

2013 CORPORATE SOCIAL  
RESPONSIBILITY REPORT

EXECUTIVE SUMMARY





Our business has made steady progress through sustainable and responsible operations. One external reflection of our strong performance is our inclusion on the Dow Jones Sustainability World Index for the first time.

Today we are the largest chocolate manufacturer in the United States and the fastest growing one in Mexico, China and Brazil. The next stage of our success relies on building a truly global company that is equally relevant, equally talented and equally ethical in each of the focus markets essential to our continued growth.

John P. Bilbrey  
Chief Executive Officer  
The Hershey Company



We have rededicated ourselves to setting the highest possible ethical standards for conducting business. And while it will be years before the issues we are working to address are solved, we are diligent in our efforts to tackle them. These include certified sourcing of some of our key raw materials, monitoring the business practices of our suppliers and working to address our climate impact.

James E. Nevels  
Chairman of the Board of Directors  
The Hershey Company

Photo: Dennis Gingell, Community College of Philadelphia

## INTRODUCING SHARED GOODNESS

In late 2013, we evolved the structure we use to organize and communicate our corporate social responsibility (CSR) efforts in order to better define and advance the company's vision for this important work.

The rewards of operating ethically while delivering strong financial performance, which we call **Good Business**, create value for our shareholders and build the skills, influence and financial strength that help our many stakeholders achieve a **Better Life** and **Bright Future**. Better

Life and Bright Future, in turn, provide our company and employees with engagement opportunities that deepen our sense of purpose and camaraderie, thus supporting greater effectiveness in our Good Business performance.

We will use this model as a filter through which to evaluate and prioritize our existing commitments and new opportunities, particularly those related to investing in the well-being of our stakeholders and value chain.



# ABOUT THE HERSHEY COMPANY

Headquartered in Hershey, Pennsylvania, The Hershey Company is a global confectionery leader known for bringing goodness to the world through its delicious chocolate, sweets, mints, beverages and snacks.

We market, sell and distribute our products in more than 70 countries. Our two strategic business units are the chocolate business unit and the sweets and refreshment unit.

As of year-end 2013, Hershey employed approximately 13,000 people and had consolidated net sales of USD7.14 billion. Hershey is publicly traded under the symbol HSY on the New York Stock Exchange.

Hershey's heritage of commitment to consumers, communities and children began with our founding in 1894 by Milton S. Hershey, who established the essential principles by which our business operates today:

- Make a delicious high-quality product and sell it at a fair price
- Provide meaningful work and a positive workplace to employees
- Give back to the communities where the company operates
- Be a good steward of the land and its resources

## PRIMARY PRODUCT GROUPS

Chocolate and confectionery products in bars and bags

Licorice and sugar candy

Boxed chocolates

Mints and gum

Grocery products, including baking ingredients, chocolate syrup, peanut butter, dessert toppings and beverages

Specialized products and services for business customers

## 2013 AWARDS AND RECOGNITION

- Selected for both the Dow Jones Sustainability World and North America Indices and awarded a DJSI Bronze Medal for overall sustainability performance. One of 13 companies worldwide from the Food, Beverage and Tobacco sector chosen for the World Index
- Only confectionery firm identified by Civic 50 survey as one of America's most community-minded companies
- Named to *Corporate Responsibility Magazine's* 100 Best Corporate Citizens list



