



## HERSHEY TRADING GMBH SWISS DUE DILIGENCE REPORT

**Report by Hershey Trading GmbH (Hershey) in accordance with art. 964j to 964l of the Swiss Code of Obligations (CO), and the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor (DDTrO) with respect to the Financial Year 2024**

This report describes Hershey Trading GmbH's compliance with the due diligence obligations pursuant to art. 964j to 964l CO and the DDTrO regarding child labor. Hershey Trading GmbH is not subject to the due diligence and reporting obligations regarding minerals and metals from conflict-affected areas. Hershey Trading GmbH is a wholly owned subsidiary of The Hershey Company, a company with its registered seat in Delaware and listed on the New York Stock Exchange. The policies of The Hershey Company apply to Hershey Trading GmbH and its associated entities ("Hershey," "we," "us" or "our").

### **1. Supply chain policy**

Hershey's supply chain management system for addressing child labor consists of different policies, processes, and instruments. Hershey's suppliers, in accepting to provide goods or services to Hershey, acknowledge their acceptance and intention to comply with our instruments and rules relating to due diligence and transparency in our supply chain.

Our supply chain policy with respect to child labor consists of the following policies and documents (which are collectively referred to as the "**Supply Chain Policy**"):

- Business Code of Conduct;
- Human Rights Policy;
- Supplier Code of Conduct;
- Responsible Sourcing Supplier Program Guidebook; and
- Key Ingredient Positions and Policies.



Our Supply Chain Policy includes Hershey’s commitment related to child labor as further described below (see also section 3). In addition, it specifies the instruments and measures Hershey uses to identify, assess, remediate, or mitigate the potential cases and consequences of child labor in our supply chain (for further details, see section 4). Our Supply Chain Policy also describes how our suppliers (and the public) are informed about Hershey's Supply Chain Policy and how the Supply Chain Policy is integrated into our agreements with suppliers. We update our Supply Chain Policy from time to time in case of material changes or to reflect more up-to-date information, and we inform our suppliers and the public of updates to our Supply Chain Policy.

Our Supply Chain Policy is in alignment with the regulations set out in Annex 2 Part B, in particular, our policy is consistent with and references the ILO Conventions No. 138 and 182, the ILO-IOE Child Labour Guidance Tool for Business, the United Nations Guiding Principles (UNGPs) and the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct; and our commitment to the UN Global Compact and the Sustainable Development Goals.

We routinely review and evolve our policies and programming to ensure they:

- Remain relevant and effective as an output of our due diligence process
- Align to the UNGPs and the OECD Guidelines for Multinational Enterprises (OECD Guidelines)

### **Business Code of Conduct**

The Hershey Code of Conduct<sup>1</sup> sets out the standards for conducting our operations, and clear expectations that employees follow those standards in all job-related activities, regardless of business pressure. It further documents our guiding principles to act lawfully, ethically and in the best interests of Hershey.

Our Code of Conduct applies equally to our business partners including, but not limited to, consultants, distributors, co-manufacturers, co-packers and suppliers, as well as our subsidiaries and joint venture partners.

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<sup>1</sup> The Hershey Code of Conduct [code-of-conduct-english.pdf \(thehersheycompany.com\)](#)



## Human Rights Policy

Our Human Rights Policy<sup>2</sup> outlines our wider commitment to respect human rights throughout our supply chain, including efforts to prevent and address child labor. The policy, which is core to our business and sustainability strategies, was updated in 2023, following our 2022 human rights saliency assessment. The update was guided by the UNGPs, the OECD Guidelines and consultation with diverse internal and external stakeholders, including suppliers, human rights groups, nonprofit organizations working in our raw material supply chains, government representatives and labor organizations.

## Supplier Code of Conduct

The backbone of Hershey's commitment to a responsible and sustainable supply chain is our Supplier Code of Conduct, last updated in 2023.<sup>3</sup> The Supplier Code of Conduct sets out standards and expectations for responsible sourcing, including our commitment to human rights, the environment, health and safety, business ethics and developing a diverse and sustainable supply chain. When a supplier is out of compliance with our Supplier Code of Conduct, we require that corrective action plans are implemented and any non-compliances are remediated. The Supplier Code of Conduct is informed by the International Bill of Human Rights, including the Universal Declaration of Human Rights; the ILO Declaration on Fundamental Principles and Rights at Work; the OECD Guidelines; the International Covenant on Civil and Political Rights; and the International Covenant on Economic, Social, and Cultural Rights. We operate in accordance with our endorsement of the UNGPs and our commitment to the Ten Principles of the UN Global Compact and the Sustainable Development Goals. Our Supplier Code of Conduct prohibits child labor as further specified below.

