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## INTRODUCTION

Forests are a critical part of the natural ecosystem and an important global carbon sink due to their ability to absorb and store greenhouse gases from the atmosphere. Protecting forests helps mitigate climate risks, improve climate change resiliency, safeguards biodiversity and can provide livelihoods and economic opportunities for forest-based communities and Indigenous Peoples.

However, deforestation and ecosystem conversion continue to be major global challenges with broad and far-reaching implications for generations to come. Deforestation, ecosystem conversion and encroachment into protected areas is a manifestation of a complex set of root causes that vary from location to location. For example, in some cocoa and palm growing communities, poverty, the absence of land titles, a lack of clarity on land and tree tenure arrangements, limited knowledge of sustainable farming practices and poor law enforcement can place pressure on local forest systems. Furthermore, smallholder farmers, forest communities and Indigenous Peoples who may rely on forests for their livelihoods, can be more at risk of shocks from climate change and extreme weather events. Given that these impacts are often felt by the world's most vulnerable first, these important environmental issues can lead to human rights issues as well.

Hershey's products rely on a global supply chain and agricultural ingredients. We have a role to play in combatting deforestation and its associated impacts on commodity-producing landscapes and the communities where we live, work and source our ingredients. In the past, Hershey addressed deforestation on a commodity-by-commodity basis and is now taking a holistic view of all our agricultural supply chains. We are declaring our ambition and taking a comprehensive approach to ensure the long-term sustainability of our business and to do the right thing for our shared planet.

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## HERSHEY'S NO DEFORESTATION POLICY

Hershey commits to eliminating commodity-driven deforestation from our entire supply chain by 2030 while respecting and protecting the human rights of individuals.

Our No Deforestation Policy outlines requirements for our suppliers and our approach in helping to eliminate deforestation from our global supply chain and is part of our global sustainability strategy, [The Shared Goodness Promise](#). Our No Deforestation commitment is a key part of Hershey's efforts to meet our science-based target to reduce our absolute Scope 1 and Scope 2 emissions by 50% and our Scope 3 Greenhouse Gas (GHG) emissions by 25% by 2030.<sup>1</sup> Additionally, our commitment to no deforestation aligns with our role as a signatory to the United Nations Global Compact to take strategic action to advance broader societal goals such as the UN Sustainable Development Goals (SDGs). Due to the important role healthy forests play in helping all populations, and especially vulnerable populations, mitigate climate risks, improve climate resilience, and protect and restore water related ecosystems, our commitment helps Hershey align with the UN SDGs and

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<sup>1</sup> Compared to a 2018 baseline. This meets the highest ambition level currently recognized by the SBTi and aligns with the goals of the Paris Climate Agreement to limit global warming to 1.5°C below pre-industrial levels.



helps to prevent harm and encourage positive impact to sub-targets of SDG 1 – No Poverty, SDG 6 – Clean Water and Sanitation, SDG 13 – Climate Action, and SDG 15 – Life on Land.

We further communicate and reinforce our commitment to no deforestation in our [Supplier Code of Conduct](#), our [Environmental Policy](#), our [Human Rights Policy](#) and [specific ingredient policies](#).

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## SCOPE

This policy applies to our entire raw material supply chain, including direct and indirect suppliers, at a corporate group level.<sup>2</sup> Land-use change represented 35-40% of our Scope 3 emissions in our baseline year (2018) which is why this no deforestation commitment is a critical element to Hershey's ability to deliver our science-based target.

Hershey prioritizes achieving independent verification of compliance with this policy in the commodities in our supply chain that present the greatest risk of contributing to deforestation: cocoa, palm oil, pulp & paper (packaging), and soy.

On an annual basis, Hershey will revisit our deforestation policy and commodity-specific approaches and commitments as well as the future inclusion of additional commodities based on changes in our supply chain (e.g., due to M&A transactions, new products, or new source origins) and new developments stemming from environmental and human rights risk assessments.

Hershey communicates progress on our commitments in our annual [Sustainability Report](#), on our company website, and in our CDP Forests report.

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## REQUIREMENTS

Hershey works with suppliers that share our values and actively monitor, verify, and implement action plans to help eliminate deforestation and potential human rights violations in agricultural supply chains. We require our suppliers to publish the policies and procedures they use to help prevent deforestation, peatland loss, and potential human rights violations, as well as the rights for Indigenous Peoples and local communities to give or withhold their Free, Prior and Informed Consent (FPIC) to development on their lands in their supply chains and operations. Suppliers must meet and communicate these requirements throughout their supply chains at a corporate group level to ensure compliance by direct and indirect suppliers and raw material producers. Suppliers must establish forest and peatland/natural ecosystem monitoring and response and human rights due diligence systems, non-compliance and grievance procedures, credible independent verification systems and training programs to uphold the requirements set forth in this No Deforestation Policy within their own business operations, third party suppliers and raw material producers.

