



# SHARED GOODNESS

2016 CORPORATE SOCIAL RESPONSIBILITY REPORT

**HERSHEY'S** 

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This report presents, in two parts, The Hershey Company’s Shared Goodness progress in 2016. The opening section (pages 1–28) highlights seven stories about how we advanced our commitments on priority issues. For those seeking additional information, the second section, (pages 29–87) includes further detail and data about our performance.

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## TO OUR STAKEHOLDERS:

It's an exciting time at The Hershey Company. We are growing our core confection business and expanding our reach into new snacking opportunities. Meeting our consumers' needs through innovation is at the heart of that work, and so is our commitment to operate in ways

that are ethical, responsible, sustainable and community-focused. These are our priorities that we call Shared Goodness.

The initiatives we've undertaken over the past year make Hershey a better place to work, and have also benefited consumers, farmers and children across the world. I am so proud of the thousands of Hershey employees who give their time and talents, both inside and outside of the workplace, for the greater good. The stories you'll read within this report of their passion and purpose reflect the legacy of service and ethical operation instilled by our former leaders, from Milton Hershey to J.P. Bilbrey. As the newest CEO of The Hershey Company, I thank my predecessors for their vision in guiding our extraordinary company, and I look forward to continuing the success of this special company for the next century.

We've made strong progress and some of the sustainability achievements I am proudest of include:

- Achieving 60 percent certified and sustainable cocoa and remaining on track to reach our goal of 100 percent by 2020;
- Expanding our Learn to Grow programs, which help build healthy, productive communities through education, women's empowerment and preventing illegal and forced child labor within our supply chain;
- Reducing our environmental footprint and committing to reduce greenhouse gases, water and waste by an additional 25 percent by 2025;
- Continuing to build Nourishing Minds, our shared social purpose, which provides basic nutrition to help children learn and grow. By expanding our partnerships and programs in Ghana, the United States, Canada and China, we moved closer to our goal of nourishing one million children by 2020.

Our vision is to be an innovative snacking powerhouse. Toward that end, we continue to deliver quality snacking options for our consumers through new acquisitions and innovations. In 2016, we acquired *barkTHINS* premium snacking chocolate, expanded our offerings of all-natural *KRAVE* jerky products and launched snacking extensions of core brands, such as *Reese's* Snack Mix.

In a complex marketplace of shifting consumer preferences, some ventures are not as successful initially as we would like. For example, since launching *SoFit*, a new line of complete-protein products, we have gained insights that have focused the product line and led us to improve the formulation for relaunch in the future. We understand these are the types of developments that come with an innovation-driven mindset, and they provide learning opportunities that, in the long run, drive our continued success.

In 2016, we also remained focused on creating an engaging, flexible and diverse workplace that attracts and retains the best talent through a mix of outreach, new initiatives and policy improvements. As Hershey's first female CEO, I can personally attest to the company's commitment to equal opportunity and valuing everyone's contribution, hard work and bold ideas.

Delighting our consumers while bringing goodness to one another and the world is our North Star. We're excited to continue our journey to make our company's success—and the world's communities—more sustainable than ever before. I invite your thoughts on how we can continue to make this vision a reality.

**Michele Buck**  
PRESIDENT AND CEO  
THE HERSHEY COMPANY



## FROM OUR CHAIRMAN:

As I transition into my new role as chairman of the Board of Directors, I'd like to take a moment to say thank you for the honor of serving as CEO for six years and for my nearly 15 years as an employee of The Hershey Company. I look forward to our

continued progress under Michele Buck, our new CEO and a proven leader in whom I have great confidence.

Looking back at what I am most proud of during these past years—and ahead to the places where we can do more good in the world—three legacies stand above the rest: our increasingly diversified product portfolio, our commitment to greater ingredient simplicity and transparency, and the launch of Nourishing Minds. Each has greatly benefited the company and our stakeholders, and all have more room to grow:

- The Hershey Company's marketplace leadership is reflected by our powerful brands, such as *Hershey's*, *Reese's*, *Kit Kat*®, *Kisses* and *Ice Breakers*, which allow us to deliver against a broad range of consumer preferences and remain a leader in our category. At the same time, we are pursuing exciting new opportunities to continually diversify our portfolio and establish a strong presence across snacking through both innovation, such as *Hershey's* Cookie Layer Crunch, and acquisitions, such as *barkTHINS*.
- Our commitment to simple ingredients is part of our heritage, from the time we started making chocolate in 1894 using cocoa, milk and sugar. Today we are continuing that tradition to ensure that current and future generations can enjoy that same pure and simple experience. In 2016, we further expanded our commitment to ingredient transparency and simplicity. More of our iconic brands now contain no artificial ingredients, and we rolled out our user-friendly SmartLabel™ to more products across our portfolio.

- I am especially pleased to see the growth and reach of Nourishing Minds. Over the past two years, it has made a notable difference in the lives of tens of thousands of children all around the world who might otherwise not have a way to get the nutrition they need to help them reach their potential. Ultimately, Nourishing Minds is more than just philanthropy. It is embedding the Hershey purpose of "Bringing Goodness to the World" further into how we do business to make an indelible impact.

All of this is possible because of our greatest asset, the remarkable people that make Hershey so special. Their dedication, commitment and hard work each and every day have made all the difference. I am grateful to them and our communities for their partnership and collaboration that will help us attain our corporate social responsibility goals and our other critical business priorities.

I look forward to continuing my service to The Hershey Company and our stakeholders by working closely with the distinguished members of our Board of Directors. I leave the CEO role knowing the leadership of our company and our deep commitment to corporate responsibility are in the hands of a highly capable and successful leader and a team of remarkable employees.

**J.P. Bilbrey**

CHAIRMAN, BOARD OF DIRECTORS  
THE HERSHEY COMPANY

# About **HERSHEY SHARED GOODNESS**

ESTABLISHED IN 1894, The Hershey Company is a global confectionery leader known for bringing goodness to the world through chocolate, sweets, mints and other great-tasting snacks. We are the largest producer of quality chocolate in North America and a leading snack maker in the United States. We market, sell and distribute our products under more than 80 brand names in approximately 70 countries worldwide.

## OUR APPROACH

We are a purpose-driven company. Our Shared Goodness approach reflects our conviction that strong company performance is intrinsically linked to responsible and sustainable operations. Our deep commitment to operating our business with the highest ethical standards is embedded in our culture and codified through our company's [Code of Conduct](#), which is shared with all employees, available to our business partners and stakeholders, and underscores the standards by which we operate. We use this model as a filter through which to evaluate and prioritize our existing commitments and new opportunities. We also use it to help guide our support of the United Nations Sustainable Development Goals.

The goal of Shared Goodness is to create Good Business, a Better Life and a Bright Future for our stakeholders. 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. The shared goals of a Better Life and Bright Future, in turn, benefit the communities upon which we rely and deepen our sense of purpose and teamwork, thus motivating and enhancing our Good Business performance.

## THE POWER OF PARTNERSHIPS

We can drive meaningful action toward Good Business, a Better Life and a Bright Future by working closely with key stakeholders and partners across our entire value chain. Through meaningful communication, shared learning and active support, we strive to take steps at each stage that will increase resource efficiencies, improve performance and reduce our environmental footprint. In this way, we will be better positioned to manage risk, engage our customers and consumers, and build ongoing credibility and trust.

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## OUR VALUE CHAIN

Our value chain map represents Hershey's primary range of activities that generate business value, from the development or acquisition of new products to the collection of consumer feedback.



# 2016 AWARDS & RECOGNITION

We were proud to be honored in 2016 with the following independent awards and recognitions for our efforts to promote Shared Goodness for all:

- **“The World’s Most Reputable Companies 2016”** by *Forbes*
- **No. 2 on the Top 100 Powerful Brands** in the United States by Tenet Partners CoreBrand® Index three years in a row
- **Dow Jones Sustainability Indexes**—for North America (for the 5th year) and the World (for the 4th year)
- **100 Best Corporate Citizens** by *Corporate Responsibility* magazine
- **No. 3 on 2016 Newsweek U.S. Green Rankings**
- **100 percent rating as one of the “Best Places to Work for LGBT Equality”** in the Human Rights Campaign 2016 Corporate Equality Index
- **2016 Leading Disability Employer Seal™** awarded by the National Organization on Disability
- **No. 3 in DiversityInc’s 2016 Top 10 Companies for Veterans**
- **No. 22 in DiversityInc’s 2016 25 Noteworthy Companies**
- **No. 33 on Reputation Institute’s 2016 US RepTrak® 100 Most Reputable Companies** in the United States
- **No. 66 on Reputation Institute’s 2016 Global RepTrak® 100 Most Reputable Companies** in the World
- **2016 Civic 50 Honoree** by Points of Light, the world’s largest organization dedicated to volunteer service
- **2016 Collaboration Force for Good Award from the Committee Encouraging Corporate Philanthropy**, presented to former President and CEO, J.P. Bilbrey
- **Benjamin Botwinick Prize in Business Ethics from Columbia University**, presented to former President and CEO, J.P. Bilbrey



# INNOVATING *beyond* CONFECTION

AS CONSUMER TASTES AND NEEDS CHANGE, it's essential that we extend our legacy of innovation and learning. That includes expanding the strength and boundaries of our core confection brands to capture new snacking opportunities, as well as entering new snack categories.

Today, our drive to innovate means, among other things, a focus on "snackfection"—new products at the intersection of snacking and confection. For example, we are making chocolate snackable by including ingredients that add surprising tastes and textures and by packaging our products in convenient new forms.

We are also listening to consumers who are asking for better-for-you snacks made with simple, certified and non-GMO ingredients. We are building our portfolio of "craft" brands and expanding their availability into natural, organic and specialty retail channels.



## IF AT FIRST YOU DON'T SUCCEED...

With a keen eye for opportunity, our founder, Milton Hershey, expanded into the chewing gum market in 1915. Despite the initial success of *Hershey's* Chewing Gum, demand eventually waned, and import restrictions in 1921 made it harder to get ingredients. The gum was discontinued in 1924.

Although unsuccessful at first, this is a good example of Mr. Hershey's fierce pursuit of unconventional ideas and of pushing new boundaries. We carry forward that spirit of bold innovation in our company today. In fact, it has led to some of our greatest successes, including the reintroduction of gum through our *Ice Breakers* and other gum brands.

# Building a Snacks Portfolio

*Scaling ideas that work is integral to successful innovation.*

## BARKTHINS

In response to consumer trends toward snacking and wholesome ingredients, in 2016 we acquired the company that makes *barkTHINS*, a snacking chocolate in resealable pouches. This emerging craft brand contains high-quality simple ingredients. It has also allowed us to expand our portfolio and sales capability into new premium retail channels.

## KRAVE

*KRAVE* is our line of artisanal-style meat snacks. Following our acquisition of *KRAVE* Pure Foods, Inc., in 2015, one of the key lessons we applied to grow the brand was prioritizing speed to market. Seeing an opportunity for more innovation in the meat snacks category, we fully commercialized *KRAVE* Sticks in less than 10 months.

## SNACK MIX

Aware that our consumers were looking for on-the-go-snacking with both sweet and salty elements, in 2016 we launched *Snack Mix* lines with two of our most iconic brands, *Hershey's* and *Reese's*. We then built on that idea by expanding our *Snack Mix* brand to new flavors, including *Take5* and *Almond Joy* *Snack Mixes*.





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### SIMPLE INGREDIENTS

If you check the label of a 1.55-ounce *Hershey's* Milk Chocolate Bar, you'll see just seven simple ingredients: sugar, milk, chocolate, cocoa butter, milk fat, soy lecithin and natural flavor.

# SIMPLY UNWRAPPED

UNWRAPPING A *HERSHEY'S* MILK CHOCOLATE BAR can inspire happiness at any age. For parents and caregivers, that happiness now includes the knowledge that more of the Hershey products they purchase are made with simple and responsibly-sourced ingredients.

Our transparency and sourcing efforts seek to ensure that the trust and goodness that comes with eating Hershey treats and snacks only grows over time.



We use 100 percent farm-fresh milk to make delicious *Hershey's* Milk Chocolate. [See how!](#)



In 2016, we introduced *Hershey's Simply 5* Syrup with five simple ingredients on the label: cocoa, water, natural vanilla flavor, pure cane sugar and organic invert cane syrup.



### UNWRAPPING SIMPLICITY

Today's consumers want to know what they're eating, and they want to be able to pronounce the ingredients in their food. So we have begun using fewer and simpler ingredients in our most iconic products, all without compromising Hershey's classic flavors and textures.

We started with *Hershey's* Milk Chocolate Bars, *Hershey's Kisses* Milk Chocolates and *Hershey's Nuggets* Milk Chocolates. We went from artificial vanillin to natural vanilla flavor and replaced a common ingredient that aids in the flow of chocolate, called polyglycerol polyricinoleate, with cocoa butter and milk fat.

### HERSHEY'S DEFINITION OF SIMPLE INGREDIENTS:

*no artificial flavors,  
no artificial preservatives,  
no artificial sweeteners,  
and using only colors  
from natural sources.*



*“What an excellent idea! Technology can give us so much more information about ingredients than a label.”*

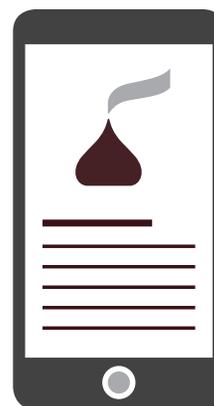
Lynne Santalucia

VIA EMAIL, ABOUT THE INTRODUCTION OF SMARTLABEL™



### UNWRAPPING KNOWLEDGE

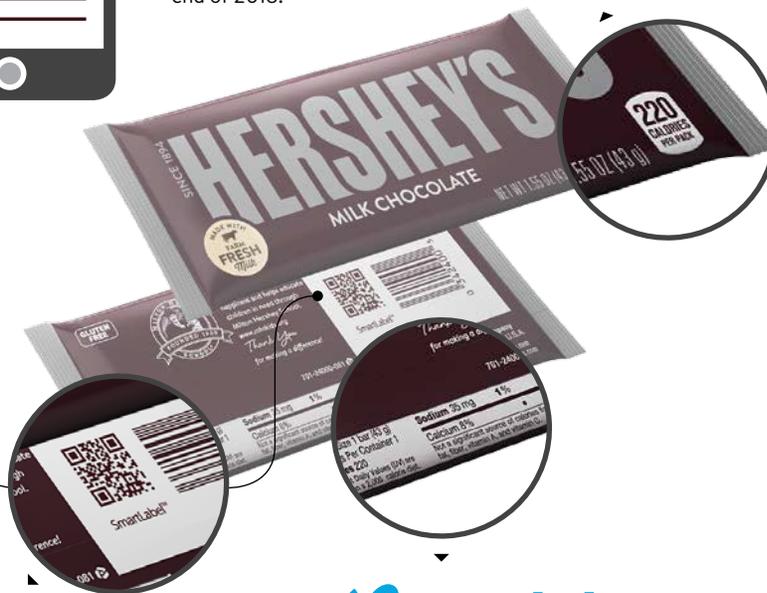
In the 1970s, The Hershey Company was one of the first U.S. companies to voluntarily provide nutrition information on food packages. Today, we're still ahead of the curve. In response to consumers' higher expectations for transparency when it comes to the foods they eat, we're proactively redesigning our labels and developing mobile and web technology to provide detailed information in real time.



## Clear

### EASY-TO-SEE ICONS

Consumers want to be able to easily find nutritional information on food packages, so we are now including a clearly visible icon system on the front of our labels. About 70 percent of our products have them now; we are committed to voluntarily including them on approximately 90 percent of all our U.S. products before the end of 2018.



## Smart

### MOBILE ACCESS

Our **SmartLabel™**  uses a Quick Response (QR) code to go beyond the product label, offering detailed ingredient descriptions and information about third-party certifications. It's technology we helped pioneer and are placing on all U.S. products by the end of 2018.

## Complete

### ALL THE FACTS

We're updating our Nutrition Facts label in response to new FDA requirements. Our revised labels will include total sugars and added sugars in grams and the amount of added sugars expressed as a percentage of the Daily Value (%DV).



# *Growing* **COCOA** *for Good*

**60%**  
OF HERSHEY COCOA IS  
NOW CERTIFIED AND  
SUSTAINABLE

OUR GOAL IS 100%  
CERTIFIED COCOA BY  
**2020**

COCOA IS ONE OF THE MOST IMPORTANT INGREDIENTS we use at The Hershey Company, so its long-term availability—and the well-being of the communities that cultivate it—is a top priority.

In late 2012, we committed to purchasing 100 percent certified and sustainable cocoa by 2020. At the end of 2016, we were more than halfway to our goal, certifying 60 percent of our cocoa as sustainable. But to truly make cocoa “sustainable,” certification alone is not enough. We have also been creating programs and initiating partnerships that allow us to bring agricultural best practices, health and community infrastructure, and entrepreneurship education to cocoa communities.

Taken together, these approaches are helping advance sustainable farming practices while improving living standards for cocoa farmers, and their communities, across our cocoa supply chain.



**"I WAS VERY HAPPY TO ATTEND THE LEARN TO GROW TRAININGS AND LEARN NEW WAYS TO EARN MORE INCOME WHILE ALSO PROVIDING MORE FOOD FOR MY FAMILY."**

**Ruth Mensah**

FARMER IN THE DUNKWA COCOA DISTRICT OF GHANA AND LEARN TO GROW PARTICIPANT

### **INCREASING YIELDS AND ENTREPRENEURSHIP**

Ruth Mensah is a farmer in the cocoa-growing Central Region of Ghana and a participant in Hershey's Learn to Grow agricultural training and empowerment program. Beyond helping increase Ruth's cocoa productivity, the Learn to Grow program has also helped her reimagine the possibilities of her farm and earning potential through the development of other crops, such as cassava and plantains.

For example, at the site of the community's cocoa seedling nursery, Ruth has learned how to regenerate the lateral shoots of parent plantain plants in a temporary greenhouse, which has increased her yields and allowed her to sell new plantain plants to other farmers. The program has also given Ruth new business skills and trained her in entrepreneurial approaches. Following her training, she organized other women in her community to begin a new venture in the rearing and selling of snails, which has not only added an important source of protein to the community's diet, but has been a great source of additional income for the group as well.

**LEARN TO GROW REACHES MORE THAN 48,300 FARMERS ACROSS COTE D'IVOIRE, GHANA AND NIGERIA.**



### CLIMATE CHANGE AND COCOA

In addition to helping cocoa farmers like Ruth identify new opportunities, Hershey is also helping them address emerging agricultural risks. In 2016, we joined The World Cocoa Foundation's (WCF) Climate Smart Cocoa Program to strengthen public and private sector collaboration in addressing the threat that climate change poses to cocoa communities.

WCF will launch a series of pilot programs in the cocoa sector to develop best practices in climate change adaptation, such as using drought-resistant planting material. Hershey plans to incorporate this type of climate-smart agriculture curriculum into our Learn to Grow farmer training programs and outreach, including through CocoaLink, a Hershey-developed program that uses low-cost mobile technology to deliver practical agricultural and social information to rural cocoa farmers in West Africa.



### TRANSPARENCY IN SOURCING

At Hershey, transparency about our responsible sourcing practices is extremely important to us. In March 2017, we launched [Sourcemap](#), a web-based tool that provides visibility into our supply chain by letting users trace the source location where our ingredients are grown or made for two of our most iconic products: *Hershey's Milk Chocolate with Almonds* and *Reese's Peanut Butter Cups*. Users can click to learn more about our sourcing approach and how ingredients are grown and harvested.

Fold Here!

# Unpacking SUSTAINABILITY

HERSHEY'S REACH TOWARD simplicity applies not just to our ingredients, but also to our packaging and display-ready case model at the retail level. Thanks to some outside-the-box thinking, in 2016 we reimagined our packaging approach to reduce corrugate waste, lessen our carbon footprint and improve sustainability efficiencies across our supply chain. This innovative approach has also helped us achieve savings, reduce our retail customers' display setup time and improve safety—all while creating a better shopping experience for our consumers.

Simplifying our display cases is just one part of the bold "25 by 25" sustainability goals we launched in 2016. These aim to reduce our greenhouse gas (GHG) emissions, water use and waste by 25 percent, and reduce packaging material by 25 million pounds, by 2025, all measured against 2015 levels.

**25 by 25**  
SUSTAINABILITY GOAL

**OUR GOAL: REDUCE  
25 MILLION POUNDS  
OF PACKAGING MATERIAL  
BY 2025**

Since 2014, Hershey has saved more than 9 million pounds of packaging material.



Made from 100% recycled cardboard



From choosing materials to printing graphics, our packaging engineers design with efficiency in mind.

## NEW DESIGN FEATURES

- One-piece design with no cover packaging
- Integrated stacking “shelf” for more stable end-cap execution
- Patent-pending easy-open window without perforation
- Elimination of the center divider for better presentation
- “Late stage box differentiation” through labels versus pre-printing
- Enhanced print and digital design

### RETAIL-READY PACKAGING

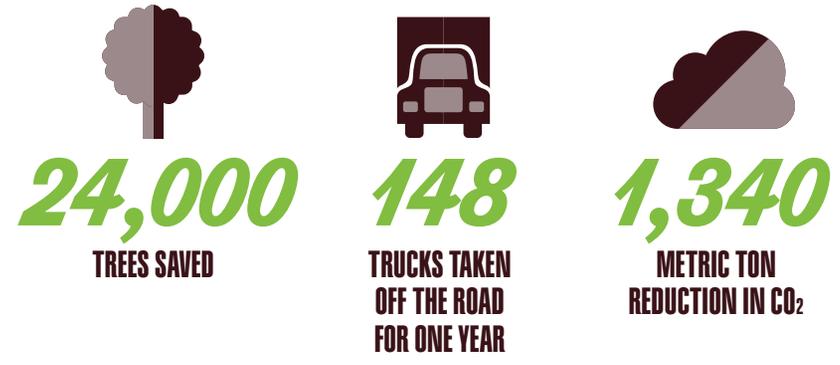
We needed a way to make our packages simpler, less cumbersome to ship and easier for retail associates and sales representatives to unload and position in the store. Once finalized, we moved quickly to bring our solution to market, executing it ahead of schedule with our first retail partner, Walmart, and launching in time for the 2016 Halloween and Holiday seasons.

### EFFICIENCY WINS

Walmart found that its associates needed approximately 62 percent less time to open and set up Hershey’s new cases. And, because associates no longer need to use knives to open the cases, Walmart’s worker safety has also improved.



**OUR NEW PACKAGING USES 3.12 MILLION FEWER POUNDS OF CORRUGATE. THAT’S EQUIVALENT TO:**



**“HERSHEY IS SETTING THE STANDARD FOR OTHER WALMART SUPPLIERS AND IS GOING TO HELP THE CATEGORY GET TO WHERE IT NEEDS TO BE.”**

Melody Rich  
 SENIOR BUYER OF SEASONAL CANDY AT WALMART

# BUILDING A BETTER WORKPLACE *together*



HERSHEY'S CULTURE, including our deep commitment to inclusion and flexibility, is a competitive advantage. We are continually in the process of co-creating a compelling workplace with—and for—our employees.