The Supplier Code of Conduct specifies that Hershey is committed to the elimination of the 'worst forms of child labor,' as defined by ILO Convention 182. We require our suppliers, including their labor agents/agencies, to prevent child labor in their operations and in their supply chain and encourage our suppliers to participate in industry efforts aimed at the elimination of such practices wherever they exist in the supply chain. Our Supplier Code of Conduct sets forth that:

- No individuals are hired under 15 years of age, or 14 years of age where local law allows, consistent with ILO Convention No. 138, or under the legal minimum age for employment in the country, whichever is greatest.

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<sup>2</sup> The Hershey Company Human Rights Policy [HSY\\_HumanRights\\_Policy.pdf \(thehersheycompany.com\)](#)

<sup>3</sup> Hershey Supplier Code of Conduct, 2023, [supplier-code-of-conduct.pdf \(thehersheycompany.com\)](#)



- Any employment or utilization of workers under the age of 18 must not interfere with schooling or vocational education and/or expose children and young workers (between 15 and 18 years) to work that is mentally, physically, socially, or morally dangerous.
- In instances where child labor is identified, remedial measures appropriate for the situation will be implemented, including removing the child or young worker from the work and ensuring their safety.

We communicate our Supplier Code of Conduct through multiple channels, including through (i) language in Hershey contracts and Purchase Order Terms and Conditions requiring compliance with our Supplier Code of Conduct, (ii) our Responsible Sourcing Supplier Program Guidebook with suppliers' formal acknowledgement of our Supplier Code of Conduct as a condition of enrollment in the Responsible Sourcing Supplier Program and (iii) our website where our Supplier Code of Conduct is available in 11 languages.

### **Responsible Sourcing Supplier Program Guidebook**

Our Responsible Sourcing Supplier Program (outlined in the Responsible Sourcing Program Guidebook<sup>4</sup>) provides a comprehensive continuous process for engaging suppliers for near-term impact and to address deep, systemic challenges. It encompasses due diligence, corrective action planning, remediation, and capability building. As part of the Hershey Responsible Sourcing Supplier Program, our suppliers and business partners participate in a series of activities to demonstrate compliance with Hershey's expectations. This includes a combination of a risk assessment conducted by Hershey, acknowledgement of the principles in the Supplier Code of Conduct, completing a Self-Assessment Questionnaire (SAQ), and on-site Social Compliance Audits, as required.

### **Key Ingredient Positions and Policies**

Our expectations for priority ingredients and materials go beyond the requirements of our Supplier Code of Conduct and are further specified for both cocoa and palm oil.

### **Cocoa For Good and Cocoa Key Requirements**

Through Cocoa For Good, our sustainable cocoa strategy, we work alongside communities, governments, non-governmental organizations (NGOs) and peers in the cocoa industry to create a more resilient supply chain and address the systemic challenges posing risks to the sector. Enabled by a 12-year \$500 million investment, we are working to create a supply chain where farmers, and their children and families, can prosper.

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<sup>4</sup> [The-Hershey-Companys-Responsible-Sourcing-Program-Guidebook.pdf \(thehersheycompany.com\)](#)



Our strategy includes tackling root causes of child labor by improving farming families' livelihoods, supporting health and well-being in cocoa-growing communities, and increasing access to quality education.

Cocoa For Good and our Cocoa Key Requirements help us clarify our expectations to suppliers regarding human rights due diligence, environmental stewardship, traceability of cocoa and premiums paid to farmers, data management, continuous improvement and independent verification. This includes assessing the risk of child labor, and at a minimum in West Africa, implementing child labor monitoring and remediation systems (CLMRS).

## **Palm Oil**

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.<sup>5</sup>

## **2. Reporting and Grievance Mechanisms**

Our grievance mechanism allows all interested parties to raise reasonable concerns about the existence of potential or actual adverse impacts related to human rights concerns, including child labor in our supply chain. Anyone reporting a grievance in good faith is free from retaliation or retribution, and where relevant, they may use our mechanisms in addition to other channels or procedures, such as local law enforcement.