# PROGRESS TOWARD OUR GOALS

	GOAL	2013 PROGRESS
<b>Integrity of Supply Chain</b>  	Better communicate performance on engagement priorities to customers and consumers	Transitioned to GRI G4 reporting guidelines; developed new Shared Goodness framework to deepen engagement
	Enroll more than 25,000 Ghanaian cocoa farmers in CocoaLink	Approximately 45,000 farmers in Ghana were enrolled by year's end
	Initiate internal and external social audits via Sedex and assess 25% of total supplier spend by the beginning of 2014	Audits conducted on all selected internal manufacturing sites and on 86% of the external suppliers selected for review. Remaining audits to be completed in 2014
<b>Consumer Well-Being</b>	Attain food-safety certification recognized by the Global Food Safety Initiative at all of our wholly owned manufacturing, joint-venture (JV) operations and contract manufacturing/co-packing by 2012	Obtained certification in 14 wholly owned facilities and one JV facility
	<b>Efficient Business Operations</b>	Reduce waste by 25% by 2015
	Achieve a recycling rate of 85% by 2015	Achieved recycling rate of 86.6%
	Reduce GHG emissions in our distribution and transportation operations by 10% by 2015	Emissions ticked up 3.15% from 2012 to 2013 due to increased global demand for our products
	Reduce GHG emissions by 13% by 2015	Reduced total GHG emissions by 22% from 2009 baseline
	Reduce water consumption/use by 10% by 2015	Reduced total water consumption by 73% from 2009 baseline
	Attain zero-waste-to-landfill (ZWL) status at five plants by 2015	Goal exceeded. Three additional plants achieved ZWL status, bringing total ZWL plants to six
<b>Sustainable Sourcing</b>	Ensure that all palm oil procured will be Roundtable on Sustainable Palm Oil (RSPO)-certified, providing availability of supply, by 2015	Achieved 100% Mass Balance RSPO-certified palm oil; now working with suppliers to achieve 100% traceable and sustainably sourced palm oil with independent verification by end of 2014

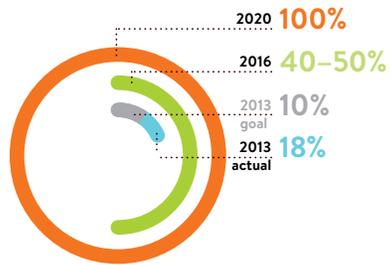
	GOAL	2013 PROGRESS
<b>Packaging</b>  	Complete minimum of 200 waste-reduction initiatives, resulting in cumulative elimination of 20 million pounds of packaging material between 2009 and 2016	180 projects completed, reducing packaging waste by 14 million pounds since 2009—approximately 70% of 2016 goal
	Maintain our commitment to use at least 80% recyclable materials by weight	Usage of recyclable materials by weight exceeds 80%
<b>Safety and Wellness at Work</b>  	Launch myWell-Being program to increase employee and family wellness:	<ul style="list-style-type: none"> <li>• Achieved 36% overall; 47% of employees participated in the Well-Being Assessment</li> <li>• Achieved 26% compliance with preventive exams among employees, partners and dependents</li> <li>• Achieved 94% employee satisfaction score with myWell-Being programs</li> </ul>
	<ul style="list-style-type: none"> <li>• Achieve 30% participation in the Well-Being Assessment among employees, partners and dependents</li> <li>• Achieve 27% compliance with preventive exams among employees, partners and dependents</li> <li>• Achieve 85% employee satisfaction score with myWell-Being programs</li> </ul>	
<b>Diversity and Inclusion</b>  	Implement diversity and inclusion strategies as part of our global expansion, great workplace and high-performance culture	Demonstrated our commitment through strategic talent acquisition, dedicated Business Resource Groups and Many Voice One Hershey employee engagement strategy
	<b>Employee Giving and Volunteerism</b>	Increase employee participation in United Way campaign to 53% by 2015 from 2009 baseline of 36%
	Create meaningful employee engagement opportunities	Employees volunteered more than 200,000 hours in their communities, including more than 1,300 during Good to Give Back Week, our first-ever week of service
	Increase participation in Dollars for Doers by 20% from 2009 baseline	Increased participation by 56%

# GROWTH GUIDED BY VALUES

Good  
Business



## Ahead of Schedule on Certified Cocoa Goals



## 21ST CENTURY COCOA STRATEGY

Chocolate is the main ingredient in many of Hershey's more popular products, and ensuring the sustainability of our cocoa products is a company priority.