In 2016, we introduced SmartFlex, a suite of policies and practices to create a mindset for balancing work and personal time that encourages and empowers our people to make smart choices for themselves and for Hershey's business.

Including employee voices is essential when we develop new workplace policies, such as SmartFlex. Hershey's Business Resource Groups (BRGs)—which create professional development and inclusion opportunities for diverse groups of employees—are an important asset to our planning.

Our eight BRGs provide a platform for employees to learn from one another, to value and appreciate all skills and experiences, and to recognize the commonalities and differences that truly enrich our workforce.

Hershey employees Erika Vidal-Faulkenberry, Joe Wolfe and Jeffrey Janney.

"Hershey understood that 'flexibility' means different things for different people."



#### INCLUSIVE AND FLEXIBLE

"When I started my job at Hershey eight years ago, I had a three-month-old daughter. On my very first day, I was shown to a private, comfortable room designated exclusively for nursing mothers, which is such a wonderful benefit. I always felt supported by my manager and team whenever I needed more flexibility in my schedule to care for my daughter.

I am now a co-leader of the Latino BRG and a member of the Women's BRG. I am happy to see that the flexibility I experienced years ago as a new employee has now been formalized officially through SmartFlex. I am also pleased that Hershey understood that 'flexibility' means different things for different people, whether it be working from home, enjoying a more relaxed dress code or expanding parental leave for new parents."

#### Erika Vidal-Faulkenberry

DIRECTOR, GLOBAL CUSTOMS & TRADE COMPLIANCE

#### SMARTFLEX BENEFITS:

##### Parental Leave

A total of six weeks of consecutive paid time off OR a total of 15 days of flexible paid time off for all full-time salaried U.S. employees.

##### Flex Tech

Utilizing new technologies and personally owned devices to provide employees secure access to company systems from work or home.

##### Flex Time

Salaried employees choose how best to manage their work time based on work priorities and personal commitments.

##### Flex Dress

Employees may use their own judgment to dress appropriately for the events of their workday.

"One of the principal reasons I wanted to come back to Hershey was their welcoming culture and support for military reservists."



### LISTENING TO OUR EMPLOYEES

"I started with Hershey as an intern and have now been full-time for almost two years. As a 10-year Air National Guardsman who plans to serve at least another 10, one of the principal reasons I wanted to come back to Hershey was their welcoming culture and support for military reservists. In the military, we are so appreciative of families and friends who support our mission. Often overlooked, though, are the positive impacts that supportive workplaces and great civilian leaders can have on our careers and well-being.

Hershey genuinely listens to their employees, and SmartFlex is a great example of that. When an unplanned mission comes up that requires travel, it's reassuring to know that I have the flexibility to work remotely on a schedule that suits my needs. I'm also an active member of Hershey's Veterans Business Resource Group (VBRG). In 2016, our Human Resources team collaborated with and sought consultation from the VBRG on the review and eventual restructuring of our military leave policy. Employee well-being is a large part of Hershey's strategy, and in the VBRG, we continue to tie our annual planning back to company strategy and workplace experience."

#### Jeffrey Janney

HUMAN RESOURCES LEADERSHIP  
DEVELOPMENT PROGRAM

### DIVERSITY RECOGNITION FOR HERSHEY:

**100%** rating from the Human Rights Campaign (HRC) for the third consecutive year.

One of HRC 2016 Corporate Equality Index's **"Best Places to Work for LGBT Equality."**

**National Organization on Disability Seal** for increasing employment opportunities for individuals with disabilities.

In 2016, Hershey was one of DiversityInc's **"25 Noteworthy Companies,"** and was ranked No. 3 in DiversityInc's **2016 Top 10 Companies for Veterans.**

"I was one of the first fathers at Hershey to take advantage of the new parental leave component of SmartFlex."



#### **BALANCING WORK AND LIFE**

"As a parent of a newborn child, it's hard to take a step back and enjoy the fleeting moments—especially when you're working full time. When my wife, Nikki, and I welcomed our daughter, Lily, last summer, I didn't want to miss out on anything in those first days.

I was one of the first fathers at Hershey to take advantage of the new parental leave component of SmartFlex. My manager was very supportive in discussing my concerns and designing a plan that worked for my situation and schedule. Being able to take 15 days off intermittently really helped me better balance work and life.

This opportunity helped immensely with my bonding period as a new dad, not just with Lily, but with my wife as well. It also allowed me to do the right thing for my family and is a reminder of why I want to continue to build my career at Hershey."

**Joe Wolfe**  
FACILITIES PLANNER



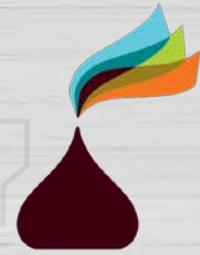


# *Bringing* **GOODNESS** *to the World*

## OUR EMPLOYEES' PASSION MAKES FOR BETTER COMMUNITIES—AND A MORE INSPIRED WORKPLACE

WE SEE OUR TEAM AS CATALYSTS WHO can accomplish remarkable things together, whether it's packing meals for underprivileged children or creating our next great snack brand. While this takes hundreds of forms each year, one of the most special ways in which our role as catalysts comes to life is through Good to Give Back Week, our coordinated global week of service, which marked its fourth consecutive year in 2016.

Events ranged from supporting community gardens to helping at summer camps for children with special needs. For three of our most notable activities—which benefited people in Haiti, India and the Philippines—we partnered with [Rise Against Hunger](#), an international hunger relief nonprofit that coordinates the packaging and distribution of food for those who need it most in the developing world.



# I'M GIVING BACK

GOOD TO GIVE BACK WEEK

1

Week

22

Events

1,114

Employees

3,917

Volunteer Hours

*Three locations*  
**ONE MISSION**



**FROM HERSHEY TO HAITI**

On a late summer's day in Hershey, Pennsylvania, 702 employee volunteers packed 285,120 meal kits consisting of rice, vegetables, soy, and vitamins and minerals, and loaded them into shipping containers.

A short time later in Haiti, workers from the nonprofit development organization, Cross International, unloaded the pallets and began delivering the meal kits to local schools. As part of each school's daily lunch, the balanced meals are designed to provide students with critical nutrients that support focused learning.



Above: The schoolchildren in Haiti who received the meals packed by Hershey employees.

**285,120**  
MEAL KITS DELIVERED

**“THE MEALS DONATED BY HERSHEY FOR SCHOOL FEEDING PROGRAMS HELP CHILDREN LEARN. THEY ALSO PROVIDE AN INCENTIVE TO ATTEND SCHOOL AND GAIN THE EDUCATION NEEDED TO TRANSFORM THEIR LIVES. THESE IMMEDIATE AND LONG-TERM BENEFITS ARE PATHWAYS TO SUSTAINABLY ENDING HUNGER.”**

**Rod Brooks**  
CEO, RISE AGAINST HUNGER

### HERSHEY INDIA GIVES BACK

On the same day that Hershey employees in Pennsylvania were packing meals for Haiti, two more Hershey teams gathered on the other side of the globe to help pack meals for hungry children and families in their own countries.

More than 40 employees came together in Mumbai to pack 10,000 meals for local street children in under two hours.



**10,000**  
MEAL KITS DELIVERED

**46,000**  
MEAL KITS DELIVERED

**“THE MEALS WE PACKED WENT TO TWO ORPHANAGES AND A SCHOOL IN MUMBAI THAT SERVE MORE THAN 300 STREET CHILDREN. IT WAS THE MOST REWARDING FEELING IN THE WORLD KNOWING THAT WE CAN MAKE A DIFFERENCE IN ENDING THEIR HUNGER. NOW I AM CARRYING THAT ENERGY AND MOTIVATION BACK WITH ME TO WORK EVERY DAY.”**

Wahid Shaikh  
HERSHEY INDIA

**“EVEN ONE MEAL A DAY FROM MEAL PACKAGES OVER A MERE 20 DAYS CAN LEAD TO A WEIGHT GAIN OF AT LEAST ONE AND A HALF KILOS AND IMPROVED OVERALL HEALTH STATUS. PARENTS ARE SURPRISED TO SEE THAT THEIR KIDS ARE NOT SICK AS OFTEN.”**

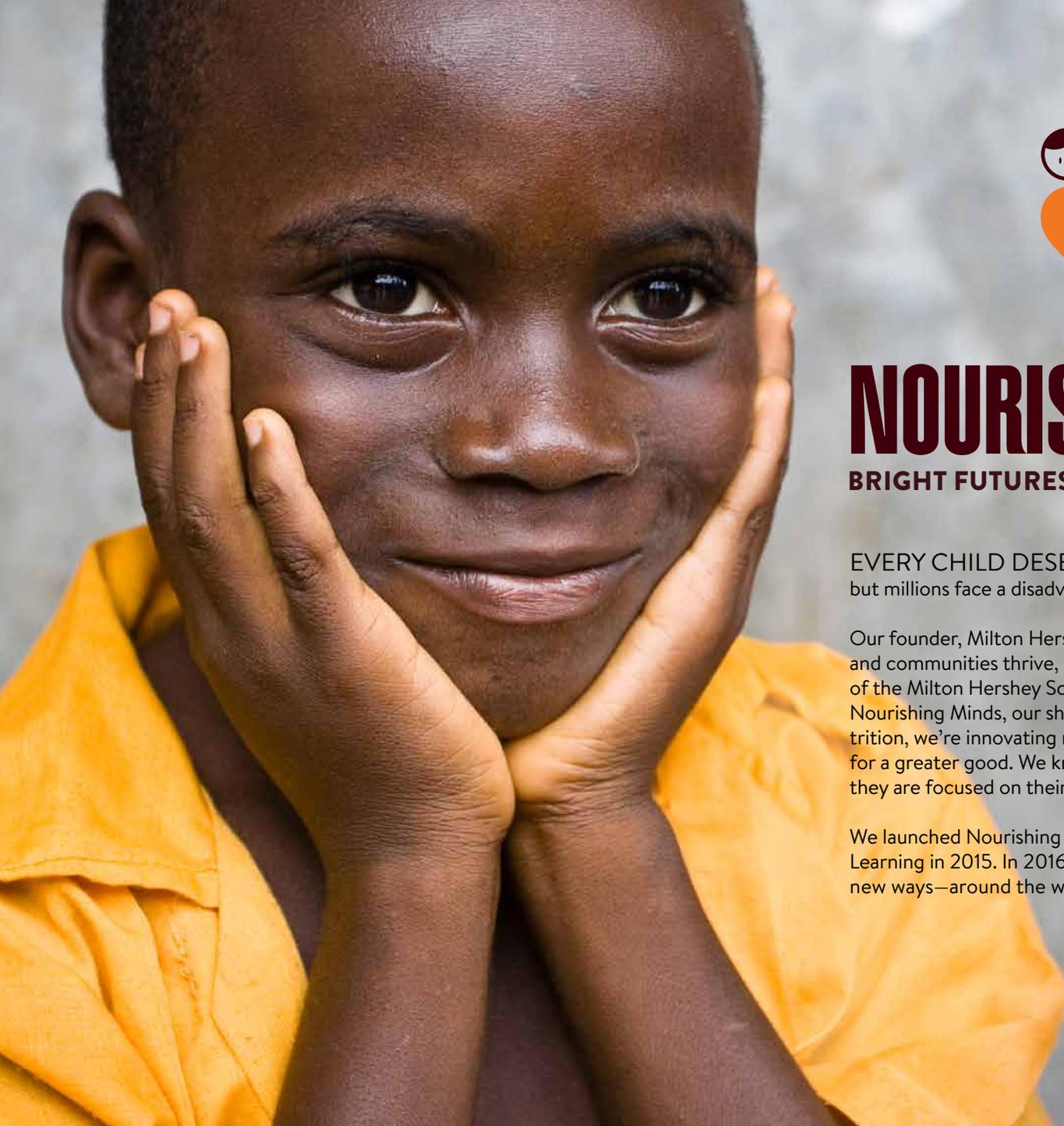
Anna Leah Sarabia  
GOTA DE LECHE



### MEALS FOR THE PHILIPPINES

Meanwhile, in the Philippines, 60 employees came together to pack meals destined for Gota de Leche, a local nonprofit in Manila that provides medical care and other support for impoverished mothers and children.

While the more than 340,000 meals packed by Hershey employees during one week in July 2016 are small compared to global needs, they represent a tangible way in which our positive impacts are growing steadily.



# NOURISHING MINDS

**BRIGHT FUTURES START WITH BASIC NUTRITION**

EVERY CHILD DESERVES A CHANCE AT A BRIGHT FUTURE, but millions face a disadvantage in school because they lack proper nutrition.

Our founder, Milton Hershey, had a deep commitment to helping children and communities thrive, which our company has embodied since the creation of the Milton Hershey School. Today, we are building on that focus through Nourishing Minds, our shared social purpose. Beyond providing access to nutrition, we're innovating new products and sustainable food systems for a greater good. We know it's hard for kids to focus on their studies when they are focused on their stomachs.

We launched Nourishing Minds in West Africa with a program called Energize Learning in 2015. In 2016, we brought it to life in new communities—and in new ways—around the world.



Learn more [↗](#) about Energize Learning.

# Ghana

In Ghana, malnutrition and anemia among children are persistent challenges that reduce their ability to learn.

Realizing that we could apply our food knowledge to make a difference, in 2015 we launched our Energize Learning program in partnership with the Ghana School Feeding Program and Project Peanut Butter. Together, we developed ViVi, a peanut-based, vitamin- and mineral-fortified supplement that delivers up to 25 percent of the daily caloric value in a child's diet.

ViVi has helped improve the basic nutrition of 50,000 Ghanaian children each day. As a result, we are already seeing improvements in the lives of these students.

Preliminary research conducted in 2016 by the University of Ghana showed reductions in levels of anemia in children receiving ViVi compared with a control group of students at other schools. In addition, teachers and principals indicate that students are coming to class earlier and staying at school to receive the ViVi supplement.



**50,000**  
KIDS RECEIVE ViVi  
EVERY DAY



**"ViVi GIVES ME ENERGY AND WISDOM TO LEARN,"**  
says Amazing Grace Akosah, a student in Dunkwai, Ghana, who shared this drawing that depicts how ViVi has made a positive impact in her learning.



## United States

Our headquarters in Hershey, Pennsylvania, are in the Derry Township School District, where it is estimated that more than 600 children, or one in six, face food shortages and hunger.

We work with our anchor partner Feeding America and local food banks to help ensure community organizations like COCOA Packs—founded by a mom in 2015 to benefit local children that she knew were going to bed hungry—can best serve their communities.

Hershey is a founding sponsor of COCOA Packs. During this past year, the program has helped ensure that more than 200 students have food on weekends during the school year, and that more than 100 students receive extra nutrition over the summer.



**“FOOD AND NUTRITION PLAY SUCH AN IMPORTANT ROLE IN DEVELOPING THE BODIES AND MINDS OF CHILDREN. COCOA PACKS PROVIDES A LITTLE EXTRA FOR FAMILIES, AND MOST IMPORTANTLY, FOR CHILDREN WHO MIGHT NEED A LITTLE MORE, ESPECIALLY ON THE WEEKENDS.”**

**Jessica Zentner**  
KINDERGARTEN TEACHER,  
HERSHEY EARLY CHILDHOOD CENTER,  
PENNSYLVANIA, USA

The drawings on this page were created by children in the United States, Canada and China, respectively, depicting how Nourishing Minds programs make a difference for them.

## Canada

In 2016, we launched Nourishing Minds in Canada in partnership with Food Banks Canada. Together, we created Food Explorers, a new program that helps schoolchildren build knowledge and confidence around food and nutrition. As kids learn basic kitchen skills and enjoy preparing and eating delicious meals, they develop abilities that will serve them for the rest of their lives.

**“FOOD EXPLORERS IS EMPOWERING YOUTH TO BUILD FOOD SKILLS AND HELP FAMILIES STRETCH THEIR FOOD DOLLARS. FOSTERING KNOWLEDGE OF NUTRITION WILL CREATE A GENERATION OF CITIZENS INVESTED IN THE FUTURE OF FOOD, FARMING AND THEIR OWN COMMUNITIES.”**

**Meghan West**  
COMMUNITY KITCHEN COORDINATOR,  
AIRDRIE FOOD BANK IN ALBERTA, CANADA



## China

In the Henan Province of China, one in four children suffer from anemia, and there are often very limited school kitchen facilities. Partnering with the China Foundation for Poverty Alleviation, in 2016 our team provided 11 school canteens with modern cooking and food storage equipment, making it possible for the schools to provide fresh, healthier meals with more variety.

**“BEFORE, CHILDREN HAD TO GO HOME FOR LUNCH, WHICH REDUCED STUDY TIME AND DID NOT GUARANTEE A NUTRITIOUS MEAL. NOW, WE PREPARE A BALANCED MEAL THAT HAS IMPROVED THEIR HEALTH AND SUCCESS.”**

**Yongcai Dong**  
KITCHEN ADMINISTRATOR,  
FUJING PRIMARY SCHOOL,  
SHENQIU COUNTY OF ZHOUKOU CITY, CHINA

# PERFORMANCE SUMMARY

	2016	2015	2014
<b>Financials<sup>1</sup></b>			
Number of countries in which our products are marketed	70	70	70
Number of countries in which our products are manufactured	7	10	17
Manufacturing facilities (wholly owned/joint venture)	18/1	19/1	19/2
Consolidated net sales (US\$ million)	7440	7387	7422
Shareholder return	18.7%	12.0%	9.1%
Dividends paid (US\$ million)	501.6	476.1	440.4
Diluted earnings per share	\$4.41	\$4.12	\$3.98
Income taxes paid (US\$ million)	425.5	368.9	384.3
Worldwide payroll (US\$ million)	752.3	786.2	779.5
One-year net sales growth	0.7%	-0.5%	3.9%
<b>Workforce<sup>1</sup></b>			
Number of employees worldwide (Full-time/Part-time) <sup>2</sup>	17,980 (16,300/1,680)	20,710 (19,060/1,650)	22,450 (20,800/1,650)
Union representation (approximately)	31%	29%	25%
Number (percentage) of women on Executive Committee	3 (27%)	3 (27%)	2 (20%)
Number (percentage) of women on Board of Directors	2 (18%)	2 (17%)	2 (18%)
Number (percentage) of racial minorities on Board of Directors	1 (9%)	1 (8%)	1 (9%)
Number (percentage) of Board of Directors members over 50 years old	11 (100%)	12 (100%)	11 (100%)
Total Recordable Incident Rate (TRIR)	1.47	1.56	1.69
Days Away, Restricted, Transferred (DART)	0.93	0.75	1.00
Lost Workday Incident Rate (LWIR)	0.33	0.41	0.45
Total fatalities (work-related)	0*	0	0
Total hours of employee training (whole company)	247,145	228,921	312,220

<sup>1</sup> Data is as of December 31 of the reporting year

<sup>2</sup> Active employees in our wholly owned operations

\* Hershey uses U.S. OSHA standards for classifying work-related injuries and illnesses. An employee death that occurred in China from natural causes is not considered a work-related incident under OSHA standards, but was classified as work-related in China.



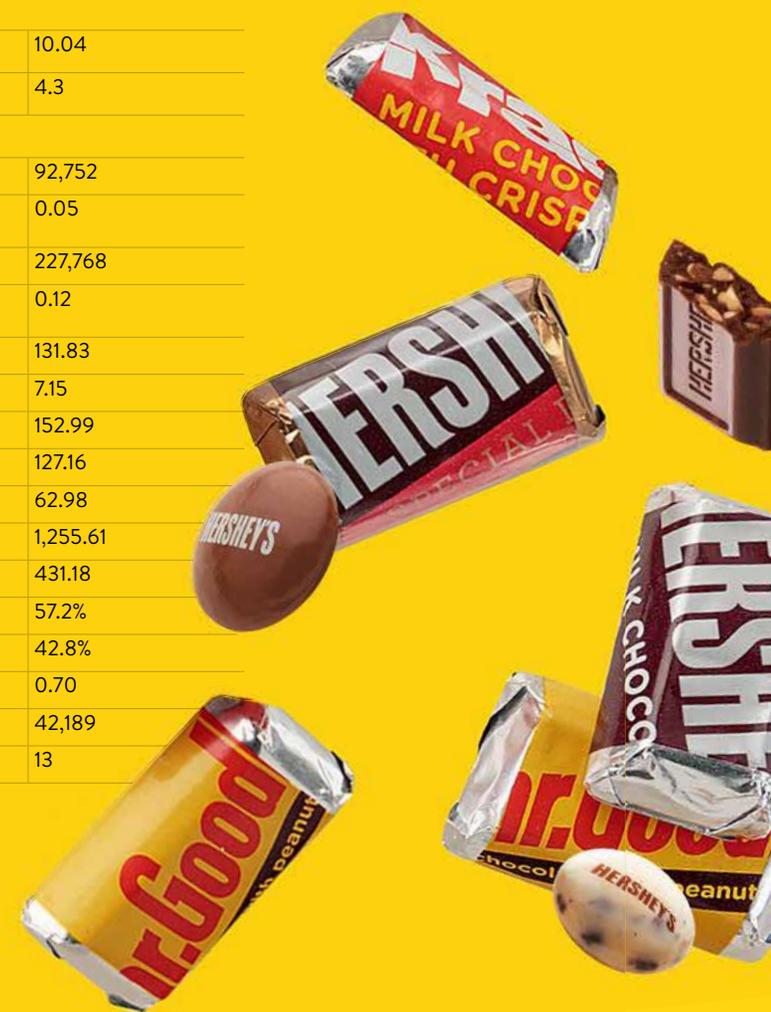
# PERFORMANCE SUMMARY

	2016	2015	2014
<b>Community<sup>1</sup></b>			
Cash donations (US\$ million)	10.07	10.64	10.04
Product donations (US\$ million)	6.2	10.1	4.3
<b>Environment<sup>1</sup></b>			
Direct (Scope 1) GHG emissions (metric tons CO <sub>2</sub> e)	110,889	103,668	92,752
Direct (Scope 1) GHG emissions (metric tons CO <sub>2</sub> e per thousand pounds of product produced)	0.06	0.05	0.05
Indirect (Scope 2) GHG emissions (metric tons CO <sub>2</sub> e)	190,412	204,066	227,768
Indirect (Scope 2) GHG emission (metric tons CO <sub>2</sub> e per thousand pounds of product produced)	0.10	0.10	0.12
NOx emissions (metric tons)	66.61	63.08	131.83
SOx emissions (metric tons)	2.40	2.38	7.15
VOC emissions (metric tons)	178.36	185.08	152.99
CO <sub>2</sub> emissions (metric tons)	57.10	58.03	127.16
Particulate emissions (metric tons) <sup>3</sup>	43.29	40.91	62.98
Total water use (million gallons)	1,287.24	1,316.43	1,255.61
Total water discharge (million gallons)	592.69	469.18	431.18
Percentage water withdrawal from ground	51.1%	54.1%	57.2%
Percentage purchased water	48.9%	45.9%	42.8%
Water use (gallons per thousand pounds of product produced)	0.74	0.70	0.70
Waste generated (metric tons) (includes recycling)	43,524	39,920	42,189
Total hazardous waste (metric tons) <sup>4</sup>	14.16	14.04	13

<sup>1</sup> Data is as of December 31 of the reporting year

<sup>3</sup> Particulate matter: 10 microns or less

<sup>4</sup> All hazardous waste was transported nationally off-site to permitted treatment, storage and disposal facilities



# SUSTAINABILITY GOALS

## Food Safety [↗](#)



**Goal:** Attain food-safety certification recognized by the Global Food Safety Initiative (GFSI) at all of our wholly owned manufacturing and joint-venture operations and contract manufacturing/co-packing facilities by 2022.