Hershey has the following grievance mechanisms in place:

- Hershey's Concern Line<sup>6</sup> (available in more than 47 languages) is primarily aimed at our employees but is also accessible to our suppliers and other stakeholders (e.g., customers, creditors, media, trade unions, NGOs, local authorities and communities, etc.). Our Concern Line accepts complaints on any issue, including human rights, and Hershey documents any reports received through the Concern Line.
- We require our direct suppliers to operate grievance mechanisms. We validate this in third-party social compliance audits and cocoa, sugar and palm oil supplier sustainability assessments.
- Our public grievance process for the implementation of Hershey's Responsible Palm Oil Sourcing Policy.

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<sup>5</sup> Responsible Palm Oil Sourcing Policy [palm-sourcing-policy.pdf \(thehersheycompany.com\)](#)

<sup>6</sup> Concerns can be shared confidentially and anonymously via phone or web at [www.HersheysConcern.com](http://www.HersheysConcern.com). Local toll-free phone numbers are available selecting the location in the "Call us" section in the portal.



- Third-party grievance mechanisms made available through certification bodies or standards-setting organizations.
- While not formal grievance mechanisms, our worker and farmer voice surveys are an additional way for us to understand where rightsholder concerns might exist.

Concerns about child labor can also be reported through the human rights due diligence processes put in place by our suppliers. In the case of cocoa, for example, Child Labor Monitoring and Remediation Systems (CLMRS), community risk assessments, and community development activities (Child Protection Committees, Human Rights Committees) support the reporting of concerns about child labor in our supply chain.

### **3. Following up on specific indications, taking appropriate measures to avert or mitigate negative effects, and evaluating and communicating results**

In line with the UNGPs, we seek to offer access to effective remedy whenever our operations may cause or contribute to adverse human rights impacts including child labor. We also urge suppliers and business partners to provide a remedy when we find such impacts connected to our supply chain. We also partner with others to help prevent, mitigate and remedy adverse impacts.

#### **Cocoa For Good and Child Labor Monitoring and Remediation Systems (CLMRS)**

Our Cocoa For Good strategy includes tackling root causes of child labor by improving farming families' livelihoods, supporting health and well-being in cocoa-growing communities, and increasing access to quality education. In addition, we address instances of child labor in cocoa farming communities through child labor monitoring and remediation systems (CLMRS), the leading method of child labor detection and remediation for children aged 5-17 years.

CLMRS are implemented in local communities, and implementing partners including suppliers are responsible for collecting and reporting on CLMRS data. Hershey has used industry-aligned best practices, as recommended by the International Cocoa Initiative (ICI), and implemented by supply chain and community partners, since 2018. See section 4 for further details.

Regarding the communication of results, the CLMRS data collection methodology that Hershey uses aligns with the International Cocoa Initiative (ICI) reporting protocol, and Hershey's annual Responsible Business Report communicates actions taken to address child labor, including remediation efforts.

[The 2024 Responsible Business Report is published on our website.](#)



#### **4. The instruments used to identify, assess, eliminate or mitigate the risks of potential cases of child labor**

Hershey relies on multiple tools to identify, assess, eliminate or mitigate potential child labor risks in its supply chain.

#### **Responsible Sourcing Supplier Program**

We monitor compliance with our Supplier Code of Conduct through our Responsible Sourcing Supplier and Human Rights Due Diligence Programs, namely our Responsible Sourcing Supplier Program for our Tier 1 manufacturing suppliers and Responsible Recruitment Program for direct labor and service providers. We reserve the right to verify compliance with our Supplier Code of Conduct through internal and external assessment tools and mechanisms, such as self-assessment questionnaires, announced and unannounced on-site independent third-party audits (e.g., Sedex Member Ethical Trade Audit, SMETA, 4-Pillar Audit), and worker well-being surveys. Such audits may inspect suppliers' facilities, operations, books and records, and supplier-provided housing, and confidential worker interviews. If non-compliances are observed, the supplier will be required to take corrective actions within the allotted timeframes acceptable to Hershey.