Our 21st Century Cocoa Strategy, including CocoaLink and Hershey Learn to Grow, will positively impact thousands of cocoa farmers and their families through technology, farmer training, cocoa-seed nurseries, credit terms for farm inputs, village resource centers, malaria



prevention, infrastructure projects, school construction and literacy and health programs. We shall also continue to address the multifaceted challenge of child-labor abuse.

Committing to source 100 percent third-party-certified cocoa for all of its chocolate products worldwide by 2020 is a cornerstone of our strategy. By the end of 2013, we achieved 18 percent certified cocoa, nearly double our first-year goal.



## LEADING THE PUSH TOWARD SUSTAINABLE PALM OIL

The Hershey Company joined the Roundtable on Sustainable Palm Oil (RSPO) in 2011 and sourced 100 percent of its palm oil as RSPO-certified by the end of 2013, more than a year ahead of our original pledge. In December 2013 we then went further by committing to work with our suppliers to purchase only sustainably sourced and 100-percent-traceable palm oil by the end of 2014.



## PROGRESS ON ENVIRONMENTAL GOALS AND ZERO-WASTE-TO-LANDFILL

We have established new environmental goals, setting 2013 as the base year and the end of 2017 as our target date to achieve them. We believe that continuing to reduce our environmental impact will support our goal of reaching USD10 billion in annual revenue by 2017.

AREA	PROGRESS 2009–2013*	LOOKING AHEAD: 2014–2017
 Greenhouse Gas Emissions in U.S. Distribution & Logistics	Emissions ticked up 3.15% due to increased demand for our products	Reduce GHG emissions by an additional 10%
 Zero-Waste-to-Landfill (ZWL) Operations	Six manufacturing plants and five nonmanufacturing facilities achieved ZWL status	Attain ZWL status at an additional two plants
 Recycling	Raised recycling rate from 72% to 86%	Attain a recycling rate of 90%
 Waste Reduction	By end of 2013, had reduced waste 38% against 2009 baseline	Reduce waste by an additional 5%
 Greenhouse Gas Emissions	Reduced total emissions by 22% from 2009 baseline emissions per pound of product produced fell 5%	Reduce emissions by an additional 15%
 Water Use	Reduced total water consumption by 73% from 2009 baseline; water consumption per pound of product produced fell 72 percentage points	Reduce absolute water use an additional 17%
 Packaging	180 projects were completed, reducing packaging waste by 14 million pounds	Complete a minimum of 25 additional initiatives, resulting in the additional cumulative elimination of 16 million pounds of packaging material

\*Using 2009 baseline

## DELIVERING GROWTH THROUGH WORKFORCE ENGAGEMENT AND EXCELLENCE

In order to attract and retain strong talent, Hershey is committed to becoming a global employer of choice and one of the world's best places to work. Our Global Talent and Organization Capability department works directly with our Board of Directors to coordinate talent planning and leadership development. In 2013, we established Talent Councils, assessed the competitiveness of our total compensation in key markets in which we compete and created other opportunities for employees to develop the additional skills we anticipate needing.



Other workforce achievements:

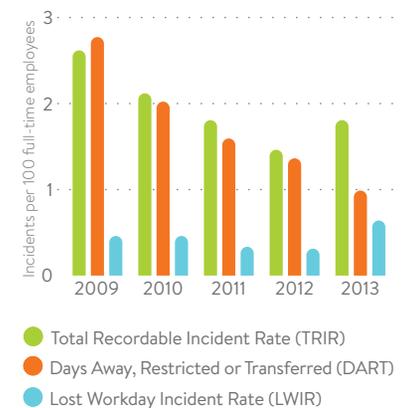
- Expanded our commitment to hire returning U.S. military veterans; joined 100,000 Jobs Mission to hire 100,000 transitioning service members and military veterans by 2020
- Launched innovative Manufacturing Apprenticeship Program to provide opportunities for individuals with intellectual and physical disabilities
- Offer many eLearning courses in different languages through Hershey University; in-person classroom sessions cover 20 different professional competencies and other professional and technical topics
- Continue to leverage strengths of our Business Resource Groups, our newest being Abilities First

## EMPLOYEE SAFETY

Safety performance is an ongoing company priority, and Hershey's goal is to consistently achieve best-in-class results. Despite our relentless focus on safe operations, we faced several challenges during the year.