In addition to compliance with all applicable national, state, and local laws and regulations in the markets where we operate and from which we source forest-based commodities, Hershey requires our suppliers to adhere to the following requirements in line with the [Accountability Framework Initiative](#).

If a supplier is not compliant with our No Deforestation Policy in any of their operations at a corporate group level, we reserve the right to suspend or remove the supplier.

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<sup>2</sup> As per the Accountability Framework initiative definition of Corporate Group (<https://accountability-framework.org/the-framework/contents/definitions/>)



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# SUPPLIER REQUIREMENTS

## Protection of Forests and Other Natural Ecosystems

- No deforestation or conversion of High Conservation Value (HCV)<sup>3</sup> areas, High Carbon Stock (HCS)<sup>4</sup> forests, and adherence to responsible expansion procedures<sup>5</sup>
- No new development on peatland, regardless of depth
- No burning in the preparation of plantings or any other development
- No illegal harvesting of any forest-based commodity
- For areas which were developed (cleared, drained, and/or planted) peatlands, HCV areas, or HCS forests from the specified cut-off date,<sup>6</sup> suppliers must implement an adequate Recovery Plan commensurate with the scale of their non-compliant development.
- Where relevant, support agroforestry, agroecology, forest management best practices, reforestation or restoration of natural ecosystems

## Respect for Human Rights

- Ensure all labor is voluntary and allow workers freedom of movement
- Respect, recognize and uphold the rights of all workers including contract, temporary and migrant workers through compliance with the International Labor Organization's core conventions, the Universal Declaration of Human Rights, and the United Nations Guiding Principles on Business and Human Rights
- Prohibit and eliminate all forms of forced labor, child labor and human trafficking, including, but not limited to, any form of prison, slave, bonded or forced indentured labor
- Respect and uphold land tenure rights of individuals, Indigenous Peoples and local communities. All forms of land grabbing are prohibited. Adherence to the requirements for the fulfillment of respecting rights for Indigenous Peoples and local communities to give Free, Prior and Informed Consent is required in all engagement to seek consent for undertaking any studies, and negotiations, and/or developments on property or land to which they hold legal, communal or customary rights, including the use of and transfers of it<sup>7</sup>
- Support the inclusion of smallholders into sustainable agricultural supply chains
- Promote women's rights and empowerment in sustainable agricultural supply chains
- Zero tolerance for harassment, intimidation, criminalization or violence toward human rights, environmental and land defenders

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<sup>3</sup> As defined by The HCV Resource Network

<sup>4</sup> As defined by the HCS Approach Toolkit, including its social requirements. As simplified methodologies for identifying HCS forests in smallholder landscapes are adopted by the HCS Approach Steering Group, these should be used

<sup>5</sup> 'Responsible expansion procedures' include respect for local laws, the right of communities to free, prior and informed consent, protection of peat, protection of high conservation value areas, and protection of high carbon stock forests as defined by the [High Carbon Stock Approach Toolkit](#) for concession holders and simplified methodology for smallholders, and its associated Social Requirements and Implementation Guidance.

<sup>6</sup> Cut-off dates are as follows: cocoa as of February 2018; palm oil as of December 31, 2015; pulp & paper and soy as of January 1, 2020

<sup>7</sup> In accordance with the United Nations Declaration on the Rights of Indigenous Peoples, FAO Voluntary Guidelines on Tenure and Food Security, Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights (UNGPs), the HCSA Social Requirements and Implementation Guidance, and AFI (2019) Operational Guidance on Free, Prior and Informed Consent June 2019 and Operational Guidance on Respecting the Rights of Indigenous Peoples and Local Communities June 2019



## Supply Chain Transparency & Stakeholder Engagement

- Resolve any complaints and conflicts, including land rights disputes, and remediate policy violations in a timely manner through a transparent, responsive and effective grievance mechanism that allows workers and other stakeholders impacted by supply chain operations to report concerns and violations confidentially and anonymously without fear of retaliation or retribution<sup>8</sup>
- Promote greater transparency into our agricultural supply chains, including relevant information on smallholders, suppliers, landbanks and concessions/licensed areas utilized for raw material production, primary processing facilities and sourcing practices for each commodity supply chain exposed to deforestation risks as well as proactively conduct due diligence on new suppliers to ensure policy compliance prior to entering the supply chain, including field-based assessments of any associated environmental and social risks, impacts and grievances
- Engage in multi-stakeholder collaborations, including with impacted Indigenous Peoples, local communities, workers, suppliers, peers, civil society, governments, and others to identify and eliminate deforestation across agricultural supply chains at supply shed, landscape and jurisdictional levels
- Publish progress reports on at least an annual basis and disclose key metrics, time-bound implementation plans, progress, challenges and impacts

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<sup>8</sup> In accordance with the UNGPs on non-judicial grievance mechanisms