Additional details on our Responsible Sourcing Supplier Program can be found in our [2024 Responsible Business Report](#), [2024 Statement Against Slavery and Human Trafficking](#), and on our [website](#).<sup>7</sup>



<sup>7</sup> Responsible Sourcing Supplier Program ([https://www.thehersheycompany.com/en\\_us/home/sustainability/sustainability-focus-areas/responsible-sourcing/responsible-sourcing-and-supplier-program.html](https://www.thehersheycompany.com/en_us/home/sustainability/sustainability-focus-areas/responsible-sourcing/responsible-sourcing-and-supplier-program.html))



## Key Ingredients

Our expectations for priority ingredients and materials go beyond the requirements of our Supplier Code of Conduct. For cocoa, palm, and coconut, we also use third-party certifications and independently verified supplier programs to monitor performance and drive continuous improvement. Additional details on our ingredient commitments and progress are included in our [2024 Responsible Business Report](#).

### **Cocoa Key Requirements and Child Labor Monitoring and Remediation Systems (CLMRS)**

The Hershey Cocoa Key Requirements specify additional measures that apply to cocoa suppliers. This includes assessing the risk of child labor and at a minimum in West Africa, implementing child labor monitoring and remediation systems (CLMRS). The Hershey Cocoa Key Requirements specify that CLMRS implemented by Hershey's cocoa suppliers must include at least the following core activities:

#### Awareness raising and training

Raising awareness at community and household level, targeting both adults and children, remains important because children are less likely to perform inappropriate farm tasks when farmers and their families understand exactly what constitutes child labor.

#### Monitoring and identification

Trained individuals conduct active and regular monitoring, through repeated visits to households in the supply chain.

#### Provision of support

Children identified in child labor, and others at risk, receive support. This includes activities to remediate current child labor cases and prevent future ones, cooperating with relevant public institutions that have a mandate to provide such support when possible.

#### Follow-up

CLMRS requires a case management system that allows for active follow-up on an individual basis with children identified in child labor. Follow-up involves at least two visits at intervals of several months after identification, to allow time for support to take effect and ensure that any improvement is not short-lived.

Cases of child labor are considered remediated when children have reported not engaging in child labor at the two most recent follow-up visits.



By “remediated” we mean that, through our implementing partners, a child:

- Has received mitigation efforts appropriate to their situation, such as being enrolled in school
- As a result, no longer participates in activities defined as inappropriate child labor
- Is no longer at risk of being enlisted to undertake potentially hazardous activities

Successful remediation strategies vary and must respond to the needs of individual children and their families. They may also depend on whether government social welfare agencies are present to receive referrals for additional follow-up.

Based on case-by-case differences, remediation can be done at the child, household or community level. Therefore, remediation responsiveness can range from almost instant (e.g., household awareness training conducted when data is collected and/or cases found) to six to 18 months (e.g., renovating classrooms or school canteens to get kids back to school.)

We also support the establishment of community-level child protection committees. Composed of trusted community members, these groups are well-positioned to:

- Raise awareness
- Identify cases of child labor
- Implement the most appropriate remediation

In addition, we are tackling root causes. Many rural cocoa-growing communities lack access to educational infrastructure and may not have adequate resources – a root cause of child labor. Hershey invests in farming communities to make it easier for children to access and continue their education. That includes:

- Sponsoring construction and renovation of schools and classrooms to improve infrastructure
- Providing school supplies in line with origin governments’ national action plans
- Helping children obtain birth certificates that are necessary to access education



## **5. Supply chain traceability system**

While we record information (including names and addresses) about all suppliers, for those products where we have reasonable grounds to suspect child labor, we are working towards increased physical traceability (i.e., the possibility to track and trace the product we use in our finished goods from farm to factory door).

Increased supply chain traceability is a focus for our key ingredients and materials, including cocoa and palm oil. We aim to address both social and environmental challenges in the communities and ecosystems from which we source our key ingredients and materials. Our key ingredient management strategies are underpinned by the following principles, which we updated in 2022.<sup>8</sup>

- Supply Chain Traceability: Know the origin of raw materials to improve visibility into our supply chains and understand opportunities for impact;
- Supply Chain Monitoring and Verification: Communicate our expectations to suppliers and strengthen their sustainability management by using third-party certification and verification schemes to monitor performance and drive continuous improvement;
- Origin Transformation: Create measurable, responsible and sustainable transformation by investing in origin-level programs focused on environmental, social and economic issues;
- Operational Excellence: Utilize internal processes, policies, training, data, technology and purchasing practices supported by governance.

### **Cocoa**

Due to the complex nature of supply chains for processed cocoa products, we currently apply a mass balance traceability model. This means that while we do buy processed cocoa products for which we cannot establish traceability back to the farm, we have agreements with our suppliers that they have sourced an amount of independently verified cocoa that is equivalent to the cocoa required to manufacture the cocoa product that they deliver to us.