In 2013, we incorporated the safety metrics from our international operations into our system. The increased incident rates reflect some of the operational challenges in these international facilities as well as those from newly acquired plants. These rates began to show improvement in late 2013.

## Key Performance Indicators





Better Life



## SUPPORTING PEOPLE'S WELL-BEING

### CORPORATE AND EMPLOYEE GIVING

In 2013, The Hershey Company donated a total of nearly USD9.4 million in cash and products to more than 2,200 organizations.



Our donations include:

- USD100,000 to Canuck Place Children's Hospice to build a 30,000-square-foot facility
- USD100,000 to Lebanon Valley Family YMCA Capital Campaign
- USD100,000 to The Partnership at Drugfree.org
- USD400,000 (since 2003) to Guadalajara children's burn center
- 3,991 cases of food sent to servicemen and servicewomen worldwide since 2001



### HERSHEY'S TRACK & FIELD GAMES

The Hershey Company's commitment to youth activity and play is an important part of our heritage and mission to improve the well-being of children. We have announced a new partnership with USA Track & Field and Athletics Canada to introduce Run Jump Throw, a program for kids to learn basic physical-activity skills and have fun exploring track and field.



### UNITED WAY & CHILDREN'S MIRACLE NETWORK

Since 1932, Hershey has supported United Way and its mission of improving access to health care, promoting self-sufficiency and strengthening families in the United States and abroad. In 2013, Hershey and our employees set a new corporate record by raising USD2.9 million. We also help fund global disaster relief through United Way Worldwide.



Our employees also raise awareness and funds for Children's Miracle Network, a nonprofit alliance of children's hospitals across North America dedicated to state-of-the-art care, lifesaving research and preventive education.



### GOOD TO GIVE BACK WEEK

In 2013, Hershey held its inaugural Good to Give Back Week, celebrating the importance of giving back by encouraging employees to volunteer in their communities. All expectations were exceeded when more than 300 employees volunteered more than 1,300 hours of their time.



Their many activities included:

- Packing meals at a Pennsylvania food bank
- Reading to children in elementary schools
- Collecting and donating diapers and formula in Shanghai
- Volunteering more than 200 hours at United Way's Food Bank and Peace Ranch in Ontario

# UNLOCKING THE POTENTIAL OF CHILDREN AND COMMUNITIES



Bright Future

## COCOALINK

CocoaLink is a public-private partnership established in 2011 by The Hershey Company, the World Cocoa Foundation and the Ghana Cocoa Board. It uses mobile technology to better farmers' livelihoods through access to information that can help increase yields and incomes. We have so far:

- Enrolled 45,000 Ghanaian cocoa farmers, far exceeding our initial goal of 1,450 farmers
- Provided 1.2 million free text messages to participants in 1,800 villages across Ghana's five cocoa-growing regions
- Initiated extended voice-message package for illiterate and semiliterate farmers
- Expanded to Ivory Coast

CocoaLink monitor World Education has identified several positive impacts among CocoaLink farmers:

- Cocoa output is 10 percent greater than in control communities
- Household expenditures (an income proxy) increased 78 percent in test communities
- 65 percent of farmers received basic literacy training
- One-third of participating farmers are women



We are committed to advancing gender equality through Hershey Learn to Grow. The program's next components will include the Women's Leadership module, which will encourage participating women to serve in leadership roles.



## HERSHEY LEARN TO GROW GHANA

Created in 2012, the Hershey Learn to Grow Center in Assin Foso, Ghana's central cocoa region, plays an important role in our sustainable cocoa strategy.

