collaborations we feel are critical to enable an environment ultimately needed to promote a living income for cocoa farmers

We will revisit the focus of our commitments in 2023 to assess our progress as well as the opportunity for new programming in other parts of our operations and extended supply chain.

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.

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.

¹ <https://www.living-income.com/>

² <https://www.living-income.com/sdg-s-and-living-income>

THE CASE FOR ACTION

Continuing to pay our employees a living wage and understanding how to promote living wages and income in our extended supply chain builds on our existing investments and is critical to our long-term business success. We employ thousands of workers directly at Hershey and our supply chain includes hundreds of thousands of manufacturing and other workers as well as smallholder farmers around the world who do not work directly for Hershey. We know from our own experience that workers are more productive when they are paid fair wages and treated with dignity and respect. Respecting human rights and labor rights have also been linked to decreased turnover and improved performance³. Economically viable farms are also critical to our supply chain. Farmers who cannot earn a living income will not invest in the best agricultural practices and techniques, undermining productivity, good environmental and labor practices, as well as the quality of the raw materials and ingredients we need for the products our consumers expect.

The urgency to address living wages and income has been accelerated by the global COVID-19 pandemic, which has disproportionately burdened the most disadvantaged while creating new vulnerabilities for people who were less impacted previously. World Bank projections estimate that between 88 million and 115 million people could fall back into extreme poverty as a result of the pandemic⁴. In Sub-Saharan Africa where we source raw materials like cocoa, Covid-19 has created an additional vulnerability for smallholder farmers who already are facing the impact of climate change, market volatility, conflict and resource scarcity⁵. As the world begins to recover and rebuild from Covid-19, companies like Hershey will play a critical role in promoting living wages and income which can enable a swifter recovery and contribute to broader efforts to achieve a more just and resilient society.

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 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 we have seen 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 are still developing.

As a result, improving wages and income must be a shared responsibility in partnership with government, industry, and community-based organizations including women's organizations, working 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 to using our leverage as a global company to advance this alignment, to sharing information in a pre-competitive fashion with peers and other industry actors, and to taking actions to address these challenges directly in our own supply chain.

³<https://irle.berkeley.edu/productivity-profits-and-pay/> and <https://betterwork.org/wp-content/uploads/2020/10/Harnessing-Compliance-to-Improve-Well-being-and-Productivity-The-Impact-of-Better-Factories-Cambodia.pdf>

⁴<https://openknowledge.worldbank.org/bitstream/handle/10986/34496/211602ov.pdf>

⁵<https://www.mckinsey.com/featured-insights/middle-east-and-africa/reopening-and-reimagining-africa>



OUR FOCUS AND APPROACH

To target our efforts, Hershey followed the guidance of the UN Guiding Principles on Business & Human Rights (UNGPs) to determine where individuals are most likely to experience wage- and income-related vulnerabilities along with where Hershey has significant leverage, influence and responsibility. While we are proud of our global commitment to competitive and fair pay, we felt it important to also include Hershey operations in the scope of our research to ensure we were validating our practices through credible external benchmarks. Our initial research included:

- Conducting internal research on wages of Hershey employees using the [BSR](#) methodology
- Using available public research, as well as our own company supply chain and traceability data, to look at income vulnerabilities in other material and ingredient value chains
- Benchmarking industry commitments and initiatives that promote living wages for workers employed through direct (Tier 1⁶) supplier relationships
- Consulting with internal and external stakeholders, including Hershey employees, nonprofit & advocacy organizations, human rights organizations, academic institutions, our suppliers, governments, and certifying bodies amongst others.

TAKING ACTION

While we recognize that our research demonstrates that wage & income vulnerabilities exist in multiple parts of our supply chain, we have prioritized the following areas for action in the next two years. We will revisit the scope of our current commitment in 2023 including assessing the need for activities in our Tier 1 supply chain and other agricultural commodities such as palm oil and sugarcane.

Hershey Employees & Operations

Living wage is only one part of our larger company-wide commitment to promote equity and build a more [diverse and inclusive workplace](#). Competitive & fair pay plays a central role in this commitment, including the promotion of gender pay equity, where we currently have [closed our gender pay gap](#) with U.S. salaried women and people of color, in aggregate, earning dollar for dollar with male colleagues. To incorporate living wage into our approach to compensation for Hershey employees, we partnered with [BSR](#) to undertake an assessment of wages in our company operations. This assessment looked at all full-time Hershey employees across our global locations. All Hershey employees currently meet BSR's living wage benchmarks in their respective locations.

[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, it deploys a variety of data-intense approaches, including the use of regional price indices associated with the calculation of Purchasing Power Parity conversion rates.

⁶Suppliers that directly provide products to Hershey



To continue our commitment to paying Hershey employees a living wage, we will:

- Review employee wages against the BSR benchmark on an annual basis and adjust any pay levels that would fall below the living wage level,
- Continue our efforts on promoting equity for people of color
- Ensure that all regional compensation managers are trained on the concept of living wages and that it is incorporated into our annual review process and wage requirements, and
- Continue to assess the scope of our living wage efforts, relevant benchmarks, and methodologies for measurement which are continuing to evolve at both the national and international level

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, more than 80,000 farmers participate in Hershey's [Cocoa For Good](#) program. Fundamental to our programming are investments focused on increasing assets and resilience, concepts we believe are directly connected to increasing farmer income and poverty, which are root causes of issues like child labor. As a result, since 2018 we have gone beyond our 100% certification commitment to support broader sustainable livelihood initiatives in Cote d'Ivoire and Ghana. These efforts include improving crop yields, work on land tenure titling, alternative income generation projects on-farm and off-farm, financial literacy training, village savings and loan associations (VSLAs), and gender awareness training.

As we take additional steps to understand how we can best contribute to efforts promoting a living income for cocoa farmers, we are putting in place new partnerships and programs that will allow us to directly measure the incomes of farmers in our Cocoa For Good programs in Cote d'Ivoire and Ghana. This will allow us to better target our programs and investments focused on improving incomes. When we seek to understand the gap between farmer income and living income, we will use [benchmarks endorsed by the Living Income Community of Practice](#). Our activities in cocoa will include:

- Continuing to support the West Africa governments' Living Income Differential (LID) and requiring our suppliers to comply with paying the LID.
- Maintaining our existing commitments to 100% certified and sustainable cocoa and paying certification premiums to farmer groups and farmers who successfully meet internationally recognized environmental and labor standards,
- Using a direct-sourcing model through our [suppliers](#) for 100% of our cocoa from Cote d'Ivoire and Ghana by 2025, that include responsible procurement practices such as long-term agreements with suppliers that allows to foster long-term relationships with farmer groups and continuity of investments focused on asset strengthening, income diversification, and professionalization of cooperatives,
- Establishing a new partnership with the global market research firm [IPSOS](#) that, along with broader monitoring and evaluation activities, will allow us to gather household income data on Cocoa For Good farms including insight into income levels by gender and farm size (data collection begins in 2021). This baseline research will allow us to refine our income-based programming and work to improve farmer incomes,
- Participating in the Living Income Community of Practice ([LICOP](#)) to contribute to and benefit from best practices, including supporting new research by LICOP and the Anker Research Network that will contribute to updated living income benchmarks in Cote d'Ivoire and Ghana along with five additional cocoa origins, and
- Publishing and reporting on our progress via our website and annual sustainability report