In addition, we have agreements with suppliers to provide us with sourcing visibility to the extent possible. Sourcing visibility means cocoa from known farmers is segregated and traceable to the first buyer (i.e., to the port or the factory in origin). From here the cocoa may be mixed, and then

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<sup>8</sup> [hershey-2022-esg-report.pdf \(thehersheycompany.com\)](#) page 55



the independently verified cocoa flows into our supply chain under the mass balance traceability model. Details on our progress are included in our [2024 Responsible Business Report](#).

## **Palm**

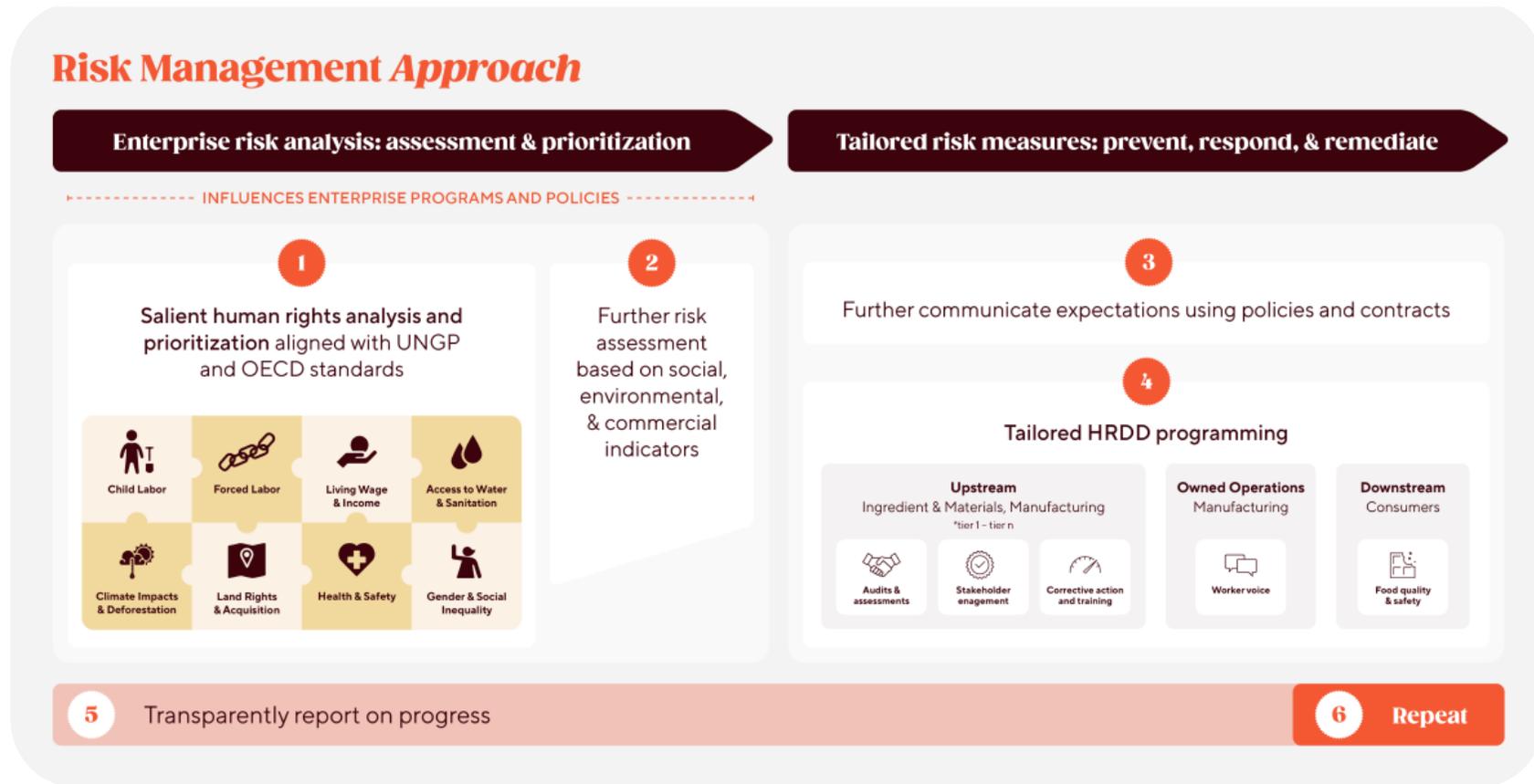
We work with our suppliers to map our palm oil sources to the mill and plantation level to understand high-risk sourcing areas in our palm supply chain. However, palm oil supply chains are complex and often involve multiple tiers of suppliers as well as intermediaries and smallholder suppliers. On a biannual basis, we conduct a traceability exercise with our palm oil suppliers to understand the range of potential mills and plantations from where the palm we source could have been produced. In this context, traceability is not a chain of custody concept, and does not alone allow us to identify the specific source of palm oil used in a given Hershey product. Rather, the list of mills and plantations provided by our suppliers – collected in accordance with industry practice and principles adopted by the Palm Oil Traceability Working Group (TWG) of IDH, The Sustainable Trade Initiative (IDH) – helps us understand the origin of the palm we purchase (including sources that may be considered high-risk), so that we may direct our resources to the locations where they are most needed.