Hershey Learn to Grow and 25 participating community-based farmer organizations have so far helped improve the living standards of 1,467 cocoa-farm families through training in agricultural, environmental, social and business practices; access to improved planting material; and finance for farm inputs.

Beginning in April 2014, Phase II of Hershey Learn to Grow will:

- Increase opportunities for women, who are one-third of all enrolled farmers, and young adults
- Provide training to teach farmers to manage their farms as a business rather than just a cash crop
- Include access to CocoaLink mobile-phone services
- Supply planting materials from 92 new nurseries



Approximately 80 middle-school students in classrooms on both sides of the Atlantic Ocean share a special educational and cultural experience through Hershey Learn to Grow Ghana Distance Learning Program.



## REVITALIZING MEXICO'S COCOA INDUSTRY

Hershey proudly leads the Mexico Cocoa Project, an initiative dedicated to saving Mexico's cocoa industry by replanting and restoring the crop in the same area where the ancient Olmecs, Mayans and Aztecs first cultivated cocoa nearly 4,000 years ago. Launched in 2012, the project focuses on revitalizing more than 1,000 hectares of cocoa farmland in the Chiapas region of southern Mexico. We are investing USD2.8 million over 10 years and expect to encourage more young adults to join the cocoa industry.





### MILTON HERSHEY SCHOOL

Milton Hershey School, founded in 1909 by Milton and Catherine Hershey, is located in Hershey, Pennsylvania. Mr. Hershey donated his entire fortune to the school in 1918 by deeding his Hershey Chocolate Company stock and other assets to the Milton Hershey School Trust, making the school and its students the ongoing beneficiaries of our financial success and linking our two organizations. The Trust remains our largest shareholder.

The school provides free education, housing, food and health care to more than 1,800 underserved children of all backgrounds, from prekindergarten through 12th grade.

The Hershey Company proudly helps the school flourish both through our financial success and equally important direct partnerships with students and house-parents. These include:

- **Project Fellowship: Employees mentor students, providing strong role models and a global perspective**
- **Hershey Honors Authentic Business Management Program: Honors business students learn about consumer research, packaging, advertising, pricing, marketing and other key business topics from Hershey employees during a 35-week course**

### PROJECT PEANUT BUTTER

Severe acute malnutrition afflicts 20 million children and is the largest contributor to child mortality in Africa, killing more than twice as many children as HIV/AIDS and malaria combined.

Hershey is partnering to expand Project Peanut Butter, a revolutionary therapeutic program launched by Dr. Mark Manary, that provides malnourished children with ready-to-use therapeutic foods (RUTF): high-calorie, fortified peanut-butter-like pastes containing monounsaturated fats, which are easy to digest and rich in immune system-enhancing zinc and protein.



Our commitment to strategic environmental and social goals supports our global business performance, just as our financial strength enables us to invest in CSR initiatives.