**Status:** IN PROGRESS

## Sourcing [↗](#)



**Goal:** Achieve 100 percent certified and sustainable cocoa in all our chocolate products worldwide by 2020.

**Status:** ON SCHEDULE



**Goal:** Enroll 70,000 farmers by 2019 in Hershey's Learn to Grow programs.

**Status:** ON SCHEDULE



**Goal:** Source 100 percent certified and sustainable coconut by 2020.

**Status:** ON SCHEDULE



**Goal:** By 2020, procure 100 percent of sugar purchases from responsible and sustainable sources.

**Status:** ON SCHEDULE



**Goal:** Source 100 percent virgin fiber in any pulp and paper from certified sources by 2017.

**Status:** COMPLETED ✓



**Goal:** Trace 100 percent of our palm oil purchases to the plantation level by 2020.

**Status:** ON SCHEDULE



**Goal:** Source 100 percent cage-free eggs for products in North America by 2020.

**Status:** ON SCHEDULE



**Goal:** Assess 25 percent of external suppliers and internal manufacturing sites (measured by spend) by end of 2016.

**Status:** IN PROGRESS

# SUSTAINABILITY GOALS

## Environment and Safety [↗](#)



**Goal:** Reduce total GHG emissions 25 percent by 2025.

**Status:** IN PROGRESS



**Goal:** Reduce total water consumption 25 percent by 2025.

**Status:** IN PROGRESS



**Goal:** Reduce total waste generated 25 percent by 2025.

**Status:** IN PROGRESS



**Goal:** Reduce total packaging material 25 million pounds by 2025.

**Status:** AHEAD OF SCHEDULE



**Goal:** Continue to achieve top-tier safety performance as measured by innovative training programs and systems that focus on measurable improvements in people and safety metrics.

**Status:** ON SCHEDULE

## Employees [↗](#)



**Goal:** Become a global industry leader in diversity and inclusion by 2020.

**Status:** IN PROGRESS



**Goal:** Through the myWellBeing program, achieve 35 percent Well-Being Assessment participation among U.S. employees, partners and dependents.

**Status:** COMPLETED ✓



# THE DETAILS



# GLOBAL COMPETITIVENESS & INNOVATION

SINCE OUR FOUNDING, HERSHEY has understood the importance of adapting to evolving consumer preferences. While our core products continue to delight people year after year, consumer tastes and needs shift and new groups of consumers are continually joining the global market. To remain competitive, we must not only be responsive to these changes, we must also push our own boundaries for continued innovation. Whether by expanding our offerings and brands, marketing in new ways, collaborating with new partners or breaking into new geographies, The Hershey Company is intent on growing by understanding where our consumers are today and anticipating where they will be tomorrow.

Our approach to innovation begins with listening and responding to consumers as their preferences and taste profiles evolve. As the second-largest snacking manufacturer in the United States by market share, we are serving our

consumers as an innovative snacking leader. As part of this strategy, we are providing simpler ingredients of transparent origin, introducing new taste and texture combinations to our core products, and integrating new brands and healthier options into our offerings.

## CONFECTIONERY INNOVATION

Our U.S. candy, mint and gum (CMG) market share improved in 2016, and we have the leading CMG market share at 31.2 percent. Our focus on confectionery innovation remains a top priority even as we work to increase our broader snacking offerings.

Applying more than a century of confectionery experience and innovation, Hershey is reimagining even our most

iconic brands' portfolios to appeal to consumers in new ways. In May 2016, we introduced *Reese's Pieces* Peanut Butter Cups, a combination of a *Reese's* Peanut Butter Cup with *Reese's Pieces* Candies in every bite. This innovation combines the peanut butter tastes and textures that consumers love about the *Reese's* Brand into an entirely new confection experience. Similarly, *Hershey's* Cookie Layer Crunch—which was introduced in October 2016 and formally launched in December of that year—pairs our classic *Hershey's* chocolate with layers of crunchy cookie bits and decadent fillings to offer an indulgent, textured snacking experience.

### BROADER SNACKING STRATEGY

We are also expanding the role of confection to meet consumers' evolving snacking needs. We call this "snackfection": a multi-textural and sensorial fusion of chocolate and other snacks, such as nuts and pretzels, that delivers a distinct eating



Learn more about our approach to **snacking innovation** [↗](#) and how we scale ideas that work.

experience for snacking occasions. As part of this initiative, we introduced Snack Bites and Snack Mix varieties in 2016, which feature bite-sized items of several iconic brands, including *Hershey's* and *Reese's*. Available in portable canisters as well as single-serve packs, these mixes combine sweet tastes and crunchy textures and are perfect for on-the-go-snacking any time of day.

“Snackfection” is only one part of our reimagined snacking strategy. We are also listening carefully to consumers who are asking for snacks with simple, non-GMO, and certified ingredients. Consumers are increasingly interested in how ingredients are sourced and how farmers are treated. In response, we are growing our portfolio of unique “craft” brands that address these concerns, including *barkTHINS*, *KRAVE*, *DAGOBA*, *SoFit* and *Scharffen Berger*. In 2016, Hershey created a dedicated sales team to grow this portfolio of business and expand its availability into natural, organic and specialty retail channels. The team also plans to leverage go-to-market synergies across these brands for new sales and field marketing opportunities.

**barkTHINS**

In 2016, The Hershey Company acquired Ripple Brand Collective, LLC, a privately held company that owned the snacking chocolate brand, *barkTHINS*. Packaged in resealable pouches, *barkTHINS* is a

non-GMO certified dark chocolate that combines simple ingredients—including certified cocoa and high-quality nuts—with contrasting tastes and textures like coconut, pretzels and blueberries.

Acquiring and integrating this brand into the Hershey organization has delivered against several key consumer trends to which we are actively responding, including the movement toward snacking and wholesome ingredients. Supporting this emerging craft brand has also allowed us to expand our portfolio into new premium retail channels and, in turn, to build our sales capability in that space—an important tool as we grow our broader strategy around snacking.

**KRAVE**

Meat snacks continue to be an attractive snack segment category with over three percent growth in 2016, fueled in part by consumers looking for protein-based options. In 2015, Hershey acquired *KRAVE* Pure Foods, Inc., which makes beef, pork and turkey products in unique flavors, such as Basil Citrus Turkey or Black Cherry

Barbecue Pork. *KRAVE* products are gluten-free and do not contain MSG (except naturally in soy sauce or soy sauce powder), high-fructose corn syrup or added nitrites (except those that naturally occur in sea salt and celery seed).

Beyond our flagship line of popular *KRAVE* meat snack products, we are also expanding *KRAVE* into new sub-segments of the meat snacks category. In the first quarter of 2017, we launched the *KRAVE* Stick. Created during 2016 innovation sessions with the Culinary Institute of America’s consulting group, this new snack is a good source of protein. *KRAVE* Stick comes in unique, unexpected flavors such as Rosemary Lemon Turkey with White Beans and Sesame Garlic Beef with Sweet Potato.

**DYNAMIC PARTNERSHIPS**

Thanks to technology and the proliferation of disruptive new business models, the channels through which consumers sample, purchase and experience our products are evolving



**#HELLOFROMHOME**

In 2016, we launched our first-ever Team USA-themed marketing campaign, as part of our sponsorship of the United States Olympic Committee for the Olympic and Paralympic Games in Rio de Janeiro, Brazil. Three short videos follow gymnast Simone Biles, wrestler Jordan Burroughs and paralympic swimmer Mallory Weggemann and their friends and families on their journeys to Rio. The emotional payoff of the ads comes when the athletes open their iconic *Hershey's* Milk Chocolate Bars to find “hellos from home”—hand-written notes of encouragement, love and support from those closest to them. The campaign outperformed all consumer packaged goods engagement benchmarks and was selected as the No. 2 ranked campaign by *USA Today* Ad Meter, as well as the Most Compelling TV spot by *AdWeek*.



rapidly. As we update our products and marketing messages, we are identifying innovation opportunities, forging new distribution partnerships and testing unique retail models.

In October 2016, the University of Pennsylvania opened the Pennovation Center, a 58,000-square-foot facility designed as a hub for innovation, research and new business ventures. As a founding member of the Pennovation Center’s corporate program, our company has the opportunity to leverage the university’s many innovation assets. We also launched The Hershey Lab at the Pennovation Center, which is dedicated to anticipating and uncovering new disruptive technology opportunities and developing prototypes with which to model them.

Hershey pursued partnerships over the past year with creative disruptors to test and learn about new opportunities in retailing, transportation and food delivery. For example:

- The Amazon Dash Button is a small, Wi-Fi connected device that can reorder a consumer’s favorite product with the press of a button on the Amazon smartphone app. In 2015, Hershey worked with Amazon to introduce a Dash Button for *Ice Breakers*, and sales on Amazon.com rose 70 percent year-over-year, twice the rate of the overall U.S. candy, mint and gum category.

## STORE OF THE FUTURE

With the advent of innovations like mobile apps and home-delivered meal kits, we know the grocery retailing experience is also evolving. And we listen to consumers who tell us that the buying experience for confections and snacks can be somewhat uninspiring. In 2016, The Hershey Lab began thinking about what would happen if we moved the traditional grocery store experience from an aisle or display to an experiential shopping destination. We imagined a store we call *Medley* that eliminates big aisles, cumbersome carts and long check-out lines and replaces them with experts—butchers, sommeliers and demo chefs—who can help shoppers with their food and drink purchases. When shoppers find something they like, they can simply add it to the list on their app and then enjoy a latte while the fulfillment center delivers their purchases to their car or house.

“Our goal is to get our partners to think about what the experiential store of the future will look like,” says Brian Kavanagh, Senior Director of Retail Evolution at Hershey. “We’re not just working with retailers on developing the confection category. We want to help them leverage this technology for better stores.”



Conceptual renderings by The Hershey Lab of what a reinvented shopping experience might look like.

Following this success, we launched additional Dash Buttons in 2016, including for *KRAVE* and the popular Hershey Variety Pack, which includes *Kit Kat*® Wafer Bars, *Reese's* Peanut Butter Cups, and *Hershey's* Milk Chocolate Bars.

- In Mexico, Hershey and Uber paired our company's brand recognition with the ride-hailing app's grassroots millennial following to create a viral promotion for *Hershey's Kisses* Chocolates. The idea: have Uber drivers in Mexico City sample *Hershey's Kisses* Chocolates for Mother's Day with their riders and give others the opportunity to send the product to loved ones through Uber for free. In a single day in 2015, 100,000 people ordered *Hershey's Kisses* Chocolates for Mother's Day. On Valentine's Day in 2016, the experiment was repeated in Mexico City and in five other cities. The promotion reached 20 million Twitter users in eight hours, as #Uberkisses became a top-five trending topic.

- Online meal-kit companies like Chef'd, that send customers recipes and ingredients to easily prepare restaurant-quality meals at home, are among the latest innovations in the grocery and restaurant industry. In September 2016, Hershey and Chef'd launched the first branded dessert recipes to enter the online meal-kit marketplace, featuring *Hershey Kitchens'* S'mores Cookie and *Scharffen Berger's* Oatmeal Chocolate Bar. We are excited to be working with Chef'd and to be the first major



confection brand to offer our recipes and products through a co-branded meal kit partnership.

## INTERNATIONAL PRESENCE

Remaining competitive around the world requires that we continue to pursue international growth and expansion opportunities. During the past five years, our international business—which includes our global retail and licensing business, our travel, retail and duty-free channels, and our direct markets business—has grown at a four percent compound annual growth rate. Many of our core brands can be found in more than 70 countries around the world.

### KEY INTERNATIONAL MARKETS

Our priority international markets include China, Mexico, Brazil and India. From a marketing and selling perspective, these four markets are where we have placed the greatest investment and from which we anticipate the highest long-term growth.

China is a key market for Hershey and we believe in its long-term growth potential, given its large population and number of consumers entering the emerging middle class. Although a weak economy in China in 2016 challenged our sales volumes and hampered growth, we continued to gain a deeper understanding of consumer behaviors. Over the next three years, we will be transforming our China business to further streamline our portfolio, focus on the fast-growing e-commerce channel and revise our manufacturing footprint

to improve efficiencies. We will also focus our advertising and selling efforts in the most critical provinces and the highest growth cities and channels.

We are driving profitability in Mexico through strategic revenue management, including optimizing pricing and promotion effectiveness. We will continue to focus support on the Hershey's Megabrand across chocolate, syrup and beverage categories, as well as the *Pelon Pelo Rico* Brand, the share leader in the spicy sweet segment.

In Brazil, we have made significant improvements in our business, despite a challenging macroeconomic environment. We gained chocolate market share in Brazil in 2016, and plan to further improve profitability by optimizing our portfolio mix and balancing our marketing investments.

India, the world's second-most populous country and with a growing consumer class, also represents an important growth opportunity for Hershey. The focus for our India business is on improving our portfolio mix and transitioning towards higher margin segments, where we have demonstrated success, such as *Hershey's* Syrup, *SoFit* Soya Beverage and *Jolly Rancher* Hard Candy. In late 2016, we also launched *Brookside* Chocolate in India, which gives us exposure to an entirely new value-added segment of consumers.

# TRANSPARENCY IN LABELING, INGREDIENTS & FOOD SAFETY

PEOPLE AROUND THE WORLD are paying more attention than ever to their food. Increasingly thoughtful about how they feed their families, consumers are asking questions such as: What went into making this chocolate bar? How many calories and grams of sugar does it contain? Do the ingredients come from a conventional or organic farm? Does it contain allergens?

To ensure that consumers have the information they need to make informed choices that are right for their lifestyles and families, The Hershey Company has committed to being transparent about our products and practices. We're leading industry efforts to make the labels on our products more informative. We're simplifying our ingredients and pioneering efforts to make information about our products more readily available. And we are implementing strong programs and policies to strive to ensure that we use ethically sourced, quality ingredients and

maintain the highest food safety standards across our supply chain, manufacturing processes and distribution systems.

Transparency begins with our website. Our [ingredient overview](#) contains an extensive online glossary of more than 400 ingredients used in all Hershey products, as well as an in-depth summary of the four core ingredients that make up 80 percent of the ingredient volume of our chocolate products. The [Food Philosophy](#) section of our website also offers articles about our core ingredients, as well as video profiles of some of our key farmers and suppliers.

## LEADERSHIP ON LABELING

As one of the first U.S. confectionery and snacking companies to voluntarily

provide nutrition information on food packages in the 1970s, The Hershey Company has continued its leadership position on transparent labeling. In 2015, we led the industry in developing and deploying the Grocery Manufacturers Association's (GMA) [SmartLabel™](#) program, which has been a game changer for the consumer packaged-goods industry because of its ability to provide product transparency in real time. A Quick Response (QR) code on packages can be scanned with a smartphone, which instantly directs consumers to a URL with much more detailed product and ingredient information than can fit on a wrapper. Consumers can also reach the same information through a product search at [www.smartlabel.org](http://www.smartlabel.org).



Learn more about our commitment to ingredient and labeling transparency by “unwrapping” a [Hershey's Milk Chocolate Bar](#).

We have significantly expanded the portfolio of our products in the SmartLabel™ database, building on our progress in 2015, bringing the total to 550 products by the end of 2016. We plan to have live landing pages for every product in our U.S. portfolio (excluding gum and mints) by the end of 2017, and to include QR codes on all our U.S. products by the end of 2018.

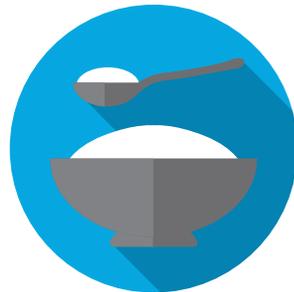
For more on how Hershey has taken ingredient transparency to the next level, read about our launch of [SourceMap](#), a new web-based tool that provides visibility into the source location for the key agricultural ingredients of two of our most iconic products.

### TRANSPARENCY IN NUTRITION FACTS

Surveys have shown that consumers find nutrition information, such as total calories, displayed on the front of packages to be very helpful. In cooperation with [Facts Up Front](#), a joint initiative of the GMA and Food Marketing Institute, Hershey has been an industry leader in implementing a clearly visible icon for the display of calories on small packages. In 2016, we made significant progress toward our voluntary internal goal of placing total calorie icons on the front of all our product packages. About 70 percent of our U.S.-made products currently carry front-of-pack calorie icons; by the end of 2018, we aim

to have approximately, or more than, 90 percent of all U.S.-made products feature such labels.

In 2016, the U.S. Food and Drug Administration (FDA) issued a regulation that will require every U.S. food label to have an updated nutrition facts panel by 2018 that more clearly displays calories and sugar content. Specifically, the new label must show calorie amounts in a larger type size and declare both the amounts of total sugars and added sugars, in grams. The amount of added sugars must also be expressed as a percentage of the Daily Value (%DV). The %DV is based on a Daily Reference Value for added sugars of 50 grams. To be more reflective of the serving size for sweets that Americans typically eat, FDA's updated nutrition labeling regulations also reduce the standard serving size for confections from 40 grams to 30 grams.



## OUR COMMITMENT TO QUALITY INGREDIENTS

### SIMPLIFYING CHOCOLATE

We started our drive toward simpler ingredients with our most iconic products: *Hershey's Milk Chocolate Bars*, *Hershey's Kisses Milk Chocolates* and *Hershey's Nuggets Milk Chocolates*. We switched from artificial vanillin (which is favored by confectioners and bakers for its consistency) to natural vanilla flavor. We worked closely with our suppliers and flavor companies to source consistent, natural vanilla flavor, which can vary in flavor.

We further simplified *Hershey's Milk Chocolate Bars* by removing polyglycerol polyricinoleate, or PGPR, which is derived from castor oil, and is useful when pouring chocolates into moulds. To compensate for the removal of PGPR, we slightly increased the percentage of cocoa butter and milk fat. We then tested 15 different formulations with a panel of professional tasters and consumers to ensure that our *Hershey's Milk Chocolate Bars* would continue to have the same consistency that PGPR helps provide.



## SIMPLE INGREDIENTS

Just four ingredients account for 80 percent of our ingredient volume across our products: milk, cocoa, nuts and sugar. This fact underscores our commitment, first declared in February 2015, to transition products to simple and familiar ingredients and to continue our journey toward greater transparency while maintaining the same great flavors, aromas, textures and appearance that consumers love about our products.

We define "simple" as:

- No Artificial Preservatives
- No Artificial Flavors
- No Artificial Sweeteners
- Colors from Natural Sources

In 2016, we introduced *Hershey's Simply 5* Syrup. Look at the ingredients label and you'll see cocoa, water, natural vanilla flavor, pure cane sugar and organic invert cane syrup. We also worked to transition more confection products to simple ingredients. By early 2017, *Hershey's Special Dark Chocolate*, *Mr. Goodbar* Milk Chocolate Bars, *Krackel* Chocolate Bars and *Hershey's Miniatures Assortment* joined this movement, all without artificial preservatives, flavors and sweeteners and colors only from natural sources.

**FARM-FRESH MILK IN OUR HERSHEY'S MILK CHOCOLATE**

Even as our products are shipped to an ever-wider geography of customers, The Hershey Company has insisted on ensuring that the milk used in the milk chocolate we produce in Hershey, Pennsylvania—a core ingredient in our iconic milk chocolate products—is locally sourced. Milton Hershey founded the company in a dairy-farming region of Pennsylvania precisely for that reason. All the milk we use in *Hershey's* Milk Chocolate is sourced from within a 100-mile radius of Hershey, Pennsylvania, and every day it is picked up from our supplier farms and delivered directly to our chocolate factory.

We take great care in selecting our dairy partners, looking not only at the quality of their product, but also how they treat their animals and manage farm safety.

Many of the farmers who supply our Hershey, Pennsylvania production facility have been working with our company for decades. Fresh milk is pasteurized and tested, monitored by regulators as well as by our internal quality-control teams.

A growing number of consumers do not want dairy products from cows treated with “recombinant bovine somatotropin” (rBST), a synthetic growth hormone. In response, all of *Hershey's* Milk Chocolate products contain only pasteurized milk that is produced from cows that have not been treated with rBST.

**SUGAR/SWEETENERS**

To support consumers seeking more options with no sugar, less sugar or fewer calories, we continued to broaden our product portfolio in 2016. Consumers can now choose from an expanded selection of portion-controlled packaging. Additionally, we offer reduced-sugar and sugar-free choices. We have 10 sugar-free brands, including all mints made by the company, giving us the largest portfolio of sugar-free mints in the industry.

**NUTS**

The Hershey Company is the third-largest buyer of peanuts in the United States and one of the largest single buyers of almonds in the world. In many instances, farmers have been supplying nuts to Hershey for decades. Hershey takes great care to work directly with U.S. growers

of peanuts and almonds to ensure that all supplies meet our high standards. We provide our own specifications to growers to make sure our almonds are of the highest quality. Every almond is inspected at Hershey to our own exacting specifications, which exceed the highest U.S. Department of Agriculture (USDA) grade, before being put through a unique roasting process.

Learn more about the farms of some of our nut suppliers through these videos: [Peanut Sourcing at Hershey](#) and [Our Story of Almonds](#).

**GENETICALLY MODIFIED INGREDIENTS**

While the international scientific community (including the U.S. American Medical Association, the World Health Organization, Health Canada, the National Academy of Science and the Food and Agriculture Organization of the United Nations) has concluded that crops developed using modern biotechnology methods are safe for consumption, we understand that some consumers prefer products made with non-GMO ingredients. We are responding to those preferences by developing products that are made with non-GMO ingredients, as well as providing new systems and technologies, such as SmartLabel™, that make it easier for consumers to know if there are GMO ingredients in a product.

**SIX HERSHEY'S BRANDED PRODUCTS MADE WITH NON-GMO INGREDIENTS:**



Our standard for identifying a product as made with non-GMO ingredients is based on the strict European Union standard for GMO labeling. Our *Hershey's Simply 5* Syrup as well as all *DAGOBA* and *Scharffen Berger* items, meet that standard. Additionally, all *barkTHINS* snacking chocolate and *DAGOBA* products have been verified non-GMO by the Non-GMO Project. Information about the GMO status of many other Hershey products is available via SmartLabel™.