## 6. Risk Management Plan

Our risk management plan identifies and assesses risks of child labor in our supply chain according to the likelihood of occurrence and the severity of impact and is aimed at eliminating, preventing or minimizing the severity of adverse impacts.

Hershey's approach to Human Rights Due Diligence (HRDD) is an ongoing risk management process informed by the UNGPs. HRDD allows us to identify, prevent and mitigate human rights risks throughout our supply chain. In 2023, we partnered with the consultancy TwentyFifty to map, communicate and confirm the strength of our HRDD risk assessment approach. We identified six key steps in our risk assessment process, as outlined in our risk assessment approach:



Our human rights strategy and policies are informed by saliency assessments that cover our entire supply chain. Saliency assessments identify and prioritize human rights and environmental risks according to the UNGPs and the OECD Guidelines. Assessments focus on the risk to individuals. The last saliency assessment, in 2022, confirmed that we remain focused on the most important issues including child labor.

We tailor our supply chain due diligence approach to specific features of our supply chain and operations, including geographic locations. The approach includes multiple risk assessment processes that are based on our saliency assessment and further assess:

- Human rights issues that may be unique to a country context or priority-ingredient supply chain and may not have appeared in an enterprise-level view.
- The impact of cross-cutting environmental issues, such as climate change, water and deforestation, on livelihoods, and their connection to poverty and other root causes of human rights issues.
- Commercial criteria, like spend, volume, sourcing model and business continuity, to identify our largest areas of influence across our supply chain while maintaining our focus on the risk to individuals. These assessments produce a prioritization of human rights and environmental risks by country and across the supply chain.

This risk prioritization heavily influences how we implement programs like our Responsible Sourcing Supplier Program and approaches to key ingredient sourcing (see section 4 for further details).

### **Assessing effectiveness**

We continue to develop policies and practices to assess and understand our effectiveness in addressing key human rights topics, including child labor.

Processes that give us insight into our performance and areas for future action, include:

- We regularly assess the effectiveness of our overall program and HRDD systems against international requirements in the UNGPs and the OECD Guidelines. We identify key strengths and areas of improvement in our human rights strategy and programs.
- Grievance mechanisms, such as our Concern Line (see section 2).
- Our social compliance auditing allows us to assess labor and human rights related performance and activity (both positive and negative) within both our owned and our Tier 1 suppliers' manufacturing base.



- Origin-level investments, like those through our Cocoa For Good strategy, offer insight into the experiences of smallholder farmers and their families. Cocoa For Good, through CLMRS, has also emphasized remediation and investing in tackling the root causes of poverty that increase the risk of child labor.
- Hershey was recognized as a Leader in protecting children’s rights among 1,802 worldwide companies assessed by the Global Child Forum in its Corporate Sector and Children's Rights Benchmark report, The State of Children's Rights and Business 2024, for the third year in a row. The report, produced with Boston Consulting Group, examined how companies implement children's rights and sustainability governance against 25 indicators, using publicly available data. Hershey performed well, scoring 9.3 out of 10. The Global Child Forum’s recognition is particularly significant given it is integrated with the World Benchmarking Alliance and aligned with the Children's Rights Principles. We use this report and other industry standards to capture valuable insights into where Hershey activities might be promoting or damaging children's rights, so we can act to mitigate otherwise-overlooked risks. These industry resources help catalyze systemic change by keeping us and other organizations up-to date on best practices.

