



The Hershey Company's Deforestation and Conversion-Free Policy

Introduction and Context

Protecting forests and other natural ecosystems is critical to the resilience of global supply chains. Forests and other natural ecosystems help mitigate climate risks, improve climate change resiliency, and safeguard biodiversity, and they can provide livelihoods and economic opportunities for communities and Indigenous Peoples connected to forests and natural ecosystems.

Deforestation, forest degradation, and natural ecosystem conversion remain major global challenges with broad and far-reaching implications for future generations to come. Along with encroachment into protected areas, they are a manifestation of a complex set of root causes that vary from location to location. For example, in some commodity-growing landscapes, limited economic opportunity and poverty, the absence of land titles, a lack of clarity on land and tree tenure arrangements, limited knowledge and uptake of good farming practices, and inconsistent law enforcement practices place pressure on local forest systems. Impacts from such pressure contribute to the vulnerability of communities relying on forests for their livelihoods, including smallholder farmers, forest communities and Indigenous Peoples, particularly in light of ongoing climate change and increased frequency and intensity of extreme weather events. In turn, those environmental impacts can jeopardize people's safety and human rights.

Hershey's products rely on a global agricultural supply chain. We have a role to play in helping to combat supply chain-driven deforestation and conversion and their associated impacts on commodity-producing landscapes and the communities where we live, work, and source our ingredients.

Hershey takes a holistic view to address the agricultural supply chains identified as most at risk for driving deforestation, degradation, and conversion in our business: cocoa, palm oil, pulp & paper (packaging), sugar, and direct soy. We are committed to taking steps to ensure the long-term resilience of our business and to protect our shared planet.

Hershey recognizes that achieving deforestation and conversion-free supply chains require systemic change beyond corporate action. Governments play a critical role in creating enabling conditions for sustainable land use, enforcing forest protection laws, and supporting smallholder livelihoods.



Hershey’s Approach

Hershey aims to achieve a deforestation and conversion-free (“DCF”) supply chain for the following in-scope materials we source¹ by December 31, 2030, while respecting and protecting the human rights of individuals.

Raw Material	Primary In-Scope Materials	Relevant Natural Ecosystem Issues being Monitored
Cocoa	Cocoa powder, cocoa liquor, cocoa butter and cocoa paste derived from cocoa beans	<ul style="list-style-type: none"> Deforestation
Palm Oil	Crude & Refined Palm Oil and Palm Kernel Oil, including derivatives and fractions	<ul style="list-style-type: none"> Deforestation Conversion of peatland
Pulp & Paper	Packaging materials derived from wood fiber	<ul style="list-style-type: none"> Deforestation Degradation in US Southeast
Sugar	Sugarcane	<ul style="list-style-type: none"> Deforestation Conversion of non-forest land
Soy (direct)	Soybeans, soybean oil, and soybean flour	<ul style="list-style-type: none"> Deforestation Conversion of non-forest land

Hershey aims to achieve this goal by sourcing these ingredients and materials across our business from direct and indirect suppliers, at a corporate group level,² that demonstrate compliance with Hershey’s requirements. We assess supplier compliance with this policy as outlined in our [DCF Implementation Approach](#).

Our efforts towards achieving a DCF supply chain form a key part of Hershey’s efforts to meet our Science Based Targets initiative (“SBTi”)-approved target to reduce our absolute Scope 3 Forest, Land and Agriculture (“FLAG”) Greenhouse Gas (“GHG”) emissions by 36.4% by 2030.³

Additionally, our efforts align with our role as a signatory to the United Nations Global Compact to take strategic action to advance broader societal goals such as the United Nations Sustainable Development Goals (“SDGs”). Due to the important role healthy forests and natural

¹ Sourcing refers to ingredients & materials procured through direct sourcing for use in wholly owned Hershey plants or contract manufacturers that purchase off Hershey contracts. This scope excludes ingredients & materials purchased by contract manufacturers, co-packers, and licensing manufacturers for Hershey branded & licensed products; food service at Hershey Chocolate World stores; and Spot Purchases.

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

³ Compared to a 2018 baseline. In accordance with the Greenhouse Gas (GHG) Protocol and the Science Based Targets initiative (SBTi) for setting science-based targets for Forest, Land, and Agriculture (FLAG) related GHG emissions and removals 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.



ecosystems play in helping all populations, and especially vulnerable populations, mitigate climate risks, improve climate resilience, and protect and restore water related ecosystems, our efforts help Hershey align with the UN SDGs and help 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 DCF expectations in our [Supplier Code of Conduct](#), our [Environmental Policy](#), our [Human Rights Policy](#) and [specific ingredient policies](#).

Hershey Deforestation and Conversion-Free Requirements

Hershey works with suppliers that share our values and actively monitor, assess, and implement action plans to help eliminate deforestation, conversion, and potential human rights violations in agricultural supply chains. We require our suppliers to publish the policies and procedures they use in their supply chains and operations to help prevent deforestation and conversion, 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. Suppliers must meet and communicate these requirements throughout their supply chains to ensure compliance at a corporate group level by direct and indirect suppliers and raw material producers. Suppliers must establish forest and peatland/natural ecosystem monitoring and response⁴ and human rights and environmental due diligence systems, non-compliance and grievance procedures, credible third-party verification systems and training programs to uphold the requirements set forth in this DCF Policy within their own business operations, third-party suppliers, and raw material producers.