All our sugar-containing products made with non-GMO ingredients use only cane sugar, which is a crop that has not been modified using rDNA methods. Additionally, all certified organic sugar, such as that used in our *DAGOBA* certified organic chocolate bars, is non-GMO, since the rules governing organic certification prohibit GMO ingredients.

In July 2016, a new GMO Labeling Law in the United States was passed by Congress and signed by the President that directs the USDA to create a national GMO labeling standard. It will require all food packages to indicate whether they contain GMO ingredients, either through information provided on the label or via an on-package link such as a QR code. The USDA has until 2018 to finalize regulations implementing the law. The Hershey Company is fully committed to complying with the final requirements as established by USDA.

### OUR FOOD SAFETY CULTURE

At Hershey, building a strong food safety culture is a top priority and supports the high level of trust that consumers have in our company. This culture is evident at all levels of the organization, from our manufacturing employees to our CEO and Board of Directors. A 2016 survey of 38,000 American shoppers, conducted by market research firm BrandSpark International, identified Hershey as the most trusted chocolate brand in 2016.

All our employees have a responsibility to ensure food safety regardless of their role. Because Hershey recognizes that consistent employee behaviors are critical to successfully building and maintaining trust with our consumers, we place an emphasis on ensuring that our policies and programs are properly implemented, regardless of where we operate in the world. In addition to regular training for our manufacturing employees, last year we required our salaried employees to complete essential food safety learning requirements. The Food Safety Overview (FSO) eLearning module is available in seven languages and covers the entire life cycle of our products, from design to consumer shelf. In 2016, we launched a new eLearning module (also available in seven languages) on the topic of allergens. The company obtained nearly 100 percent completion rate on these training modules. As a result of our curriculum focus on food safety, our



One of our employees oversees production of *Twizzlers Rainbow Twists* Candy at our plant in Lancaster, Pennsylvania.

workforce clearly understands their roles related to food safety, as indicated by an employee engagement survey.

We are also helping to build a more robust food safety culture across our industry by sharing our journey through professional forums and platforms, including our participation in the [Global Food Safety Initiative \(GFSI\)](#)  Technical Working Group on Food Safety Culture. The GFSI is an industry-driven collaboration that provides thought leadership and guidance on food safety issues along the entire supply chain.

In the rare instances when food safety issues arise, we act swiftly and out of an abundance of caution. In June 2016, The Hershey Company voluntarily recalled three products sold under the *SoFit* brand after a supplier discovered that some of its sunflower seeds may have been contaminated with *Listeria monocytogenes*. There were no reports of illness associated with the products.

### FOOD SAFETY COMPLIANCE

Our Product Excellence Program (PEP) defines food safety, food quality and regulatory compliance requirements for our enterprise-wide operations. The program incorporates industry standards set forth by the GFSI, and in many cases, we exceed those standards. Our goal is to attain food-safety certification recognized by the GFSI at all our wholly

owned manufacturing and joint-venture operations and contract manufacturing/co-packing facilities. As of 2016, we have obtained GFSI certification in 14 (or 82 percent) of our wholly owned facilities and in one joint-venture facility. Three additional wholly owned facilities are pursuing certification in 2017.

Our PEP is also designed to identify and prevent food safety risks throughout our supply chain, supported by audits from government agencies, third-party firms and our in-house quality-assurance staff. Globally, approximately 79 percent of our current contract manufacturers and co-packers have attained GFSI certification, including 98 percent in the United States and Canada, with the remainder working toward certification as a condition of future business.

In 2016, our quality and regulatory compliance team also enhanced our food safety program to maintain compliance with changing regulatory requirements, such as the allergen labeling law in Brazil and the U.S. FDA Food Safety Modernization Act (FSMA). For example, our team ensured that all our facilities producing product for consumption in the United States had food safety plans in place in compliance with the FSMA Preventive Controls rule, which became effective in September 2016. The rule requires all affected facilities to implement a food safety system that

includes an analysis of hazards and risk-based preventive controls.

Additionally, our Supplier Quality Management team worked diligently in 2016 to build an information system to serve as a single source of data for our company to use when evaluating the food safety systems of our suppliers, as well as for managing our ongoing compliance with Supplier Verification rules.



## RESPONSIBLE MARKETING PRACTICES

All Hershey marketing efforts are guided by our [Global Marketing Principles](#). These principles stress responsible practices, particularly in relation to children. We demonstrated this commitment as far back as 2006 when we became a founding member of The Children's Food and Beverage Advertising Initiative, which is dedicated to shifting the focus of advertising to children under 12 toward healthier dietary choices and lifestyles. We have also signed a pledge in Canada, with similar guiding principles, as part of our involvement with the Canadian Children's Food and Beverage Advertising Initiative.

## LISTENING TO OUR CONSUMERS

We regard our relationship with those who purchase our products as a two-way interaction. Our Consumer Relations department provides many ways for consumers to contact us about our products or business operations, including a toll-free phone number, [website](#), and our social media channels. Consumers can also email or call us directly from inside any SmartLabel™ landing page.

In addition to consumers sharing their perspectives with us through Consumer Relations, we also use research, social media and other channels to proactively engage with individual consumers, as well as with our retail partners. These

engagement efforts enable us to stay in touch with consumers' needs and preferences and to plan responsive strategies. When consumers reach out to us, we collect and summarize their feedback, and the information is used by various departments across the company to evaluate improvements in our products and corporate initiatives. Additionally, on occasion, our Consumer Relations team will conduct post-call surveys and ask consumers specific questions about new products to glean additional insights. These surveys help our marketing teams learn about purchase behaviors and marketing effectiveness.



# SUSTAINABLE SOURCING & SUPPLIER STANDARDS

AS A COMPANY THAT RELIES ON many agricultural commodities to make our products, the sustainability of our business is closely intertwined with the health of communities and ecosystems across the world. We manage our supply chain as sustainably and holistically as possible so that we can protect these important regions and support economic development.

Our sourcing policies and purchases are intended to maximize positive social and economic impact while minimizing any potential negative environmental effects. For example, cocoa, which is essential to every one of our chocolate products, is grown in a limited number of countries in West Africa, Central and South America, and Asia. We believe that our business, in collaboration with industry partners, can help support sustainable farming practices and improve the living standards of cocoa farmers.

We also have a long history of operating with high ethical standards and integrity, as reflected in our strict supplier standards for upholding human rights, labor standards and environmental stewardship across our entire supply chain.

## RESPONSIBLE SOURCING

Our approach to responsible sourcing encompasses many environmental, economic and social considerations across our supply chain. We develop our priorities by assessing the status and needs of our business and of the agricultural communities in our value chain. We set ambitious, far-reaching sustainability goals and then engage partner organizations that are positioned to help us achieve them. Working with and through these partners, we aim to support thriving communities

and vibrant ecosystems in the regions from which we source.

Some of the ways in which we achieve these goals include farmer and supplier training that fosters sustainable and successful businesses while promoting appropriate labor practices. We have also set voluntary commitments to source 100-percent certified and sustainable cocoa and sugar by 2020. We recently added coconut to this list as well, and are committed to purchasing 100-percent certified and sustainable coconut by 2020. In 2016, The Hershey Company sourced 50 percent of our coconut supplies from certified sources.

### CERTIFIED SUSTAINABLE COCOA

Although certification alone cannot address all the economic and social challenges in cocoa-growing communities, it is an important tool that can drive economic, social and environmental progress throughout the value chain. Working with independent auditors to verify our supplies



[Learn more](#) about the story of a cocoa farmer in Ghana and her journey toward sustainable farming.

of certified cocoa ensures that growers are meeting high international standards for labor, environmental and farming practices. Doing so also helps us address our customers' and consumers' rising interest in responsibly sourced ingredients.

In 2012, The Hershey Company committed to purchasing 100-percent certified and sustainable cocoa by 2020. We source certified cocoa through three of the world’s largest and most recognized cocoa certification programs—Rainforest Alliance, FairTrade USA and UTZ—and we have already made significant progress. By the end of 2016, we were over halfway to our goal, sourcing 60 percent of our global cocoa supply from certified and sustainable sources—enough, on a mass balance basis, to supply our *Hershey’s*, *Kisses*, *Kit Kat*® and *Brookside* brands. We are on track to certify 75 percent of our cocoa in 2017 as sustainably sourced.

**COCOACTION**

For more than 50 years, most of Hershey’s cocoa has come primarily from West Africa, specifically Côte d’Ivoire and Ghana. In these countries, more than two million cocoa farmers work on small farms where yields are low, methods can be outdated and information may be limited. The Hershey Company is involved in several industry and corporate efforts to promote sustainable cocoa and to strengthen cocoa communities. For example, in 2014 we became a founding member of **CocoaAction** [↗](#), an industry membership organization that uses the power of public-private partnerships to improve the livelihoods and farm productivity of small-scale cocoa farmers by promoting education, advocating against illegal child labor and empowering women.

Operating under the umbrella of the World Cocoa Foundation, CocoaAction aims to benefit up to 300,000 cocoa farmers and their local communities in Côte d’Ivoire and Ghana by 2020. The effectiveness of its activities is measured through performance indicators agreed upon by the companies and producing-country governments, with aggregate progress publicly reported on a regular basis.

**HERSHEY’S LEARN TO GROW PROGRAM**

Since its launch in Ghana in 2012, Hershey’s Learn to Grow agricultural training and empowerment program has expanded farmers’ agricultural capacities and economic opportunities—and helped them reimagine the possibilities inherent in cocoa farming. Carried out in partnership with our cocoa suppliers, including Barry Callebaut, Blommer Chocolate, Cargill, ECOM and Olam, the Learn to Grow Program now extends to more than 48,300 farmers in 500 communities in Côte d’Ivoire, Ghana and Nigeria.

The programs teach farmers how to improve productivity through training on fertilizer application, growing shade trees and pruning. We have set up cocoa tree nurseries and demonstration plots in several communities so farmers can see firsthand how these instructional techniques can improve their harvests,



**SOURCEMAP**

We are working diligently on our commitments to responsible sourcing and ingredient transparency, and now our consumers can see that progress for themselves. In March 2017, Hershey launched **Sourcemap** [↗](#), a web-based interactive tool that provides visibility into the supply chain by letting consumers trace the source location of agricultural ingredients to

where they are grown or made for two of our most iconic products: *Hershey’s Milk Chocolate* with Almonds and *Reese’s Peanut Butter Cups*. When users click on map nodes on Sourcemap, they can explore how the ingredient is grown and harvested, learn more about Hershey’s sourcing practices in that location and view photos and videos of farmers in our supply chain.

and, in turn, their personal incomes. The program has used Global Positioning System (GPS) capabilities to map more than 15,000 farms, giving farmers an accurate view of their acreage and tree age and allowing them to optimize their use of fertilizer and other agricultural inputs. It also provides training on how farmers can gain additional income by growing food crops such as cassava and plantains. And because cocoa trees' yields diminish over time, we also provide farmers with higher-yielding, disease-resistant seedlings to replace aging stock.

An important component of the program's success is the inclusion of women. Approximately 33 percent of all farmers in Ghana are women, and 15 percent of the farmers enrolled in Learn to Grow overall are women. We continue to address logistical and cultural considerations to increase this proportion.

## EMPOWERING WOMEN IN THE SUPPLY CHAIN

Hershey is passionate about empowering women throughout our supply chain. Although women are engaged in farm labor in many cocoa-growing regions, few of them own the resources necessary to develop a thriving farm. But with shea butter, a fat extracted from seeds of the shea tree that is used in cosmetics and confectionery products, the situation can be different. Shea trees are not cultivated on plantations, but rather harvested where they grow naturally, in the dry savannah belt of West Africa. Typically, women collect the fruit of the shea tree and process the seeds into shea butter, making shea very conducive to helping independent farmers make a living for their families.

Hershey is an active member of the **Global Shea Alliance (GSA)**, which seeks to improve the long-term viability of shea farming and to increase farmer income. Hershey and a global shea butter supplier have funded the construction of a warehouse in Northern Ghana



that will allow a women's cooperative to store shea nuts throughout the season and help increase their profits.

Since this warehouse was inaugurated in early 2016, capacity building activities with the local community have resulted in:

- 700 women trained on cooperative development, including benefits, registration procedures and governance;
- 700 women trained on warehouse management, including record keeping, contract negotiation with buyers and accounting procedures;

- Leadership training for 47 women involved in managing the warehouse activities;
- 80 women leaders trained on aggregation/sales, including access to finance, warehouse receipts, stocking, weighing procedures, price search, sales and profit sharing.

Fostina Anash, one of the women in the program from Bolgatanga, Ghana, shared, "The warehouse has allowed me to increase my income by making it easier for me to find buyers for my shea nuts. I also earn more than I would have if I sold them alone, which makes it easier for me to pay for school fees, purchase books for my children and get health insurance."

## PREVENTING ILLEGAL AND FORCED CHILD LABOR

The Hershey Company does not tolerate, and is committed to preventing, any illegal and abusive forms of forced child labor across our entire supply chain. We continue to build and accelerate relevant programs that focus on the long-embedded challenges in the West Africa cocoa supply chain that perpetuate abusive labor practices.

Our Supplier Code of Conduct explicitly states:

- Children should not be kept from school to work on the farm;
- Children should not carry heavy loads that harm their physical development;
- Children should not be present on the farm when farm chemicals are applied;
- Young children should not use sharp implements during farm work;
- Trafficking of children and forcing children to work are included among the Worst Forms of Child Labor.

We recognize that illegal and forced child labor is an enormous challenge well beyond the ability of a single organization to solve. Because these issues are deeply rooted in complex, systemic circumstances that are not easily reversed, they are best addressed through large-scale, multi-stakeholder efforts to change the underlying circumstances that contribute to these inexcusable human and labor

rights violations. Here are some of the steps we are taking:

- Hershey’s certification programs use independent authorities to verify our use of certified and sustainable cocoa in our products (for which our goal is to be at 100 percent worldwide by 2020). These include strict regulations for cocoa farms, which prohibit illegal and forced child labor in accordance with International Labour Organization conventions;
- Hershey is a founding member of CocoaAction, the industry-wide collaboration that trains and delivers improved planting material and fertilizer to cocoa farmers. It aims to strengthen communities through education, monitoring of illegal child labor and women’s empowerment;
- Hershey’s Learn to Grow program, which provides thousands of cocoa farmers with resources and education, addresses both direct and indirect causes of illegal and forced child labor. The programs also include the construction of schools, which strengthen communities and help direct children toward an education rather than field work, as well as health clinics, which benefit children



- and improve the overall well-being of communities;
- Hershey has partnered with our suppliers and the International Cocoa Initiative (ICI) to support the Child Labor Monitoring and Remediation Systems (CLMRS), an innovative program in cocoa growing communities of Côte d’Ivoire. This collaboration is based on best practices developed by ICI and allows Hershey to go a step further in its efforts to prevent illegal and forced child labor. Through Hershey’s Learn to Grow program, in conjunction with our suppliers, CLMRS programming was implemented in several Hershey-sponsored cocoa communities. The system will help Hershey and our partners identify and understand incidences and causes of child labor so that appropriate remediation activities can be undertaken. CLMRS is now embedded into CocoaAction under the community development pillar, and we have plans to scale up our pilot programs moving forward.

We recognize that certification alone will not fully solve the entrenched social and economic challenges that contribute to the use of illegal and forced child labor. To help create a bright future for young people and communities in cocoa-growing regions, we will continue to invest and innovate in this work alongside governments, non-governmental organizations, private foundations and activist groups.



Locally made plantain humid chamber in Ghana with young plantain suckers growing inside.



## SUSTAINABLE SUGAR

The Hershey Company is extending its sustainable cocoa experience and expertise to the sugar supply chain. In May 2016, Hershey announced a new **Sustainable Sugar Sourcing Policy**. By 2020, we will procure 100 percent of sugar purchases from responsible and sustainable sources. We are committed to working with suppliers who not only share the same values but who are also committed to action plans that adhere to our Sustainable Sugar Sourcing Policy. The policy will be implemented along two parallel paths.

For U.S.-sourced sugar, by 2020 all suppliers will be required to:

- Complete independent social audits of their refineries and other facilities that meet the Sedex Members Ethical Trade Audit (SMETA);
- Address any non-compliance issues;
- Submit corrective actions for our review.

We will review U.S. sugar suppliers' sustainability programs to assess the environmental impact of sugar crop farming.

For internationally-sourced sugar, we will work with our suppliers to incorporate third-party evaluations within their supply chains in accordance with Hershey's Supplier Code of Conduct and industry best practices on sustainability initiatives.

## LEARN TO GROW: SUGAR

In May 2016, Hershey announced the expansion of our Learn to Grow Program to the sugar supply chain, starting in Northern Belize. As we have done with cocoa farmers in Africa and South America, Hershey will collaborate with industry stakeholders to help improve farmer livelihoods. Hershey and our supplier, ASR Group, partnered with the **Sugar Industry Research and Development Institute of Belize (SIRD)** on a Farmer Field School program that teaches sugar farmers how to grow their crops in ways that are more efficient, socially responsible, productive and environmentally friendly. Demonstration plots are developed that show the positive effects of the farming techniques discussed, and field officers emphasize knowledge exchange and participatory learning with farmers. In 2016, 378 farmers were enrolled in the program, and, as a result, were able to increase their combined incomes by more than US\$313,200, or almost US\$475 per farmer. Other metrics from the first year of the SIRD Farmer Field School include:

- 2,147 acres used better integrated weed management, reducing the need for herbicides;
- 2,147 acres adopted best management practices for yields, resulting in yield increase of 12,883 tons;
- 2,099 acres reduced herbicide use through best practices, saving the farmer group a total of more than \$46,800 in



Sugar farmers participating in the Field School program at the Sugar Industry Research and Development Institute of Belize.

reduced herbicide costs and personal protective equipment costs;

- 1,982 acres were not burned, allowing for nutrient return to the soil and reducing future herbicide use.

### SUSTAINABLE PULP AND PAPER

Forests are critical parts of our natural ecosystem, serving as important reservoirs of greenhouse gases that would otherwise contribute to climate change. Forests also provide habitat for key plant and animal species and contribute countless other ecosystem services, such as preventing soil erosion, that play a vital role in our lives and global economy. During the past 50 years, about half of the world’s existing forest cover has been lost, and the production of pulp and paper poses a continued deforestation risk.

We are helping to protect this critical resource through our new **Pulp and Paper Policy**  for our U.S. and Canadian suppliers. This policy states that by 2017, all virgin fiber in any pulp and paper sourced by the company must meet certain stringent criteria. Our policy requires that pulp and paper suppliers:

- Do not contribute to deforestation of primary forest and/or high conservation value;
- Respect land rights and indigenous rights;
- Come from legal sources verified through third-party due-diligence systems.

We are proud to report that we achieved full compliance with this goal in 2016, a full year ahead of schedule. All U.S. and Canada pulp and paper suppliers are now in compliance with our policy, and we are exploring how we can expand this policy to new geographies.

### SUSTAINABLE PALM OIL

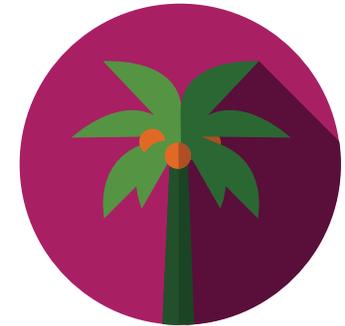
Palm oil is one of the most widely consumed edible oils in the world and has grown in popularity largely because it does not contain trans fats. The rapid increase in the palm oil market has led to significant environmental and social impacts, including deforestation in the regions where it is grown. Although palm oil is not a key ingredient in most of our products, we have been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2011 and remain committed to purchasing 100-percent RSPO-certified mass-balance palm oil. We went further by publishing a **Responsible Palm Oil Sourcing Policy** , which commits Hershey to source 100-percent sustainable palm oil. It also requires our suppliers to buy oil from sources that do not contribute to deforestation, to respect local community rights, to preserve key species habitat and to abide by our strong standards for labor and human rights. Adherence to this policy will include any newly acquired businesses as we integrate them into the company.

The Hershey Company partners with **The Forest Trust (TFT)** , to achieve a traceable

supply chain by helping identify where we source our palm oil and responding more swiftly to any issues of noncompliance. We traced our 2016 fourth quarter palm oil and palm kernel oil purchases to 97.78 percent of the mills in our supply chain, against our goal of 100 percent by 2020. This represents approximately 1,230 mills located in Brazil, Guatemala, Indonesia, Malaysia, Mexico, Nicaragua and Thailand, from seven suppliers: AAK, Cargill, Fuji Oil, Gemini, IOI Loders Croklaan, Jing Yi and Wilmar. Looking beyond the mill, we are committed to achieving 100-percent traceability to the plantation level by 2020. Our 2016 fourth quarter purchases were traced to approximately 14 percent of the plantations in our supply chain.

We are serious about our commitment to sourcing sustainable palm oil and we expect our suppliers to be as well. In March 2016, the RSPO suspended the RSPO certification of IOI Group and its downstream subsidiaries, including IOI Loders Croklaan, one of Hershey’s suppliers. The suspension was taken in response to a complaint originating from Ketapang in the West Kalimantan region of Indonesia, where deforestation and peatland clearing are major concerns.

Recognizing that IOI Loders Croklaan was not meeting the principles of our Responsible Palm Oil Sourcing Policy, Hershey promptly suspended orders of palm oil and palm derivatives with this supplier. During that time, Hershey monitored IOI Group’s



actions, including their development of IOI Group's Sustainable Palm Oil Policy and Sustainability Implementation Plan, its follow-through on the Ketapang complaint, and its progress on addressing labor rights issues. These actions resulted in the retirement of the complaint and the reinstatement of IOI Group's RSPO certification status. Having seen tangible signs of improvement, and in light of IOI Group's regaining RSPO certification, Hershey made the decision to re-engage with IOI Loders Croklaan in 2017, and continues to monitor their progress against the implementation plan.

Hershey will regularly follow up with IOI Loders Croklaan to ensure that the company continues to make progress on and uphold its sustainability commitments. We recognize that there is work to be done throughout the entire palm oil supply chain. We are encouraged by the steps that many of our suppliers have taken to improve practices on the ground and increase transparency.

### Sustainability Training for Palm Oil Producers

In late 2016, The Hershey Company made the decision to push our commitment to responsible palm oil sourcing a step further. When mapping out our supply chain, we identified an area in the Aceh region of Indonesia where palm oil suppliers need additional support to understand how to implement sustainable

practices. We have partnered with a palm oil refiner company to support a training workshop on sustainable palm oil practices for their supplying mills in the area.

The training will help mills and growers understand steps they can take to address issues of deforestation in their supply chains. It will focus on critical topics such as protecting high conservation and high carbon stock forests, which are important for mitigating climate change and protecting endangered species. The training will also focus on respecting the rights of local communities. These issues are particularly important in Aceh, given the region's overlap with the Leuser Ecosystem, a vastly biodiverse area home to endangered species such as Sumatran orangutans, elephants and tigers as well as indigenous communities.