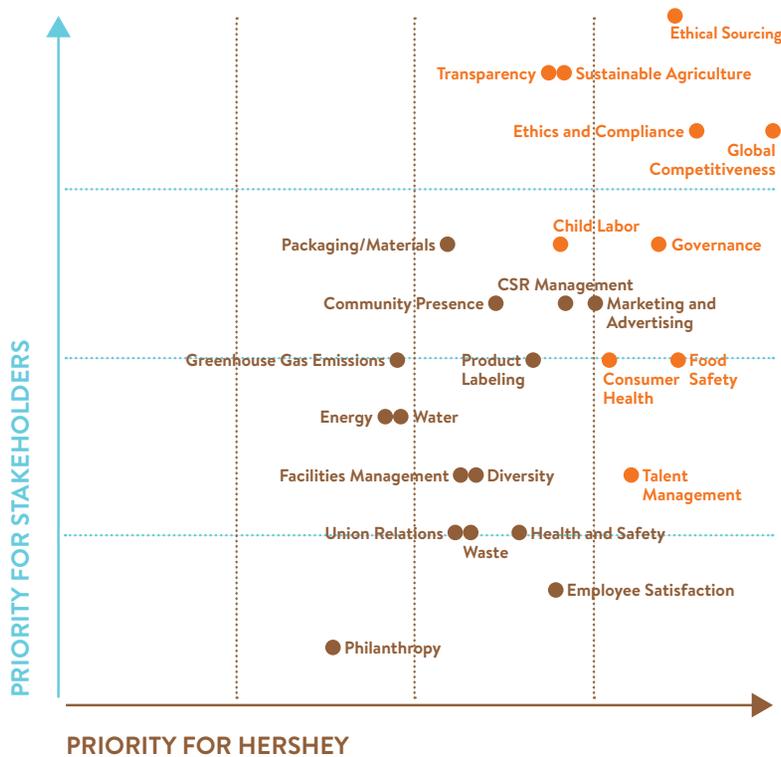
KEY PERFORMANCE INDICATORS	2012	2013
Number of employees worldwide (FT/PT)	11,233/622*	12,275/703*
Number of countries in which our products are marketed	70	70
Number of countries in which our products are manufactured	17	17
Manufacturing facilities (wholly owned/joint venture)	15/2	15/2
Consolidated net sales	USD6.64 billion	USD7.15 billion
Net earnings	USD740.4 million	USD844.32 million
Shareholder return	19.61%	37.37%
Dividends paid	USD341.21 million	USD393.80 million
Diluted earnings per share	USD3.24	USD3.72
Operating cash flow	USD1.09 billion	USD1.19 billion
Operating costs (including interest expense)	USD5.51 billion	USD5.86 billion
Capital additions	USD258.73 million	USD323.55 million
Income taxes paid	USD327 million	USD373.90 million
Worldwide payroll	USD709.62 million	USD735.89 million
Cash donations	USD6.00 million	USD7.27 million
Product donations	USD2.93 million	USD2.13 million
Long-term growth outlook	5–7% annual net sales 8–10% annual EPS (diluted)	5–7% annual net sales 9–11% annual EPS (diluted)
Union representation (approximate)	39%	35%
Number (percentage) of women on executive team	2 (20%)	2 (20%)
Percentage of women on board of directors	1 (10%)	2 (20%)
Percentage of ethnic minorities on board of directors	1 (10%)	1 (10%)
Direct (Scope 1) GHG emissions (metric tons CO <sub>2</sub> e)	115,333	101,007
Direct (Scope 1) GHG emissions (per pound of product produced CO <sub>2</sub> e)	0.15	0.12
Indirect (Scope 2) GHG emissions (metric tons CO <sub>2</sub> e)	258,152	224,738
Indirect (Scope 2) GHG emissions (per pound of product produced CO <sub>2</sub> e)	0.33	0.27
Water use (gallons per pound of product produced)	0.98	0.66
Waste generated (tons) (includes recycling)	35,714	40,078
Total Recordable Incident Rate (TRIR)	1.45	1.81
Days Away, Restricted or Transferred (DART)	0.75	1.09
Lost Workday Incident Rate (LWIR)	0.31	0.63

\*Active Employees in our wholly owned operations as of December 31



## PRIORITY ISSUES MATRIX

In 2013 we conducted our second priority issues analysis to identify areas of key risk and opportunity. The analysis helped us identify and prioritize the issues most important to stakeholders from an economic, financial, environmental or social perspective. The resulting matrix plots the highest-scoring issues (in orange) as priorities for our ongoing business success and ability to effectively manage CSR impacts.



● Priority Issue

## WE'D LIKE TO HEAR FROM YOU

Our performance, summarized here, is discussed in greater detail in the full Hershey Company 2013 Corporate Social Responsibility Report, which is available at [hersheysharedgoodness.com](http://hersheysharedgoodness.com).

We welcome feedback from our stakeholders on both our reporting and our performance. Use the mailing address below to share your comments with us.

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### More about The Hershey Company:

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**HERSHEY**  
THE HERSHEY COMPANY



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