Suppliers are required to comply with all applicable federal, state, provincial and local laws and regulations in the markets where they operate.

In addition, Hershey requires our suppliers to adhere to the requirements listed below in line with the [Accountability Framework Initiative](#) to stop deforestation and conversion from a specified cut-off date as follows:

- Cocoa: December 31, 2020
- Palm oil: December 31, 2015
- Pulp & paper: December 31, 2020
- Sugar: December 31, 2020
- Soy: December 31, 2020

Protection of Forests and Other Natural Ecosystems⁵

- Everything supplied to Hershey is from legal sources and is legally harvested

⁴ Such as the “[Deforestation Monitoring and Response Framework](#)” developed by The Consumer Goods Forum’s Forest Positive Coalition of Action

⁵ See our [DCF Implementation Approach](#) for definitions, primarily adapted from the [Accountability Framework Initiative](#) unless noted otherwise.



- No deforestation or conversion of High Carbon Stock (“HCS”)⁶ forests or High Conservation Value (“HCV”)⁷ lands⁸, or other natural ecosystems including savannas, grasslands, mangrove, peatlands, and wetlands.
- No burning of peatland and no new development on peatland,⁹ regardless of depth
- No forest degradation resulting from the production of pulp and paper. Sustainably managed selective logging of natural forests and adherence to forest management plans do not constitute degradation as long as ecosystem function and services are maintained or enhanced.
- Adherence to responsible expansion procedures¹⁰
- For HCS forests, HCV lands, or other natural ecosystems including savannas, grasslands, mangrove, peatlands, and wetlands which were developed (cleared, drained, and/or planted) from the specified cut-off date, suppliers must implement an adequate Recovery Plan commensurate with the scale of their non-compliant development.¹¹
- Where relevant, support agroforestry, agroecology, forest management best practices, conservation, 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

⁶ As defined by the [High Carbon Stock 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

⁷ As defined by The [HCV Resource Network](#)

⁸ Includes Intact Forest Landscapes, International Union for Conservation of Nature (IUCN) protected areas categories I-IV, and UNESCO World Heritage Sites and wetlands on the Ramsar List

⁹ As defined by the [International Peatland Society](#)

¹⁰ ‘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.

¹¹ In accordance with the Accountability Framework Initiative’s [Operational Guidance on Environmental Restoration and Compensation](#)



which they hold legal, communal or customary rights, including the use of and transfers of it¹²

- Support the inclusion of smallholders into sustainable agricultural supply chains
- Promote women's rights and empowerment and support the inclusion of women in sustainable agricultural supply chains
- Zero tolerance for harassment, intimidation, criminalization or violence toward human rights, environmental and land defenders

Supply Chain Transparency & Stakeholder Engagement

- Resolve all 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 retribution¹³
- 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 and conversion 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

Hershey intends to work with suppliers that share our values and are actively implementing action plans that adhere to this policy. We are also committed to collaborating and working with our suppliers on continuous improvement.

Our [Grievance Procedure for Potential Violations of our DCF Policy](#) outlines how we address and respond in a transparent, timely and effective manner to supply chain grievances raised by stakeholders.

If a supplier is not compliant with this policy in any of their operations at a corporate group level, and fails to implement corrective action plans within acceptable timeframes and does not

¹² 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

¹³ In accordance with the UNGPs on non-judicial grievance mechanisms



remedy any act of non-compliance, Hershey may, in its sole discretion and without any further obligation to the supplier, suspend purchases, refuse to take delivery under any purchase order and return any goods or services from the supplier until the corrective actions have been successfully implemented, or may terminate its business relationship with the supplier in addition to any other rights or remedies available to Hershey.

Governance and Accountability

Achieving deforestation and conversion-free supply chains is an integral part of our global sustainability strategy. Ultimate oversight for our environmental goals and targets (which encompass climate, deforestation, conversion and land use change) resides with our Board of Directors and our Executive Team (inclusive of the CEO and the CEO's direct reports) which are briefed on at least an annual and bi-annual basis, respectively. Our cross-functional Sustainability Steering Committee, composed of key business leaders and sustainability subject matter experts, meets at least quarterly to evaluate sustainability strategy effectiveness and interdependencies, including those related to climate.

Accountability for managing sustainability, including climate-related matters, at the management level resides with our Head of Global Sustainability who leads our Global Sustainability Team. Our Global Sustainability Team, composed of sustainability experts, manages the strategy, implementation and reporting of our global sustainability initiatives, including climate change and human rights.

Within our procurement and sourcing strategies, accountability resides with our Vice President of Procurement who leads our Global Responsible Sourcing Team and our Cocoa Sustainability Team. In particular, these teams manage the monitoring and assessment of deforestation and conversion within in-scope supply chains.

The Sustainability, Responsible Sourcing and Cocoa Sustainability teams communicate regularly with external stakeholders who provide valuable perspectives on our program decisions and focus.