Hershey is proud to collaborate with our supply chain partners to understand the issues on the ground and co-develop solutions that will have a transformational impact in a key region where this commodity is produced.

### FARM ANIMAL WELFARE

Hershey sources a variety of animal protein ingredients (dairy, egg and meat) and expects farm animals within our supply chain to be treated humanely. In 2015, we published our **Farm Animal Welfare Position** [↗](#) to advise our U.S. suppliers of our requirements, which include, among

others, the judicious use of antibiotics and the use of humane slaughtering practices. It also outlines our commitment to use 100-percent cage-free eggs in the United States and Canada by 2020. The Hershey Company will work with our suppliers to implement these expectations and remedy any violations.

## SUPPLIER STANDARDS

The Hershey Company's **Supplier Code of Conduct** [↗](#) clearly defines our high



A cow from Meadow Lane Dairy in Lancaster, Pennsylvania, one of the local farms that provides fresh milk to our West Hershey plant.



standards and expectations for all partners and suppliers. It addresses a variety of environmental, social and governance matters, including worker safety, human rights, labor standards and environmental stewardship, and is available in six languages.

Our goal is to work with suppliers and vendors to assure compliance with these requirements. Hershey undertakes a comprehensive auditing process to monitor and work with suppliers, ensuring their adherence to our Supplier Code of Conduct. In 2016, 92 percent of suppliers chosen for audits supplied the completed audits, and we have received commitments from the remaining eight percent of suppliers to complete the audits by mid-2017. This will complete our goal published in 2012 to audit the top 80 percent of our total supplier spend.

As an added measure of accountability, we also require key suppliers to undergo the Sedex Members Ethical Trade Audit (SMETA) of the Sustainable Ethical Data Exchange (Sedex). The SMETA audit process provides us with valuable data while minimizing the administrative burden on suppliers.

In 2016, we introduced an environmental scorecard for key packaging vendors. We requested environmental metrics, including greenhouse gas emissions, waste consumption and water consumption,

as well as information regarding their environmental management and disclosure practices. This effort is intended to help us as we work to reduce our environmental impact across our supply chain and to ensure that our vendors' practices align with Hershey's values.

Beyond our own Supplier Code of Conduct, we manage our complex global supply chain with the help of partners and multi-stakeholder organizations. These include the Sweetener Users Association, the Foundation for Strategic Sourcing, the World Cocoa Foundation, the American Peanut Council and the Dairy Board of Excellence.

### SUPPLIER DIVERSITY

To strengthen our base of world-class suppliers, Hershey seeks opportunities for qualified minority, women, veteran, LGBT, disadvantaged and disabled-owned companies to compete on an equal basis with other suppliers and contractors as primary suppliers.

Hershey is now using the **Diversity Information Resources** [↗](#) database to identify certified diverse suppliers. Registration is free and enables suppliers to be contacted by Diversity Information Resources' wide range of corporate clients.

Almond farms in California's Central Valley provide Hershey's almonds.



Hershey is now using the **Diversity Information Resources** [↗](#) database to identify certified diverse suppliers. Registration is free and enables suppliers to be contacted by Diversity Information Resources' wide range of corporate clients.

# ENVIRONMENTAL, HEALTH & SAFETY PERFORMANCE

MORE THAN A CENTURY AGO, our founder, Milton Hershey, established some of the most progressive operating standards of his time, including our company's first recycling center to reuse manufacturing waste. Today, we are building on this legacy by minimizing the environmental impact of our operations, addressing the challenges of climate change, and prioritizing the health and safety of our employees. Beyond complying with all regulations in the regions where we operate, we aim to exceed expectations and set higher standards. These commitments are good for our business and communities.



To learn more about one of our environmental success stories in 2016, check out [Unpacking Sustainability](#) .

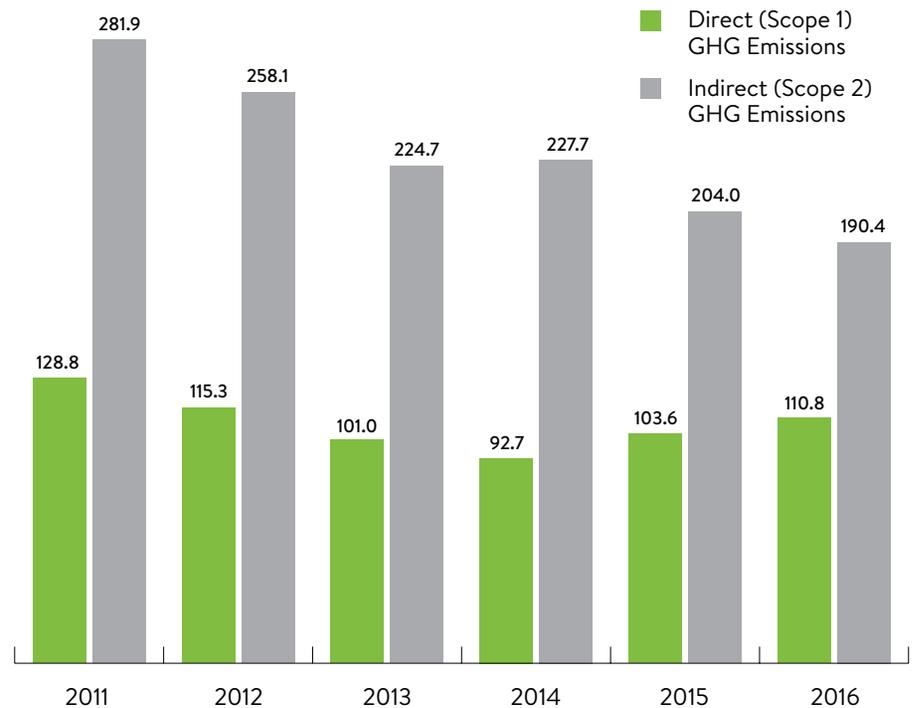
## ENVIRONMENTAL COMMITMENTS:

### OUR "25 BY 25" GOALS

We value the limited natural resources of our planet and we work hard to use them responsibly while minimizing our impact on the environment. In 2015, we joined over 150 companies in signing the American Business Act on Climate Pledge to demonstrate our support for action on climate change. Our participation also signaled our support for the conclusion of a strong climate change agreement at the United Nations negotiations in Paris, France, in December 2015.

As part of that pledge, in 2016 we clarified and finalized a new set of goals and environmental commitments for the next 10 years, known as our "25 by 25" goals. Simply put, we intend to reduce

HERSHEY'S GHG EMISSIONS (MILLIONS OF METRIC TONS CO<sub>2</sub>e):



our greenhouse gas (GHG) emissions, water use and waste 25 percent by 2025, based on 2015 levels. We also intend to reduce packaging waste 25 million pounds by 2025 based on 2015 levels. To reach these ambitious targets, we have defined management plans across our global operations and identified interim annual targets. Beyond focusing on manufacturing facilities, as most of our prior efforts have, these goals now extend to all Hershey owned facilities.

**ENERGY AND EMISSIONS**

In 2016, our total GHG emissions were 301,301 metric tons CO<sub>2</sub>e, which represents a two percent decrease from the prior year. A majority of our 2016 focus was on measuring and calculating new baselines, streamlining our objectives and developing short-term targets. Looking ahead, we intend to focus on making more significant cuts in our emissions each year to be on track with our 2025 target.

Our emissions-reducing efforts proceed along several paths. The simplest way to reduce GHG emissions is to reduce our energy use. Accordingly, we conduct energy conservation audits, education programs and other efforts to identify energy efficiency opportunities and cut the amount of energy we use. In 2016, we replaced the chillers at three of our manufacturing plants in Robinson, Illinois; Memphis, Tennessee; and Stuarts Draft, Virginia, that save energy. We also

upgraded refrigeration controls at our West Hershey, Pennsylvania, plant and started up a new co-generation unit at our plant in Monterrey, Mexico.

In 2016, we sold emissions credits generated by the cessation of manufacturing activities at the renovated 19 East Chocolate Avenue building at our headquarters in Hershey, Pennsylvania. The credits were to be used to assist with the permitting of a new, low-emissions power plant in Central Pennsylvania. We have also implemented initiatives to cut fuel use and truck hauls in our transportation programs and to maximize the loading of truck containers, which also reduces the number of trips that vehicles must make. And we continue to evaluate the use of alternative fuels.

**WATER USE**

Water is a crucial resource at our manufacturing facilities, as well as in the communities where we live and do business. While most of our products are not particularly water-intensive, our operations require an abundant supply of high-quality water to ensure that all aspects of our production meet our own high standards and comply with the safety standards set by the Global Food Safety Initiative.

Our overall water use decreased by 2.2 percent in 2016 and was on target with our annual objective. As we share best practices among facilities, we expect to achieve the reductions needed to meet our goal of

reducing our total water use by 2025. To help facilitate our water-reduction efforts, we initiated projects to install new water meters at two Hershey-area sites in 2016 to enhance our water monitoring capabilities.

In addition to tracking and reducing our water use, we are also focused on improving the quality of water effluent we release. In 2016, we began replacing the nearly 100-year-old wastewater treatment plant in Hershey, with a state-of-the-art facility capable of producing stream-quality discharge effluent. The new facility will be powered primarily by biogas and solar, with an electrical feed to the plant for back-up if needed.

Available high-quality water sources are also important to the farmers who grow the cocoa and sugar we use. As a result, we closely follow regional water scarcity trends, communicate with our suppliers about conditions that may impact water and ingredient availability, and work with commodity and agricultural trade organizations to develop response strategies across our value chain. Our cocoa sustainability programs also help build resiliency in regions that are vulnerable to water stress, such as Ghana and Côte d'Ivoire. Read more about these efforts in [Sustainable Sourcing](#).

**WASTE REDUCTION**

The Hershey Company is raising the bar on our efforts to reduce waste. In recent



years, we have made substantial progress on our intention to stop sending routine manufacturing waste to landfills by 2025. As of the end of 2016, Hershey had 11 zero-waste-to-landfill (ZWL) facilities, including 10 in the United States and one in Mexico. Looking ahead, our approach to waste will evolve from ZWL to ZW (zero-waste), and we are focusing on ways to not produce waste in the first place. This further minimizes our environmental footprint as we no longer have to transport waste to landfills or waste-to-energy processing facilities. For the past nine years, we have also focused on improving Hershey's recycling rate. Today, our plants consistently exceed an 85 percent recycling rate.



### SUSTAINABLE PACKAGING

Packaging is an integral part of our products, from conveying the iconic value of our brands to listing important nutrition facts. But we know how important it is to reduce the impact of our packaging footprint. Over the past two years, we have reduced packaging waste by 9.2 million pounds, putting us about 37 percent of the way toward our objective of reducing 25 million pounds of material by 2025.

We take a team approach to waste reduction in packaging materials, enlisting global colleagues from research and development, product design and engineering, manufacturing, and transportation. From our packaging engineers to our graphic designers, we strive to avoid redundancies, use sustainable materials, and minimize expendable printing and the use of ink. Some examples of our progress in 2016 include:

- Launching more than 50 packaging initiatives in Hershey plants in Mexico, Brazil and Asia, such as redesigning display cases that eliminated 1.1 million pounds of packaging and replacing food service metal cans with flexible pouches that reduced 350,000 pounds of packaging;
- “Right-sizing” products to increase the number of cases that fit on a pallet and reduce the number of trucks needed for shipments. Since 2015, this approach has avoided the use of 30,000 wooden

- pallets, or 1.25 million pounds of wood;
- Executing “retail ready” packaging for the 2016 holiday season that used 31 percent less corrugated cardboard and eliminated 10 million pounds of material from the manufacturing process and, in turn, recycling centers.

In 2016, we established a **Pulp and Paper Policy** [↗](#) to underscore our commitment to protecting natural resources, including our target of using at least 80 percent recyclable materials (by weight) in our packaging. Our Policy now requires that the virgin fiber we source from U.S. and Canadian suppliers meet stringent criteria, including that it not contribute to deforestation of primary forest, that it come from legal sources as certified by globally recognized third parties, and that all suppliers respect and uphold land tenure rights. We pledged to have 100 percent of our virgin fiber meet these standards by the end of 2017, and we met this goal by the end of 2016, one year ahead of schedule. We are now assessing strategic geographic expansion.

We also initiated an environmental scorecard in 2016 for surveying our key packaging suppliers on metrics such as GHG emissions, water use, transportation and the use of virgin versus recycled fiber usage. We will leverage information gathered from vendor surveys to measure progress and make sourcing decisions.

## COCOA & CLIMATE CHANGE RISK

Chocolate comes from cocoa trees that are sensitive to water, sunshine, temperature and soil conditions—factors that can be affected by a changing climate. The cocoa growing regions of West Africa, for example, have recently experienced climate change impacts in the form of drought, higher temperatures (which allow tree-damaging insects to survive longer) and more intense wet seasons (which can affect the drying process for cocoa beans and contribute to erosion and soil nutrient depletion).

Climate change poses a threat to cocoa sustainability. In response we are actively involved in efforts to help mitigate climate change risk across our supply chain. In 2016, we joined the World Cocoa Foundation's Climate Smart Cocoa program, which examines environmental impacts on cocoa growing and investigates how farmers can better cope with the impacts of climate change. In addition to our commitment to sustainably source key commodities and train farmers in practices that use natural resources responsibly, we also work pre-competitively with our supply chain partners and trade associations on climate change issues. For more on this, please see **Sustainable Sourcing** [↗](#).

## HEALTH & SAFETY

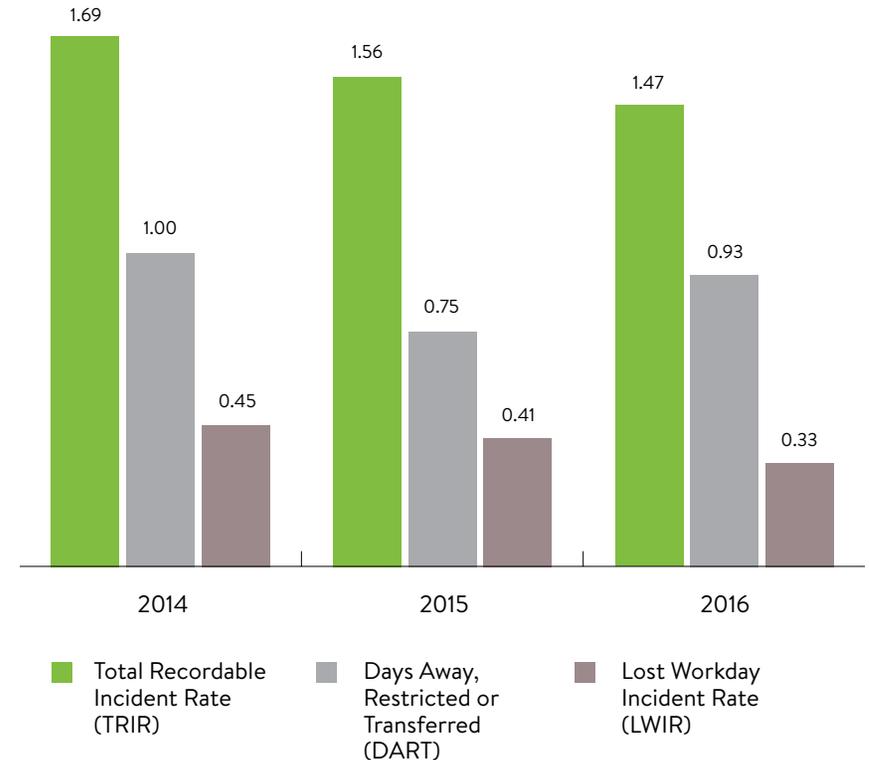
The Hershey Company is committed to providing a safe and healthy workplace for all of our employees and business partners and to protecting the environment through the compliant and responsible operation of our facilities. We implemented global environmental, health and safety (EHS) management systems to facilitate compliance with internal and external EHS regulatory requirements and to promote continuous performance improvement of our EHS programs and performance. As part of our EHS Management System, we will continue to assess our performance using internal metrics and external benchmarks and to adjust our strategy as necessary to obtain our stated objectives. We will continue to look for and act upon opportunities to integrate EHS principles and practices into our core business processes.

In 2015, we combined our environmental department with our safety and health departments. As a result of this integration, in 2016 we improved our audit process efficiencies by combining four audits into a single comprehensive audit. We are also in the process of combining our EHS management systems.

We annually measure and report our Total Recordable Incident Rate (TRIR); Days Away, Restricted or Transferred (DART); and Lost Workday Incident Rate (LWIR).

In 2015, we also implemented a near-miss awareness and reporting process with the intention to identify and correct at-risk behaviors or conditions before they result in an injury. Based on the success of that initiative, we rolled out the program globally and added a near-miss reporting metric to our manufacturing incentive process. The reporting metric was met or exceeded by a majority of our sites in 2016.

### KEY PERFORMANCE INDICATORS:



# EMPLOYEE ENGAGEMENT

AS ESSENTIAL AS HERSHEY'S iconic brands are to the company, it is our 18,000 employees who are truly the secret ingredient behind our success. Our people's professionalism, creativity and passion are our competitive advantage, and we are committed to offering them a rewarding, inclusive and fulfilling place for their professional development.

In 2016, we made strides to create a more flexible atmosphere that supports continuous improvement. Building a workplace that welcomes and respects a multitude of perspectives helps us attract, develop and retain world-class talent and makes us more competitive globally. We have set a goal to become an industry leader in diversity and inclusion (D&I) by 2020. Our commitment to diversity spans all levels of our organization, including the management and executive levels.

Whether it is committing to equitable practices, hiring or promoting

diverse talent, recognizing employee achievements, building new avenues through which employees can engage with one another, or rolling out benefits and wellness programs, Hershey enables employees to bring their best selves to work each day.

## DIVERSITY & INCLUSION

Our inclusion imperative is closely connected to our mission of bringing goodness to the world and to one another. Though we've made significant progress during the past several years, becoming a global leader in D&I by 2020 is one of our company's primary goals. We believe our business is stronger and better—and more accurately able to reflect the changing needs of our consumers—when our workforce relates to all those who

### WORKFORCE BY GENDER:

	Total <sup>1</sup>	Female	Male
Hershey Employees	17,980	49.9%	50.1%
Full-time	16,310	48.4%	51.6%
Part-time	1,670	64.7%	35.3%

<sup>1</sup> All workforce data as of December 31, 2016



Learn more about the story of **three of our employees** [↗](#) and why they are passionate about our welcoming and inclusive culture at The Hershey Company.

buy our products. We know that diverse perspectives fuel innovation, so we have created an environment where employees from all backgrounds feel comfortable sharing and are encouraged to share their ideas and insights through open dialogue. We seek to maintain and enhance a safe environment that supports inclusion and equity through all aspects of how we operate our business.

Part of being a global leader in diversity and inclusion means ensuring that the makeup of our workforce matches the communities where we do business. Our policy is to hire qualified applicants and employees regardless of an individual's race, color, gender, age, national origin, religion, citizenship status, marital status, sexual orientation, gender identity, transgender status, physical or mental disability, veteran status, genetic information, pregnancy or any other category protected by applicable laws. We look to hire the most qualified candidates from a diverse slate that represents our society. In 2016, nearly 20 percent of U.S.-based leadership roles at the Director level and above were held by persons of color.

The demographic profile of our workforce is also evolving to reflect the changing demographics of the workforce. As a result, our workforce includes more first-time job seekers, more women and more people of color. At the end of 2016,

we were proud to have five generations represented in our workforce.

Because women around the world often make many of the purchasing decisions on household packaged-goods for their families, having women well-represented across our employee base keeps us more closely connected to our consumers' needs and interests. As of 2016, 49.9 percent of our employees globally are women. In March 2017, The Hershey Company welcomed our first female President and CEO, Michele Buck, who is one of only 27 women to lead a Fortune 500 company. As of May 2017, four out of 12 board members are women (or 33 percent), and four out of nine Executive Committee members (or 44 percent), are women.

In 2016, we received recognition for our commitment to diversity and inclusion. We were identified in DiversityInc's "25 Noteworthy Companies," and were ranked No. 3 in DiversityInc's Top 10 Companies for Veterans. For the third consecutive year, we received a 100 percent rating from the Human Rights Campaign and were listed in HRC's 2016 Corporate Equality Index's "Best Places to Work for LGBT Equality." We also received the 2016 Leading Disability Employer Seal™, awarded by the National Organization on Disability, for increasing employment opportunities for individuals with disabilities.



FEMALE REPRESENTATION IN HERSHEY'S WORKFORCE:

	All Employees <sup>1</sup>
Globally	49.9%
United States	44.9%
Non-U.S.	54.7%

<sup>1</sup> All workforce data as of December 31, 2016

## EQUALITY IN THE WORKPLACE

Bringing goodness to the world starts with having a workplace that encourages and supports all our employees. Opportunity, flexibility and fairness are cornerstones of our workplace philosophy. In 2016, we announced our support for three White House initiatives that underscore Hershey's commitment to providing employees with equal pay for equal work and eliminating unnecessary employment barriers:

- **The White House Equal Pay Pledge** acknowledges that, despite passage of the Equal Pay Act of 1963, which requires equal pay for equal work, the gender pay gap in the United States persists. The Pledge encourages organizations across the American economy to take action to advance equal pay and help close this gap. It also aligns with Hershey's equal pay for equal work philosophy;
- **The First Job Compact Pledge** encourages organizations to take steps to help give the one-in-seven people in America who are not in school or working to secure a meaningful first job as a foot in the door for future opportunities. As a founding member of the First Job Compact Pledge, The Hershey Company actively recruits and partners with nonprofits, school districts and others to identify youth for jobs that require little-to-no prior experience;
- **The Fair Chance Business Pledge** calls on organizations to invest in their communities, eliminate unnecessary

hiring barriers and provide meaningful opportunities for individuals with criminal records. Through the Fair Chance Business Pledge, Hershey has affirmed our commitment to giving these individuals a second chance at finding a good job.

In addition, in March 2017, Hershey joined Paradigm for Parity, a coalition of CEOs, senior executives, board members, founders and business academics who are committed to helping companies close the gender parity gap by 2030.

Our Manufacturing Abilities First program provides jobs and skills development opportunities at Hershey for individuals with intellectual and physical disabilities. We continue to work with local and national organizations to highlight The Hershey Company as an employer of choice for individuals with disabilities, which, in turn, increases the number of candidates interested in our opportunities. Additionally, our Abilities First Business Resource Group (BRG) continues to strengthen the company's inclusive culture through engaging employees with relevant programming, such as inviting Mallory Weggemann, 2012 Paralympic Gold and Bronze Medalist and 2016 Paralympian, to speak to our employees. The Abilities First BRG also established our partnership with Susquehanna Service Dogs to raise service dogs on Hershey's corporate campus.



**HERSHEY'S BUSINESS RESOURCE GROUPS**

Hershey's Business Resource Groups (BRGs) are strategic, company-sponsored groups that provide key consumer, employee and marketing insights; host professional and leadership development programs; and connect employees to Hershey and the community. Our eight BRGs—Abilities, African American, Asian, GenH (Generations), Latino, Prism (LGBTQ), Veteran's and Women's—have a total of more than 1,000 members. In 2016, they contributed to our employees' and leaders' professional development by participating in and hosting innovative programs and panel discussions, talent development workshops and webinars, and professional networking events attended or viewed by hundreds of employees.

Each BRG leader is supported by an Executive Leadership Team sponsor, who serves as an advisor, coach and advocate. BRG leaders and members can share their perspectives directly with management through workshops, networking or special project support. By offering leaders the opportunity to engage in an ongoing dialogue with employees about a range of matters, the BRGs are helping improve our workplace. For example, in 2016, the Women's BRG provided much of the benchmarking and input that helped inform SmartFlex, including our expanded parental leave policy.

In recent years, BRGs have also emerged as an important and fruitful example of collaboration and open-source learning. Their example and input have been helpful to the company as we evolve from primarily centrally planned decision-making to more collaborative processes that tap into the expertise and knowledge of all our employees.

**PERSONAL & PROFESSIONAL DEVELOPMENT**

We strive to have our work at Hershey be both personally and professionally fulfilling, as well as a source of continuous learning. This journey begins with our multimedia onboarding portal, where new employees are offered educational resources and guidance prior to their first day of employment, and continues through Hershey's Learning Portal. Feedback, coaching and professional development opportunities allow our employees to have meaningful and successful careers.

Hershey's Learning Management System provides global access via personal computer or mobile device to thousands of professional and technical courses.



Inri Mouchette, Senior Brand Manager, Sweets and Refreshment.



These courses range from robust leadership programs to role-specific training provided by functional learning academies within our marketing, sales and supply chain divisions. In 2016, more than 3,000 courses were available to our workforce.

To ensure that Hershey remains a leader in key markets and categories across our industry, we must continually compete for top-performing people, unlock their potential and support their inspiration, growth and performance. We invest attention and resources toward promoting an innovation mindset across our organization, which means encouraging employees to challenge themselves and each other to move us forward. We encourage new, innovative ideas and empower people to take calculated risks for the benefit of the company.

PROFESSIONAL COURSES  
AVAILABLE TO WORKERS IN 2016:  
**+3,000**

To measure the success of our programs and people, we track employee development and achievement progress and outcomes through our talent management system. We aim to provide

our employees at Hershey with ongoing performance reviews. In addition, leaders can assign learning offerings to their employees through the Learning Portal to support their performance and career development goals.

We support the educational goals of Hershey employees with our tuition-reimbursement program. In addition, we develop employees through our global mobility strategy international assignments.

TOTAL TRAINING HOURS  
IN 2016 PER EMPLOYEE:

**6.52**      **13.72**  
SALARIED      HOURLY

**LISTENING TO OUR EMPLOYEES**

Each year, we survey employees globally to hear their perspectives on our business priorities and their experiences in our workplace. As part of the 2016 engagement survey process, we asked leaders to adopt a new approach for post-survey action planning. They are identifying priorities, developing actions that lead to improvement and then communicating frequently about the actions and outcomes.



## SMILES: RECOGNITION FOR EXEMPLARY WORK

We understand that positive feedback and recognition from colleagues is a powerful form of motivation. SMILES is Hershey's global recognition program that provides a mechanism for employees to recognize one another for exemplifying our Hershey Values. In 2016, a Hershey employee was recognized by a colleague once every seven minutes, adding up to nearly 78,000 recognition moments, demonstrating that the program has been embraced by employees in all 16 global locations as a key engagement tool.

Additionally, each quarter several SMILES award recipients are further recognized through our Remarkable People Campaign. Employee satisfaction for the Rewards and Recognition of our annual employee survey has increased by 23 percent since SMILES was introduced.

### Three SMILES award winners in 2016 include:



**Suraiza Abdullah**, with Government Relations in Malaysia, was recognized for her dedication in working with the Customs Division to expedite the implementation of a system that improved the efficiency of import/export clearance activities.



**Narinder Chugh** of our Modern Trade & Sales Center of Excellence in India was recognized for his extraordinary efforts to increase sales of *SoFit*, which grew by more than 70 percent for two consecutive months in 2016.



**Judith Ariana Gutierrez** of our supply chain team in Mexico was recognized for her work to establish new systems to improve efficiencies in production lines in West Hershey and then for applying those learnings to a similar effort at our plant in Monterrey, Mexico.

## BENEFITS & PROGRAMS

### INTRODUCING SMARTFLEX

At Hershey, our remarkable people, values and culture help to ensure our long-term business success. That means continuing to evolve toward a workplace where together we work smarter and more flexibly. In 2016, we introduced SmartFlex—a suite of practices to help employees better balance worktime and personal time in a way that makes sense for them and the business. SmartFlex is intended to increase employee engagement and commitment, boost job satisfaction and retention, drive better performance and productivity, and enhance Hershey's reputation as an employer of choice. As such, SmartFlex is one of the key building blocks of our continuing evolution to a more agile and compelling workplace.

SmartFlex was initiated with four key components:

- **Expanded Parental Leave:** All full-time, salaried U.S. employees who become parents—maternal, paternal or adoptive—may choose between two different paid parental leave options;
- **Flex Tech:** All global employees have the option to use their own phones and devices at work and securely access company email and other information from personally owned devices;
- **Flex Time:** On a global basis, salaried employees choose how best to manage their work time based on work priorities and personal commitments;
- **Flex Dress:** Employees are encouraged to use their own judgment and dress appropriately for the events of their workday.

## HEALTH AND WELL-BEING BENEFITS

Since our founding, Hershey has been concerned for the health and welfare of our employees. Our full-time employees and their eligible dependents receive a comprehensive health and benefits program, including medical, dental and vision coverage, life insurance, disability benefits and a company 401(k). Our part-time employees are eligible to participate in the 401(k) plan after working 1,000 hours in an established time period.

Hershey also offers a variety of complementary programs that address the many needs of our diverse workforce, such as Best Doctors, a second-medical-opinion program; Teladoc phone and online medical consultations; and patient advocacy services that help navigate the medical system. Access to benefits such as identity theft insurance, auto and home insurance, discounted legal services and expert financial planning services help ensure the financial well-being of our employees.

Hershey's myWellBeing program rewards employees for attending to their own personal health by participating in health and wellness activities. In 2016, 48 percent of our U.S. employee base participated in the myWellBeing program.

## ETHICAL CONDUCT

Finally, trust among our employees, partners and full value chain is at the heart of our work culture at Hershey. Our employees acknowledge compliance with our Code of Conduct through distribution of acknowledgment forms, and the principles of our Code are communicated to and reinforced with our employees through online and in-person training. Our [Code of Conduct](#) is available in 10 languages.



Employees from the Lancaster, Pennsylvania plant start their shift by stretching to support their health and well-being.

# COMMUNITY ENGAGEMENT

AT THE HERSHEY COMPANY, our passion for supporting vibrant and thriving communities was first instilled in us by our founder, Milton Hershey. Living up to this commitment inspires us to be catalysts for change by applying our time and talents as volunteers and by giving financial support to the issues that matter most to us. This sense of purpose—to bring goodness to our communities and world—also energizes us and provides fulfillment in our work each day.

## GIVING OUR TIME

Hershey employees all over the world are involved in thousands of acts of volunteerism and giving each year, and we are proud to support these efforts through our corporate giving programs and volunteerism policies. We encourage our employees to be active members of the community by granting two paid days of community volunteer time annually. In 2016, many employees took advantage of this opportunity, donating



As part of our CSR Advocates Program, our sales team in the Portland, Oregon, district volunteered with the Willamette West Habitat for Humanity in December 2016 to build housing for low-income families in their community.

more than 104,000 volunteer hours throughout the year. Ninety percent of those who participated spent their time doing hands-on volunteer activities, an additional 16 percent donated their time in board leadership positions at nonprofit organizations and 14 percent were involved in skills-based volunteering opportunities.

Our Dollars for Doers program recognizes the important contributions that our employees make in their own communities as volunteers. Hershey employees who volunteer more than 50 hours in a calendar year are eligible for our Dollars for Doers program and can direct a \$500 grant to a nonprofit of their choice. In 2016, we more than doubled our Dollars for Doers participation rate over the prior year, awarding \$47,500 to nonprofit organizations.



Learn more about the story of **800 Hershey employees** in three countries who spent a day in July 2016 packing a total of 341,000 meals for families in need.



“Hug a Puppy Day” was a fundraising event organized by our Abilities First BRG in partnership with Susquehanna Service Dogs. Below: A food drive with the Pennsylvania Food Bank to support Project Backpack—part of our Nourishing Minds efforts.



Hershey employees also work together in teams to benefit their communities during our annual “Good to Give Back Week,” a coordinated week of global service each July that we encourage all employees to join. During our fourth consecutive year in 2016, more than 1,100 employees in eight countries participated in 22 events, volunteering a cumulative total of 3,917 hours. Ten of the 22 Good to Give Back Week events were local to the Hershey, Pennsylvania, area, ranging from helping at food banks to working at camps for disabled youth to restoring trails in local parks.

Through our Corporate Social Responsibility (CSR) Advocates Program, each of our Hershey sales districts can direct up to \$1,000 in grants to their local community. In many cases, district sales teams pair that monetary contribution with volunteer hours as well. In 2016, more than 30 sales teams took part in this program, volunteering at a wide range of community organizations, including Ronald McDonald House, Habitat for Humanity, local food banks, children’s hospitals, schools for children with special needs and animal shelters.



Children in Gatlinburg, Tennessee, attended our Santa Workshop event and received donated toys in December 2016.

At our production plant in Stuarts Draft, Virginia, our employees led a December 2016 holiday toy collection to benefit families displaced by wildfires in Gatlinburg, Tennessee. More than 2,000 toys were collected for 600 children, over \$1,000 worth of gift cards and jewelry were received for teenagers and 300 Christmas stockings were filled with Hershey candy. With such tremendous generosity, the Gatlinburg community decided to extend the beneficiaries not only to wildfire victims but also to all families in Sevier County struggling financially. After the collection drive in Virginia, two of our employees delivered the donated items in a moving truck to Tennessee.

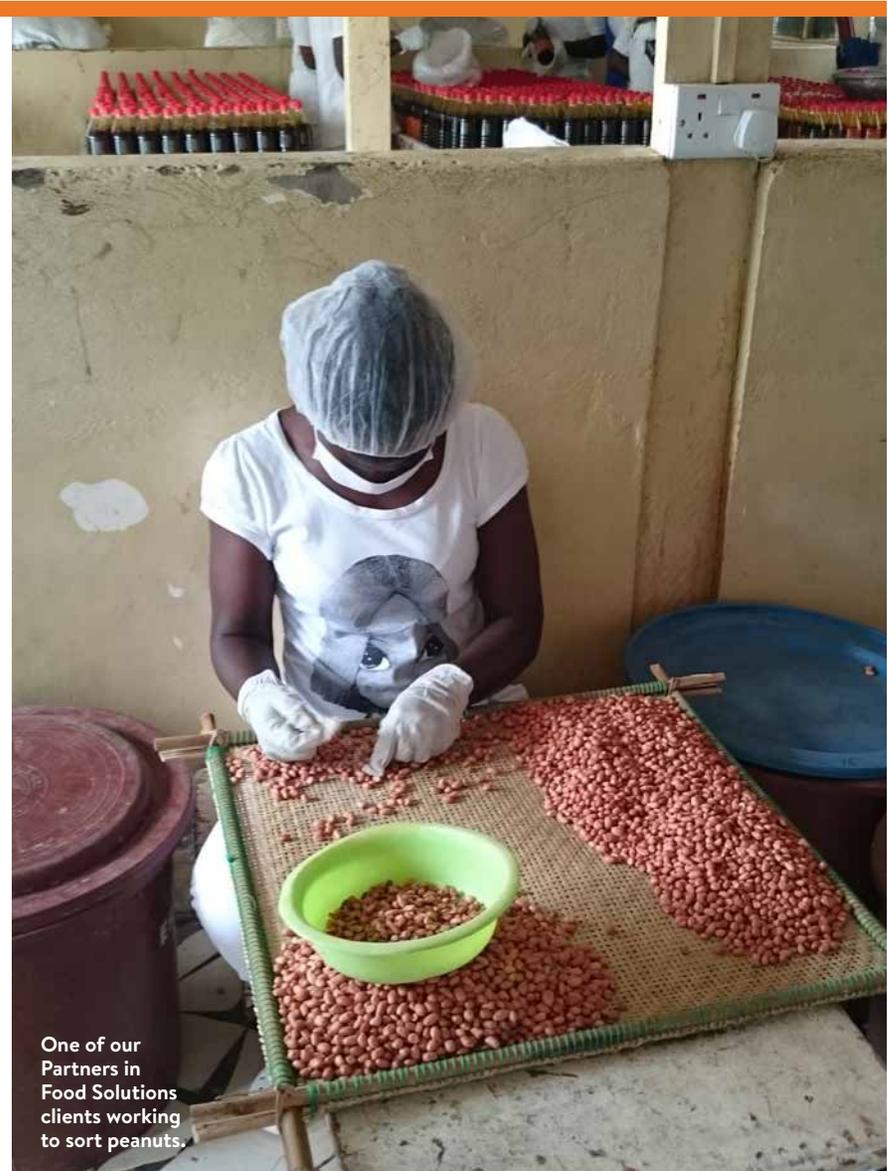
## GIVING OUR SKILLS & EXPERTISE

One of the most effective ways we can give back to local communities is by utilizing the expertise of our employees through skills-based volunteering opportunities. Sharing our knowledge is a powerful way to amplify our impacts on the issues that matter most to the communities where we work and do business.

Through our collaboration with global nonprofit **Partners in Food Solutions (PFS)** [↗](#), we are using The Hershey Company's many years of experience in food technology and business to strengthen small- and medium-sized food businesses in sub-Saharan Africa that are addressing food insecurity issues for a growing and urbanizing population. In turn, PFS provides our employees with new opportunities for professional development, exposure to emerging markets and experience in innovating amid resource constraints. In 2016, 30 Hershey employees participated in the program as PFS volunteers.

For example, a six-person team of Hershey employees helped Royal Danemac, a soya bean processing company in Ghana, determine the best approach for refining pressed soybean oil into an edible oil for the retail market. They developed initial product specifications and guidelines, prepared quality recommendations to secure the right government certifications and assessed the condition of the refining equipment. The team worked together virtually, and employee volunteers connected with entrepreneurs through regularly scheduled conference calls with local PFS food technicians.

Utkarsh Shah, a Senior Scientist at Hershey who led the team's work on edible oil specifications, said of his volunteer experience, "Participating in this program has been a life-changing experience for me. It is a great joy when I see the impact my technical expertise can have on the lives of people in the developing world where it is difficult to find good-quality, safe and nourishing food." [Learn more](#) [↗](#) about our project with Royal Danemac.



One of our Partners in Food Solutions clients working to sort peanuts.

## GIVING OUR FINANCIAL SUPPORT

In addition to being generous with their time and expertise, our employees also contribute financially to support organizations they believe in. The Hershey Company offers employees a 1:1 match for any donations made to eligible 501(c)(3) public charities, up to \$5,000 per year. In 2016, we matched more than 600 individual employee donations, totaling \$352,926.

### CHILDREN'S MIRACLE NETWORK

Among the philanthropic opportunities that our employees are most passionate about is **Children's Miracle Network (CMN)** at Penn State Health Milton S. Hershey Medical Center. By organizing special fundraising events, donating funds directly and advocating on behalf of this organization, our employees help ensure that CMN remains a valued resource to the many families in our community who face the challenge of caring for a sick child. In 2016, The Hershey Company, in conjunction with our employees, donated more than \$328,524 to CMN.

In honor and recognition of our dedicated employees who have championed CMN over the years, in 2016 we proudly established The Hershey Company Child Life Endowment to support the Child Life Program of Penn State Children's Hospital at Penn State Hershey Medical Center. It is our hope that this endowment serves as a long-term, sustainable resource to the Child Life Program and that it will help children and families from across our community prepare for, and cope with, the stresses and challenges of medical treatment and hospital stays. We know that children who are less stressed heal faster, and we believe strongly in the potential of the Child Life Program to improve children's health outcomes in Central Pennsylvania.

We also planned and executed three large-scale annual community fundraising events in 2016 for CMN: the Hershey CMN golf tournament, the Hershey Miracle 5K and the Tour de Chocolate Town bike ride. We also continued to elevate our CMN partnership through our annual employee campaign, *S'more for the Kids*.

### UNITED WAY

Since 1932, The Hershey Company has worked with the United Way to promote healthy living, improved education, and financial stability for individuals and families around the world. In 2016, our employees participated once again in our United Way / Season of Giving annual workplace giving campaign to support United Way and other community nonprofit agencies. As a corporate partner, we match our employees' United Way donations dollar-for-dollar, which is done separately, and in addition to, our year-round matching gifts program. In total, including the corporate match, \$1.9 million was raised globally for United Way and other nonprofits in 2016. During the past 10 years, The Hershey Company's combined employee and corporate match support for United Way has totaled nearly \$20 million.



Hershey's Diversity & Inclusion team took part in a cookie decorating activity with children at the Penn State Hershey Medical Center Children's Hospital as part of a service day with the CMN Child Life Program.



## CORPORATE GIVING & KEY PARTNERSHIPS

Our corporate giving program builds on Milton Hershey's legacy of serving children and the broader community through philanthropy. In 2016, we supported a wide range of community and youth-focused programs in Hershey's communities around the world. We also advanced our Nourishing Minds campaign—our ambitious goal to provide one million children the basic nutrition they need to learn and grow—by supporting grants at the local level. These grants help bring our Nourishing Minds initiative to life, and in 2016, we provided more than \$700,000 to local food banks and community organizations working to ensure that children have access to the basic nutrition they need to learn and thrive.

In 2016, The Hershey Company awarded a \$75,000 grant to **Power Packs Project** to expand its highly successful model to a new service area in Lebanon County, Pennsylvania. Power Packs Project aims to improve the mental and physical health of children by helping their parents provide nutritious meals during

weekends when school breakfast and lunch programs are unavailable. Based in Lancaster, Pennsylvania, the organization is the largest program of its kind in the United States, operating in 45 schools in 12 school districts and serving 1,500 families—all powered by more than 350 volunteers.

The Hershey Company also supports the **Hershey Community Garden** in Hershey, Pennsylvania, which we helped construct, along with local partners, in 2013. Since then, the Garden has provided garden plots to 128 local families each year to grow fresh produce. The harvest is regularly shared with the broader community as well. In 2016, 1,000 pounds of fresh produce were donated to local food banks. Amid soaring local interest, there are now more than 100 families on the waiting list for garden plots. In 2016, Hershey proudly granted \$75,000 to the Garden to support its annual operations and to begin an expansion that will double its size in 2017. The expansion will also feature several community-farmed plots that will provide fresh produce to COCOA Packs, a local food pantry program in the Derry Township School District in Hershey. The Garden will also donate to several other local food banks and outreach programs, as well as provide educational research on the benefits of gardening.

### SUPPORTING HEALTHY AND FIT LIFESTYLES

In addition to focusing our giving strategy on children and nutrition, we also support thriving communities through fitness and youth athletics. For the second year in a row, we worked with our partners at USA Track & Field and Athletics Canada to sponsor *RunJumpThrow*, a hands-on learning program that gets kids excited about physical activity by introducing them to track and field through activities and games—from running techniques to the one-legged hop. In 2016, we reached 216,225 children in the United States and 158,713 across Canada through this program.

In 2016, we also launched our exciting five-year partnership with the United States Olympic Committee as an official sponsor and the confectionery partner of Team USA. We supported the U.S. Olympic and Paralympic teams at the Rio 2016 Games, and we look forward to sponsoring the PyeongChang 2018 and Tokyo 2020 Games.



### COMMUNITY INVESTMENT SNAPSHOT:

IN 2016, THE HERSHEY COMPANY AWARDED MORE THAN

**\$10 million**

IN CASH AND MORE THAN

**\$6.2 million**

IN PRODUCT DONATIONS TO SOME

**1,500**

NONPROFIT COMMUNITY ORGANIZATIONS WORLDWIDE.



# MILTON HERSHEY SCHOOL

For more than 100 years, the Milton Hershey School has helped children in pre-kindergarten through 12th grade gain the skills they need to be successful in all aspects of life by offering a high-quality, free education. More than 2,000 students from income-eligible families across the United States currently attend the private, co-residential school in Hershey, Pennsylvania. Many of our Hershey employees are active in programs that support the students' learning experiences. These efforts include:

- **Career days and student internships:** As students consider their future careers, we are proud to regularly host them at our offices to provide a glimpse of what it is like to work at a large, multinational company. In 2016, we also welcomed four high school student interns at our offices;
- **Project Fellowship:** This program began in 2003 with 11 groups of volunteers from The Hershey Company. It fosters a sense of connection and community between the Milton Hershey School and other Hershey employees and their families. Groups of employees “adopt” a house of Milton Hershey School

students for the academic year by hosting monthly mentorship activities. In 2016, more than 400 employees participated in Project Fellowship, sponsoring 45 MHS student homes;

- **Hershey Honors Authentic Business Management (HHABM) program:** Since 2009, this initiative has encouraged students interested in business careers by allowing them to learn directly from Hershey executives. In 2016, 47 Hershey employees served as guest lecturers as part of the program's weekly business presentations, which illustrated key business principles using The Hershey Company as a case study;
- **Student cultural immersion trip:** In July 2016, we partnered with the Milton Hershey School to organize a two-week cultural experience and service trip to Ghana. The students had the chance to visit several schools to interact with local children and learn about education in Ghana. Students also had the opportunity to understand the many land-use challenges faced by cocoa farmers, including the negative impacts related to plantations that have been cleared of their naturally occurring shade trees. By planting new shade trees with the farmers, the students helped contribute to important sustainability solutions.



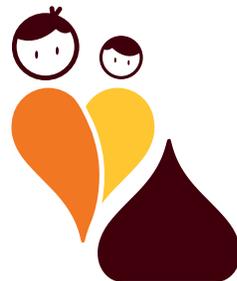
The Milton Hershey School is a no-cost boarding school that serves children of lower income families from across the United States.

# NOURISHING MINDS

WHILE EVERY CHILD DESERVES a chance at a bright future, millions of kids around the world face a serious disadvantage—not because of their learning abilities, but because they lack proper nutrition. Milton Hershey founded our company with a promise to help children grow and thrive. After more than 120 years, we’ve continued to keep that promise by helping to provide youth—both locally and globally—with the basic nutrition they need to perform their best in school and beyond and to become the next great leaders of tomorrow.

**Nourishing Minds**  is The Hershey Company’s shared social purpose to provide children with better access to nutrition by working with partners who share our vision. Every day, our employees and partners contribute their passion and skills to bring Nourishing Minds to life in communities across the world. From donating their time to pack meals

at local food banks to sharing their food development expertise with entrepreneurs working to alleviate food insecurity, our employees have dedicated themselves to ensuring that we achieve our ambitious goal of nourishing one million minds by 2020. Applying their skills in the service of others allows our employees to strengthen their own knowledge, problem-solving abilities, and sense of purpose, which benefits their day-to-day work and our company as a whole.



Learn more about the story of **Nourishing Minds** , as told through the eyes of some of the children and administrators in our expanding global programs.



Hershey employees volunteering at the Northwest Arkansas Food Bank in 2016.

### SHARING NUTRITION IN THE UNITED STATES

In the United States, 13.1 million children under the age of 18 live in households where they are unable to consistently access enough nutritious food. In 2016, through our partnership with **Feeding America** , we focused on ensuring that U.S. children have access to the food and nutrition they need to be successful both inside and outside the classroom. Beginning with our national partnership, we helped Feeding America’s child hunger team implement best practices and create new tools and resources for child

hunger programs at food banks across the country. Helping keep their knowledge and resources up to date also ensures that the Feeding America team can better serve struggling families by improving their partnerships with schools.

We made further investments in 2016 to help Feeding America support member food banks in six locations—Central Pennsylvania, Chicago, Cincinnati, Dallas, Northwest Arkansas, and St. Paul, Minnesota. Through four programs focused on providing nutritious food to children outside of school hours—School Pantry Program, Backpack Program, Kids Cafe and Summer Food Service Program—we enabled our partners in these six areas to distribute the equivalent of 118,747 meals to an estimated 11,200 children facing hunger.

In some cases, our support in these places went a step further. In 2016, our resources helped the Central Pennsylvania Food Bank work with the Thomas W. Holtzman Elementary School



in Harrisburg, Pennsylvania to purchase two refrigerators, which has enabled its School Pantry Program to serve fresh produce and fluid milk to nearly 800 children throughout the school year. In addition, our funding helped the North Texas Food Bank’s Food 4 Kids program expand its reach to more than 14,000 students for a critical weekly program that provides backpacks full of nutritious food throughout the school year.

Many Hershey employees also support our commitment to improved nutrition by regularly volunteering with their local food banks—from harvesting vegetables in community gardens and upgrading facilities to sorting food and packing backpacks.

**CREATING BRIGHT FUTURES IN CANADA**

One million Canadian children—one in six—face hunger every year, making it difficult for them to concentrate on their studies. While children sometimes have access to meals as part of school-sponsored breakfast or lunch programs, after-school hours and summer months put children at a greater risk of hunger. In 2016, we partnered with Food Banks Canada’s After the Bell program, a national child-hunger program that leverages the network of local food banks across the country. Hershey is supporting two elements of After the Bell: a new education-based program called Food Explorers and the Summer Meal Packs Initiative.

Food Explorers is a hands-on program that serves children ages 9 to 11 and focuses on building knowledge and confidence related to food, basic kitchen skills, meal preparation and nutrition. One of Food Explorers’ primary goals is to empower kids by teaching them to cook and to make good decisions about what they eat. Food Explorers includes seven targeted lessons built on an evidence-based curriculum developed and reviewed by registered dietitians. Food Banks Canada is piloting the program in five locations with the opportunity for Hershey employees to provide input into the program design, delivery and format moving forward. Our employees

are energized by the opportunity to help launch and grow this new program.

In addition to their involvement with Food Explorers, our employees have also hosted several fundraisers and volunteer events in support of Food Banks Canada’s Summer Meal Packs program. In the spring of 2016, volunteers from Hershey and other companies came together in Toronto to assemble food packs that contained 10 mini-meals of nutritious, shelf-stable, child-friendly foods such as hummus, crackers and breakfast bars with yogurt. Food Banks Canada then shipped the packs across the country and leveraged the shared food system through which local food banks added fresh produce and distributed the packs to children. In 2016, Food Banks Canada piloted the summer meals packs in 10 cities and plans to expand to 25 cities in 2017. Our fundraising efforts in 2016 raised enough resources for 3,100 meal packs, or 31,000 mini-meals. Looking ahead, Hershey employees are planning to expand the number of these meal packs and volunteer opportunities beginning in May 2017.



**FOOD EXPLORERS FOCUSES ON BUILDING KNOWLEDGE AND CONFIDENCE RELATED TO FOOD, BASIC KITCHEN SKILLS, MEAL PREPARATION AND NUTRITION.**





## ENERGIZING LEARNING IN GHANA

The Hershey Company’s Energize Learning program delivers nutrition to students in West Africa, a region from which we source most of our cocoa. According to UNICEF, 23 percent of children in Ghana are stunted due to malnutrition and 57 percent are anemic, conditions that reduce a child’s ability to learn. Realizing that we could apply our knowledge to this issue by delivering nutrition to schoolchildren, in 2015 we launched our Energize Learning program in partnership with the [Ghana School Feeding Program](#) and [Project Peanut Butter](#). Under this program, we developed ViVi, a peanut-based, vitamin- and mineral-fortified supplement that delivers up to 25 percent of the daily caloric value in a child’s diet. This innovative supplement is particularly important during the lean season, the period between household food stock depletion and the next harvest, which usually lasts from April or May through August. Our efforts to address this important need have resonated and grown rapidly, and we are now delivering ViVi to 50,000 students per day.

As a result of Energize Learning’s success, we are already seeing improvements in the lives of children. Preliminary research conducted in 2016 by our independent evaluation partner, the University of Ghana, showed reductions in levels of anemia in children receiving ViVi as compared

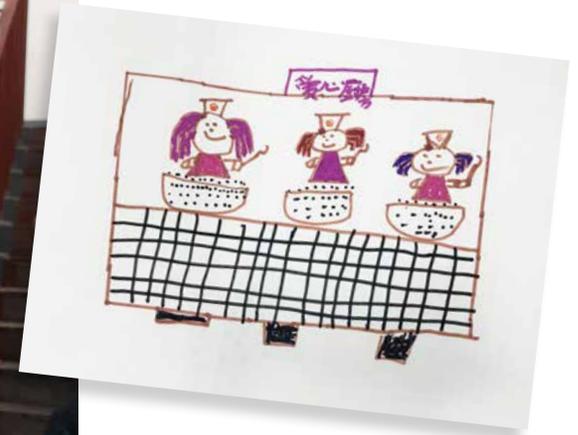
In addition to our Energize Learning program, we are also working with local food processors and millers in West Africa to gain enhanced expertise and self-sufficiency in agriculture and food systems. [Learn more](#) about the Hershey employee volunteers who helped a local soya bean processing company in Ghana.

with a control group of students at other schools. In addition, teachers and principals indicate that students are coming to class earlier and staying at school to receive the ViVi supplement. Both are important indicators suggesting that we are making strides toward our additional goals of boosting school enrollment, attendance and retention, which will be essential to the children’s—and the broader community’s—long-term success. As an added economic development benefit, The Hershey Company and Project Peanut Butter are now taking steps toward building local capacity to source all ingredients for ViVi locally by training peanut farmers on improved agricultural practices and establishing a local peanut roasting facility.

## SPREADING THE LOVE IN CHINA

Despite a growing economy in China, approximately 150 million people, primarily in rural areas, are undernourished, and roughly 10 million school-aged children are anemic. Anemia can stunt brain development and undermine a child's ability to grow and learn. Research has found that simply by receiving better nutrition, anemic children can catch up to their peers within six months to a year. To help support this improvement, in 2016, Hershey expanded Nourishing Minds to China and invested in infrastructure for school kitchens to enhance the nutritional quality of meals for rural students.

With our manufacturing base in Henan Province, China, we have many Hershey employees who are invested in the success of the local community. So when we partnered with the China Foundation for Poverty Alleviation (CFPA) to launch the Love Kitchen program in October 2016, Henan Province was a natural location in which to focus our first efforts. Hershey and the CFPA helped 11 schools modernize their facilities and kitchens by donating and installing needed equipment—including electric boilers, freezers, electric woks, rice-steaming carts, sterilization cabinets, food preparation tables and exhaust fans—that will significantly improve the quality of food that can be stored and served to the children.



Before the schools received the new equipment, the students were only able to eat packaged foods for lunch, which lacked nutritional value. The new kitchens, combined with the program's guidance for teachers on proper nutrition and menu planning, are now ensuring that 4,500 students are receiving nutritious meals to fuel their education. The kitchen improvements will also reduce the environmental hazard of wood-burning cooking stoves.

In 2017, we are working toward establishing a formal employee volunteer program to help cook and serve meals to schoolchildren as well as to use our industry expertise to further inform nutritional planning.

## A FUTURE WHERE EVERY CHILD CAN SUCCEED

We believe all children deserve an equal chance in life, but realize that their minds can't be filled with knowledge when their stomachs are empty. Our Nourishing Minds programs and volunteer opportunities are tailored by country or geographic region to ensure maximum local impact, and we're continuing to innovate through new products and sustainable food systems for a greater good. Looking ahead, we will continue to invest in our partnerships and to learn where we can be most effective, particularly in support of entrepreneurs and impactful business models that help make nutritious food more affordable and accessible for all.

**IN 2016, HERSHEY EXPANDED NOURISHING MINDS TO CHINA AND INVESTED IN INFRASTRUCTURE FOR SCHOOL KITCHENS TO ENHANCE THE NUTRITIONAL QUALITY OF MEALS FOR RURAL STUDENTS.**

# STAKEHOLDER ENGAGEMENT

LISTENING CAREFULLY TO OUR diverse stakeholders—and engaging with them thoughtfully—has always been essential to our success as a company. We regularly monitor and communicate about the issues that are most important to our consumers, customers, investors, the media and other external stakeholders, as well as our own employees, suppliers and business partners. These communications address multiple aspects of our business activities, from sourcing and operations to corporate social responsibility (CSR), and help us understand stakeholder interests, perspectives and priorities.

Interactions with our stakeholders provide us with important perspectives on current and emerging trends, as well as the challenges and opportunities facing our business. We engage through a variety of advocacy and industry organizations, and we receive feedback directly from the public through the [Contact Us](#) page of our website.

This year, as part of our 2016 CSR reporting process and overall strategic plan, we updated our priority issues list by conducting a new priority issue analysis. We directly engaged a range of internal and external stakeholders to seek their input on our approach to prioritization and their perceptions of our Shared Goodness efforts. For more information on this process, please refer to [About This Report](#).

## LEARN MORE ABOUT HERSHEY'S APPROACH TO:

[Employee engagement](#)

[Community engagement](#)

[Supplier, farmer and farming community engagement](#)

## ENGAGING WITH OUR STAKEHOLDERS

### CONSUMERS

At Hershey, understanding our consumers and being responsive to their needs is at the heart of everything we do. As a consumer-centric company, we conduct Consumer Insights research across all key functions of our organization. We employ research during the product innovation, packaging design and marketing phases to help ensure we are meeting consumers' evolving needs and are staying attuned to their preferences.

We also closely follow emerging consumer trends as a potential source of new business opportunities. Our Consumer

Relations department answers inquiries and monitors feedback received through our country-specific toll-free phone numbers, postal correspondence, email and social media channels.

### EMPLOYEES

We ask our employees to complete an annual engagement survey and to participate in focus groups so the company can better understand their concerns and have an ongoing dialogue about their ideas and interests. Our senior leadership also regularly shares business updates through meetings, video, email and newsletters.

### INVESTORS

We issue financial performance and other updates through our Investor Relations website and regulatory filings. Our Investor Relations department answers investor inquiries, and we present financial information during quarterly earnings calls and at conferences.

### **BUSINESS PARTNERS**

We are in close contact with our network of business partners and suppliers. We also take part in industry conferences and trade shows that are relevant to our business.

### **RETAILERS**

The Hershey Company takes great pride in fostering productive and collaborative relationships with our key retail customers, and we have a highly-experienced team of professionals who are dedicated to working closely with them. The company uses knowledge and insights generated from shopper insights research and sales to uniquely partner with each retailer on how to continually satisfy its shoppers, gain additional trips, build baskets and create a competitive advantage in the market.

### **NON-GOVERNMENTAL ORGANIZATIONS**

We contribute to and collaborate with non-governmental organizations (NGOs) that work to address issues relevant to our industry and stakeholders.

### **COMMUNITIES AND LOCAL GOVERNMENTS**

Many of our employees are active participants in their local communities, government entities and civic organizations. Company representatives also meet with community leaders to discuss business and community planning.

### **POLICYMAKERS**

We engage with policymakers and government agencies to provide our perspectives on public policy and regulation associated with our business and activities. Our company contributes expertise regarding our industry to regulators via industry task forces, provides commentary on proposed regulations and submits compliance reports to regulators, interest groups and NGOs.

## **MEMBERSHIP ORGANIZATIONS**

Engaging with diverse experts in the public and private sectors helps us maintain our leadership role and stay informed in the social, political, economic and environmental realms. Hershey participates in many local, national and international organizations, among them:

### **LEADERSHIP AND SUSTAINABILITY**

- Association of Corporate Contribution Professionals
- Committee for Encouraging Corporate Philanthropy
- Sustainable Brands

### **COMMERCE**

- ConMexico
- Council of the Better Business Bureaus
- Harrisburg Regional Chamber
- HR Policy Association
- Pennsylvania Chamber of Business and Industry
- US-China Business Council

### **FOOD AND MANUFACTURING INDUSTRY GROUPS**

- Food and Consumer Products of Canada
- Grocery Manufacturers Association
- International Food Information Council
- National Association of Convenience Stores
- National Association of Manufacturers
- National Confectioners Association
- Sweetener Users Association

### **ASSOCIATIONS PROMOTING BALANCED LIFESTYLES**

- American Association for Health, Physical Education, Recreation and Dance
- Athletics Canada
- Healthy Weight Commitment Foundation
- National Recreation and Park Association
- USA Track & Field

### **ETHICAL SOURCING AND SUSTAINABLE AGRICULTURE**

- International Center for Tropical Agriculture
- International Cocoa Initiative
- National Minority Supplier Development Council
- RSPO (Roundtable on Sustainable Palm Oil)
- Sedex (Supplier Ethical Data Exchange) Source Trust
- World Cocoa Foundation

# MANAGEMENT & GOVERNANCE

ETHICS AND INTEGRITY ARE central to every aspect of our work at Hershey. Focusing on best practices in **corporate governance**  enables us to operate effectively, strengthen our exceptional brand reputation, and enhance and protect the value that our employees create for all stakeholders.

As we strive to grow our business, we continue to take a long-term view and apply our high governance standards to new markets. We aim to deliver growth while supporting and collaborating with key stakeholders, including employees, customers, non-governmental organizations, consumers, policymakers and other business partners. Sustaining ongoing dialogues with these and other groups while maintaining our strong values, clear policies and rigorous accountability processes helps us keep a sharp focus on responsible and ethical operations.

## SHARED GOODNESS: A STRATEGIC APPROACH

We use priority issues analyses, benchmarking and our **Code of Conduct**  (the Code) to direct our corporate social responsibility (CSR) strategy and execution, which is overseen by members of our Executive Committee, composed of senior company executives.

Sustainability and CSR activities are increasingly integrated into functional areas across our company, which effectively bring together diverse teams to work on CSR projects. CSR sits under the purview of our Vice President of Corporate

Communications and CSR, who reports to our Chief Human Resources Officer. Management provides regular updates to the Board of Directors on strategy and progress toward our CSR goals.

In addition, a special senior leadership council provides oversight and direction for our strategy and engagement in West Africa. This cross-functional council creates visibility for and alignment across Hershey's commercial, responsible sourcing and CSR strategies. For example, the council oversees our sourcing and farmer-training programs related to cocoa and other ingredients (which are implemented by our supplier partners), as well as the Nourishing Minds initiative, which includes the Energize Learning program for schoolchildren in Ghana.

**ENTERPRISE RISK MANAGEMENT**  
Hershey's Enterprise Risk Management (ERM) process enables the company's senior leaders to identify, evaluate,

manage and mitigate the company's exposure to risk. Through our ERM process, we prioritize the risks our company faces based on key risk factors, interdependencies, trends, likelihood of occurrence, potential impact on our company and risk tolerance. This process is overseen by our Board of Directors through active review and discussion of this information with senior leaders. The results allow our Board, key senior leaders and other internal stakeholders to prioritize risk mitigation strategies.



## ETHICS, COMPLIANCE AND TRANSPARENCY

Hershey's Corporate Governance Guidelines set forth the company's approach to corporate governance in detail. They are reviewed by the Board of Directors annually and were last amended effective December 6, 2016. These guidelines address matters such as the Board's responsibilities, structure and composition, membership criteria, committees and director qualifications, and independence.

The Code of Conduct, which establishes Hershey's compliance expectations for our employees and partners, is published in ten languages. All directors and employees undergo training and certify acknowledgment of the principles outlined in the Code.

## GRIEVANCE MECHANISMS

Questions regarding ethical dilemmas and concerns regarding conduct by company personnel and business partners may be submitted to the company through multiple channels, including:

- Reports to company managers, Human Resources, the Ethical Business Practices Committee (established under the Code) and to The Concern Line, the company's confidential ethics and compliance reporting program, which facilitates access through country-specific telephone numbers or a company-

specific web submission platform,

[www.HersheysConcern.com](http://www.HersheysConcern.com) 

- Providing information to our Disclosure Committee, either as a group or through any individual member, during a formal meeting or otherwise;
- Information received by the General Counsel from an attorney under the Policy on Reporting by Attorneys and Part 205 of the U.S. Securities and Exchange Commission's regulations;
- Communications by any interested party, including stockholders and employees, to the Audit Committee or the Independent Directors of the Board by telephone, email or mail.

Inquiries related to our products can be made through contact with our Consumer Relations team via a country-specific toll-free number, through the Global "Contact Us" page, [www.askhershey.com](http://www.askhershey.com)  (which is listed on all packaging) or via @AskHershey on Twitter.

## BOARD OF DIRECTORS AND COMMITTEES

On March 1, 2017, Michele Buck, formerly Executive Vice President and Chief Operating Officer of The Hershey Company, assumed leadership of our company as President and Chief Executive Officer. She succeeded John P. Bilbrey, who had announced his intention to retire from the company in October 2016. Mr. Bilbrey continues to serve as Non-Executive Chairman of Hershey's Board of Directors.

The **Board of Directors**  has oversight responsibility for the company's strategies, significant decisions and business performance. These responsibilities include overseeing, among other matters: compliance with legal and regulatory requirements, the company's Enterprise Risk Management (ERM) program and the key risks identified through the ERM process, the integrity of company financial statements, and management succession planning and compensation policies.

To manage these responsibilities, the Board has established five standing committees to enable in-depth review of key matters: 1) Audit, 2) Governance, 3) Compensation and Executive Organization, 4) Finance and Risk Management, and 5) Executive.

As of May 2017, the Board has 12 directors, all of whom have significant professional experience and are over the age of 50. Also as of May 2017, there are four women on the Board, representing a gender composition of 33 percent women and 67 percent men.

More information on the company's management and governance structure and practices, including Hershey's SEC filings—such as annual reports on Form 10-K and the 2017 Proxy Statement—can be found on our [website](#) .

# ABOUT THIS REPORT

AT THE HERSHEY COMPANY, we believe that strong company performance is intrinsically linked to responsible, sustainable operations. This corporate social responsibility (CSR) report reflects that conviction, describing our progress in managing the issues of greatest importance to our company and stakeholders.

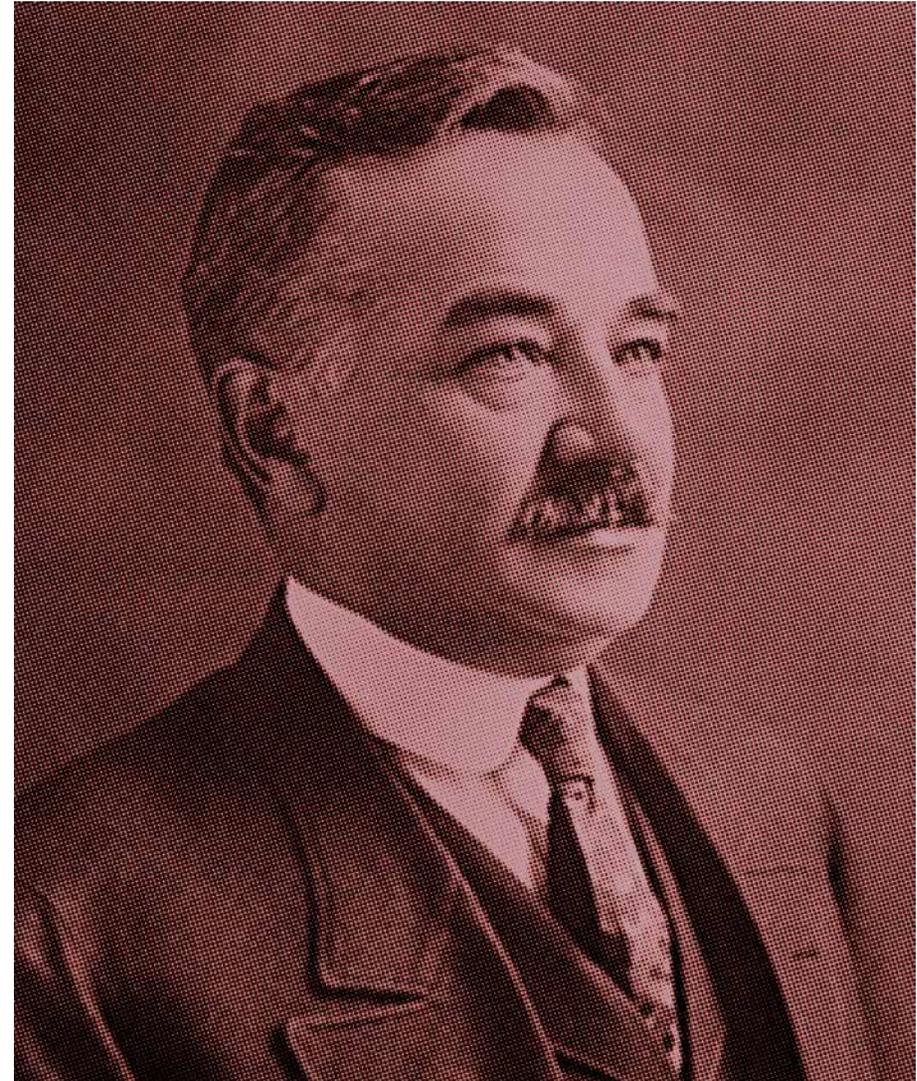
Unless otherwise noted, the data and information provided in this report reflect the performance and progress of The Hershey Company in the 2016 calendar year, which is also our fiscal year. While we have provided information about our joint ventures and co-manufacturers, we report progress on goals, targets and performance indicators only for our wholly owned facilities.

This is our sixth full CSR report. Our previous report was published on June 1, 2016, and covered fiscal year 2015.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. We also have included discussion beyond the GRI Standards to increase transparency and detail further aspects of our commitment to Shared Goodness. We did not receive any external assurance for this report or any of the GRI indicators. Our past greenhouse gas emissions are verified by The Climate Registry, and we are seeking verification for 2016 as well.

We welcome feedback from our stakeholders on both our reporting and our performance. Please visit [www.askhershey.com](http://www.askhershey.com) or send feedback to:

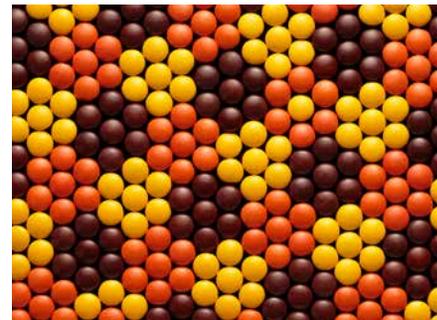
**The Hershey Company Consumer Relations Department**  
19 E. Chocolate Ave.  
Hershey, PA 17033



### OUR PRIORITY ISSUE PROCESS

This year, as part of our 2016 reporting process and overall strategic planning, we updated our priority issues. The priority issue analysis helped us identify key areas of risk and opportunity and enabled us to refine and confirm Hershey's strategic approach and priorities. Our priority issues were first presented in our 2011 CSR report and updated in 2013. During the 2016 analysis of our priority issues, we applied the GRI Reporting Principles for defining report content and quality as follows:

- We conducted a comprehensive review of environmental, social, governance and economic topics relevant to our business operations and our stakeholders to determine the list of issues to be considered in the analysis.
- We directly reached out to stakeholders to seek their input on both the relative prioritization of these issues as well as their perceptions about the impacts across our value chain. Stakeholders represented our workforce, suppliers, non-governmental organizations and community groups, investors and industry associations.



- In addition to direct engagement, we also analyzed a broad variety of sources that were representative of (or proxies for) the priorities and concerns of a wide range of individuals and organizations, including consumers and retail customers. We combined insights from direct stakeholder engagement with the evaluation of stakeholder documents.
- We held interviews with managers and executives to understand internal company perspectives around the issues and combined these insights with the results of a company survey distributed to Hershey managers from across the company.
- We mapped the resulting stakeholder and company prioritizations to a matrix, identifying the highest-scoring issues as priorities for our ongoing business success and ability to manage CSR impacts effectively.
- We identified the points on our value chain where impacts associated with priority issues occur. We also mapped our priority issues to related GRI topics to maintain consistency with the GRI Standards.

PRIORITY ISSUES:



**HERSHEY'S PRIORITY ISSUES:**

Priority Issue (in alphabetical order)	Description	Relevant GRI Standard(s)
Consumer Wellness and Lifestyle	Topics related to consumers' evolving relationship with food and purchasing behaviors, and consumers becoming more conscious about their lifestyle.	416: Customer Health and Safety
Employee Engagement	Topics related to employee satisfaction, job security, wages and benefits, work-life balance and company culture.	401: Employment
Food Safety	Topics related to food quality, safety policies, food traceability, and food safety standards and regulations.	416: Customer Health and Safety
Global Competitiveness	Topics related to global economic and financial conditions, as well as geopolitical changes, our ability to compete internationally in fast-growing markets and the company's strategy for global growth.	206: Anti-Competitive Behavior
Greenhouse Gas Emissions and Climate Change	Topics related to GHG reduction, mitigation and regulation in operations, transportation and the supply chain, and consideration of climate impacts on our value chain.	201: Economic Performance 305: Emissions
Labor Conditions and Standards	Topics related to fair, decent and legal working conditions at Hershey facilities and within the supply chain. This includes elimination of forced and illegal labor within Hershey's supply chain.	408: Child Labor 409: Forced or Compulsory Labor
Product Ingredients and Transparency	Topics related to simple ingredients, allergen-friendly products, policies; practices for communicating ingredients and nutritional information to consumers; and product labeling practices.	417: Marketing and Labeling
Supply Chain Sourcing	Topics related to supplier management, supply chain transparency, sustainable and ethical sourcing, and practices to ensure supply chain continuity. This issue also includes our agricultural sourcing practices and support for farmers.	204: Procurement Practices 308: Supplier Environmental Assessment 414: Supplier Social Assessment
Talent Management	Topics related to attraction, retention and recruitment of employees, including professional development, training, performance reviews and succession planning.	404: Training and Education

# GRI CONTENT INDEX

## GRI 102: GENERAL DISCLOSURES 2016

General Disclosure	Description	Cross-Reference or Answer	Additional Information
102-1	Name of the organization	The Hershey Company	
102-2	Activities, brands, products and services	<a href="#">2016 10-K, pp. 1-2</a>	
102-3	Location of headquarters	Hershey, Pennsylvania	
102-4	Location of operations	<a href="#">2016 10-K, p. 1</a>	
102-5	Ownership and legal form	<a href="#">2016 10-K, p. 1</a>	
102-6	Markets served	<a href="#">Global Competitiveness, p. 33</a> <a href="#">2016 10-K, pp. 2-4</a>	
102-7	Scale of the organization	<a href="#">2016 10-K, pp. 1-5, 48-52</a>	
102-8	Information on employees and other workers	<a href="#">Performance Summary, p. 25</a> <a href="#">Employee Engagement, p. 52</a>	
102-9	Supply chain	<a href="#">Supply Chain Sourcing, pp. 40-47</a>	
102-10	Significant changes to the organization and its supply chain	<a href="#">Global Competitiveness, p. 31</a> <a href="#">2016 10-K, pp. 1-2, pp. 58-61</a>	

General Disclosure	Description	Cross-Reference or Answer	Additional Information
102-11	Precautionary principle or approach	See explanation	We take several approaches to enterprise risk management, for example, heat mapping, situational assessments, RACI charts, SWOT analyses and competitive intelligence. In addition, our Vice President of Corporate Communications and Corporate Social Responsibility serves on the enterprise risk management committee. We do not use the precautionary approach or principle.
102-12	External initiatives	See explanation	CocoaAction, World Cocoa Foundation, Roundtable on Sustainable Palm Oil, AIM-PROGRESS, West Africa Cocoa Livelihoods Program, International Cocoa Initiative
102-13	Membership of associations	<a href="#">Stakeholder Engagement, p. 71</a>	
102-14	Statement from senior decision-maker	<a href="#">CEO Message, p. 1</a> <a href="#">Chairman's Message, p. 2</a>	
102-16	Values, principles, standards, and norms of behavior	<a href="#">Management &amp; Governance, pp. 72-73</a> <a href="#">Supplier Code of Conduct</a> <a href="#">Code of Conduct</a>	
102-18	Governance structure	<a href="#">Management &amp; Governance, p. 73</a> <a href="#">Governance Guidelines</a>	
102-40	List of stakeholder groups	<a href="#">Stakeholder Engagement, pp. 70-71</a>	
102-41	Collective bargaining agreements	Approximately 69% of employees are covered under collective bargaining agreements.	
102-42	Identifying and selecting stakeholders	<a href="#">Stakeholder Engagement, pp. 70-71</a>	
102-43	Approach to stakeholder engagement	<a href="#">Ingredients &amp; Transparency, p. 39</a> <a href="#">Employee Engagement, p. 56</a> <a href="#">Stakeholder Engagement, pp. 70-71</a>	
102-44	Key topics and concerns raised	<a href="#">Stakeholder Engagement, pp. 70-71</a>	
102-45	Entities included in the consolidated financial statements	<a href="#">2016 10-K, pp. 1-2</a>	

General Disclosure	Description	Cross-Reference or Answer	Additional Information
102-46	Defining report content and topic boundaries	<a href="#">About this Report, p. 75</a>	
102-47	List of material topics	<a href="#">About this Report, p. 77</a>	
102-48	Restatements of information	We have restated total water use for 2015 due to additional information received after we published last year's CSR report.	
102-49	Changes in reporting	None	
102-50	Reporting period	<a href="#">About this Report, p. 74</a>	
102-51	Date of most recent report	<a href="#">About this Report, p. 74</a>	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	<a href="#">About this Report, p. 74</a>	
102-54	Claims of reporting in accordance with the GRI Standards	<a href="#">About this Report, p. 74</a>	
102-55	GRI content index	<a href="#">GRI Content Index, pp. 78-86</a>	
102-56	Policy for seeking external assurance	<a href="#">About this Report, p. 74</a>	

GRI 103: TOPICS AND TOPIC BOUNDARIES 2016

Material Topics	Management Approach Cross-Reference	Geographical Locations Associated with Topic Impacts	Stakeholders Associated with Topic Impacts
GRI 201: Economic Performance 2016	<a href="#">Global Competitiveness, pp. 30-33</a> <a href="#">Environment, Health &amp; Safety, p. 50</a> <a href="#">Community Engagement, pp. 59-63</a> <a href="#">2016 10-K</a>	Markets where our products are sold. Key markets include: Brazil, Canada, China, India, Mexico and United States.	Communities Consumers Industry associations Ingredient suppliers Investors Regulatory agencies Retail customers Workforce Subsidiaries
GRI 204: Procurement Practices 2016	<a href="#">Sustainability Goals, p. 27</a> <a href="#">Ingredients &amp; Transparency, p. 34</a> <a href="#">Supply Chain Sourcing, pp. 40-47</a>	Countries where our ingredients are sourced, primarily Côte d'Ivoire, Dominican Republic, Ecuador, Ghana, Indonesia, Malaysia, New Zealand, Nigeria, Peru, Philippines and United States.	Communities Customers Industry associations Ingredient suppliers Investors
GRI 206: Anti-Competitive Behavior 2016	<a href="#">Management &amp; Governance, pp. 72-73</a> <a href="#">2016 10-K, pp. 87-88</a>	Countries where Hershey manufactures, including Brazil, Canada, China, India, Malaysia, Mexico and United States.	Industry associations Investors Regulatory agencies
GRI 305: Emissions 2016	<a href="#">Performance Summary, p. 26</a> <a href="#">Sustainability Goals, p. 28</a> <a href="#">Environment, Health &amp; Safety, pp. 48-49</a>	Countries where Hershey manufactures, including Brazil, Canada, China, India, Malaysia, Mexico and United States.	Communities Customers Industry associations Investors Regulatory agencies
GRI 308: Supplier Environmental Assessment 2016	<a href="#">Supply Chain Sourcing, pp. 40-47</a>	Countries where our ingredients are sourced, primarily Côte d'Ivoire, Dominican Republic, Ecuador, Ghana, Indonesia, Malaysia, New Zealand, Nigeria, Peru, Philippines and United States.	Communities Industry associations Ingredient suppliers Regulatory agencies
GRI 401: Employment 2016	<a href="#">Performance Summary, p. 25</a> <a href="#">Sustainability Goals, p. 28</a> <a href="#">Employee Engagement, pp. 57-58</a>	Countries where Hershey manufactures, including Brazil, Canada, China, India, Malaysia, Mexico and United States.	Workforce Subsidiaries

Material Topics	Management Approach Cross-Reference	Geographical Locations Associated with Topic Impacts	Stakeholders Associated with Topic Impacts
GRI 404: Training and Education 2016	<a href="#">Performance Summary, p. 25</a>  <a href="#">Employee Engagement, pp. 54-56</a> 	Countries where Hershey manufactures, including Brazil, Canada, China, India, Malaysia, Mexico and United States.	Workforce Subsidiaries
GRI 408: Child Labor 2016	<a href="#">Supply Chain Sourcing, p. 43</a> 	Countries where our ingredients are sourced, primarily Côte d'Ivoire, Dominican Republic, Ecuador, Ghana, Indonesia, Malaysia, New Zealand, Nigeria, Peru, Philippines and United States.	Communities Industry associations Ingredient suppliers Investors Regulatory agencies Retail customers
GRI 409: Forced or Compulsory Labor 2016	<a href="#">Supply Chain Sourcing, p. 43</a> 	Countries where our ingredients are sourced, primarily Côte d'Ivoire, Dominican Republic, Ecuador, Ghana, Indonesia, Malaysia, New Zealand, Nigeria, Peru, Philippines and United States.	Communities Industry associations Ingredient suppliers Investors Regulatory agencies Retail customers
GRI 414: Supplier Social Assessment 2016	<a href="#">Supply Chain Sourcing, pp. 40-47</a> 	Countries where our ingredients are sourced, primarily Côte d'Ivoire, Dominican Republic, Ecuador, Ghana, Indonesia, Malaysia, New Zealand, Nigeria, Peru, Philippines and United States.	Communities Industry associations Ingredient suppliers Investors Regulatory agencies
GRI 416: Customer Health and Safety 2016	<a href="#">Ingredients &amp; Transparency, pp. 37-38</a> 	Markets where our products are sold. Key markets include: Brazil, Canada, China, India, Mexico and United States.	Consumers Regulatory agencies Retail customers Workforce
GRI 417: Marketing and Labeling 2016	<a href="#">Ingredients &amp; Transparency, pp. 34-39</a> 	Markets where our products are sold. Key markets include: Brazil, Canada, China, India, Mexico and United States.	Consumers Ingredient suppliers Investors Regulatory agencies Retail customers

## GRI 200-400: TOPIC-SPECIFIC DISCLOSURES 2016

Disclosure	Description	Cross-Reference or Answer	Additional Information
<b>GRI 201: Economic Performance 2016</b>			
201-1	Direct economic value generated and distributed	<a href="#">Performance Summary, pp. 25-26</a>  <a href="#">Community Engagement, pp. 62-63</a>  <a href="#">2016 10-K</a> 	Results are not reported at the country or regional level.
201-2	Financial risks and opportunities due to climate change	<a href="#">Environment, Health &amp; Safety, p. 50</a>  <a href="#">Supply Chain Sourcing, p. 45</a> 	
<b>GRI 204: Procurement Practices 2016</b>			
204-1	Proportion of spending on local suppliers	See explanation	While we do not have a local-sourcing policy, we source from local suppliers wherever feasible. We consider cost, projected timeliness of fulfillment, past experience, material quality and safety, and in applicable cases, material certification. Specific spend data is proprietary and will not be disclosed.
G4-FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	See explanation	All suppliers are required to review and agree to follow the provisions of our sourcing policy.
<b>GRI 206: Anti-Competitive Behavior 2016</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	<a href="#">2016 10-K, pp. 87-88</a> 	No instances of material non-compliance with regulations concerning anti-trust regulation occurred in 2016.
<b>GRI 305: Emissions 2016</b>			
305-1	Scope 1 GHG emissions	<a href="#">Performance Summary, p. 26</a> 	
305-2	Scope 2 GHG emissions	<a href="#">Performance Summary, p. 26</a> 	
305-4	GHG emissions intensity	<a href="#">Performance Summary, p. 26</a> 	
305-5	Reduction of GHG emissions	<a href="#">Performance Summary, p. 26</a> 	
305-7	NOx, SOx and other significant air emissions	<a href="#">Performance Summary, p. 26</a> 	

Disclosure	Description	Cross-Reference or Answer	Additional Information
<b>GRI 308: Supplier Environmental Assessment 2016</b>			
308-1	New suppliers screened using environmental criteria	See explanation	All suppliers are expected to comply with the company's Supplier Code of Conduct, which sets forth compliance with environmental criteria. While new suppliers were not screened in 2016, the company does reserve the right to perform environmental audits of those suppliers with whom we engage. Also in 2016, we rolled out an environmental scorecard to a number of key packaging vendors requesting information about their environmental practices, which includes key metrics like GHG, water and waste data, and their environmental management practices.
<b>GRI G4: Animal Welfare 2013</b>			
G4-FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	<a href="#">Supply Chain Sourcing, p. 46</a> ↗	
<b>GRI 401: Employment 2016</b>			
401-2	Full-time benefits not provided to temporary/part-time employees	<a href="#">Employee Engagement, pp. 57-58</a> ↗	Benefits are not provided to contract or temporary employees. Because contract workers are not Hershey employees, it is up to their employers, and not The Hershey Company, to provide any benefits to them. In general, part-time employees are eligible for the myWell-Being Global programs. Continuous part-time employees in the United States have vacation benefits and are eligible for the myWell-Being full program and the employee assistance program. A description of Hershey's benefits is available online.

Disclosure	Description	Cross-Reference or Answer	Additional Information			
<b>GRI 401: Employment 2016, continued</b>						
401-3	Parental leave	<a href="#">Employee Engagement, p. 58</a>	U.S. Parental Leave	Female	Male	Total
			Entitled to Parental Leave	31	38	69
			Took Parental Leave	28	29	57
			Returned to work after Parental Leave	26	28	54
			Return to work rate	93%	97%	95%
<b>GRI 404: Training and Education 2016</b>						
404-1	Average hours of training per year per employee	<a href="#">Employee Engagement, p. 56</a>				
404-2	Programs for upgrading employee skills and transition assistance programs	<a href="#">Employee Engagement, pp. 54-56</a>	The Hershey Company offers standard personal leaves of absence and medical leaves available through the U.S. Family and Medical Leave Act, as needed and as a standard part of the overall benefits offered to full-time employees. The company offers career transition services and financial counseling if an employee's employment is severed. If applicable, severance pay is determined by the employee's years of service and annual base salary prior to termination. The company periodically offers workshops to help employees plan for retirement.			
404-3	Percentage of employees receiving regular performance and career development reviews	See explanation	Hourly employees and non-salaried full-time employees do not receive regular performance reviews. Gender breakdown of those receiving performance reviews in 2016: 43% were female and 57% male.			
<b>GRI 405: Diversity and Equal Opportunity 2016</b>						
405-1	Diversity of governance bodies and employees	<a href="#">Employee Engagement, pp. 52-53</a> <a href="#">Management &amp; Governance, p. 73</a>				
<b>GRI 408: Child Labor 2016</b>						
408-1	Operations and suppliers at risk for child labor	<a href="#">Supply Chain Sourcing, p. 43</a> <a href="#">Supplier Code of Conduct</a>				

Disclosure	Description	Cross-Reference or Answer	Additional Information
<b>GRI 409: Forced or Compulsory Labor 2016</b>			
409-1	Operations and suppliers at risk for forced labor	<a href="#">Supply Chain Sourcing, p. 43</a>  <a href="#">Supplier Code of Conduct</a> 	All suppliers are expected to comply with the company's Supplier Code of Conduct, which sets forth compliance with human rights criteria. While new suppliers were not screened in 2016, the company does reserve the right to perform social audits of those suppliers with whom we engage.
<b>GRI 414: Supplier Social Assessment 2016</b>			
414-1	New suppliers that were screened using social criteria	See explanation.	All suppliers are expected to comply with the company's Supplier Code of Conduct, which sets forth compliance with human rights criteria. While new suppliers were not screened in 2016, the company does reserve the right to perform social audits of those suppliers with whom we engage.
<b>GRI 416: Customer Health and Safety 2016</b>			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	<a href="#">Ingredients &amp; Transparency, p. 38</a> 	
G4-FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	<a href="#">Ingredients &amp; Transparency, p. 38</a> 	
<b>GRI 417: Marketing and Labeling 2016</b>			
417-1	Requirements for product and service information and labeling	<a href="#">Ingredients &amp; Transparency, pp. 34-37</a> 	
417-2	Incidents of non-compliance concerning product and service information and labeling	See explanation.	No instances of material non-compliance with regulations concerning product information and labeling occurred in 2016.
417-3	Incidents of non-compliance concerning marketing communications	See explanation.	No incidents of non-compliance with regulations concerning marketing communications occurred in 2016 that resulted in a fine, penalty or warning.

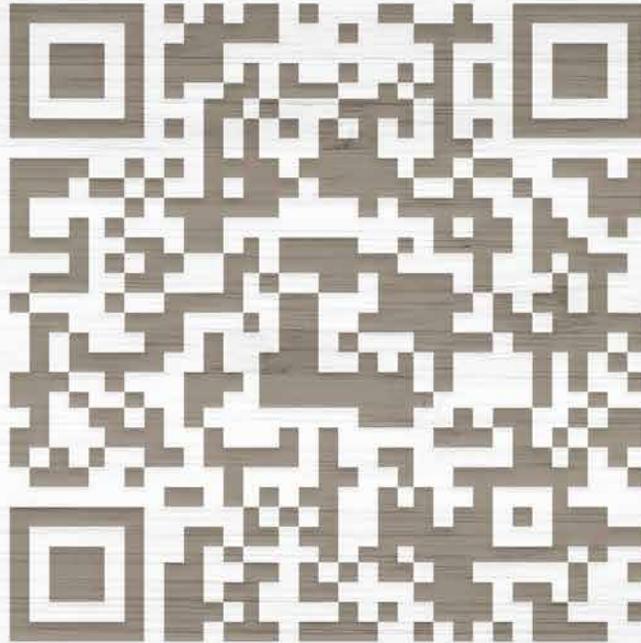
# FORWARD-LOOKING STATEMENTS

THIS REPORT CONTAINS “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to risks and uncertainties. Other than statements of historical fact, information regarding activities, events and developments that we expect or anticipate will or may occur in the future, including, but not limited to, information relating to our future growth and profitability targets and strategies designed to increase total shareholder value, are forward-looking statements based on management’s estimates, assumptions and projections. Forward-looking statements also include, but are not limited to, statements regarding our future economic financial condition and results of operations, the plans and objectives of management, and our assumptions regarding our performance and such plans and objectives. Many of the forward-looking statements contained

in this report may be identified by the use of words such as “intend,” “believe,” “expect,” “anticipate,” “should,” “planned,” “projected,” “estimated” and “potential,” among others. Forward-looking statements contained in this report are predictions only, and actual results could differ materially from management’s expectations due to a variety of factors, including those described below. Because actual results may differ materially from those contained in the forward-looking statements, you should not place undue reliance on the forward-looking statements when deciding whether to buy, sell or hold the company’s securities. Factors that could cause results to differ materially include, but are not limited to, issues or concerns related to the quality and safety of our products, ingredients or packaging; increases in raw material and other costs, along with the availability of adequate supplies of raw materials; selling price increases, including volume declines associated with pricing elasticity;

market demand for our new and existing products; increased marketplace competition; disruption to our supply chain; failure to successfully execute and integrate acquisitions, divestitures and joint ventures; changes in governmental laws and regulations, including taxes; political, economic and/or financial market conditions; risks and uncertainties related to our international operations; disruptions, failures or security breaches of our information technology infrastructure; our ability to hire, engage and retain a talented global workforce; our ability to realize expected cost savings and operating efficiencies associated with strategic initiatives or restructuring programs; and such other matters as discussed in our Annual Report on Form 10-K for 2016. All forward-looking statements contained in this report are expressly qualified in their entirety by such risk factors. All information in this report is as of June 12, 2017, and the company assumes no obligation to update

developments of the risk factors or to announce publicly any revisions to any of the forward-looking statements we make or to make corrections to reflect future events or developments, except as required by federal securities laws.



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or connect with us on our social channels.

