

HERSHEY 



GOODNESS IN ACTION

2020 SUSTAINABILITY REPORT

We Are Hershey

Welcome to our 2020 Sustainability Report.

Hershey's purpose is to "Make More Moments of Goodness" for our consumers today and for many generations to come. Integral to achieving that is our holistic sustainability strategy: our Shared Goodness Promise. It guides how we empower the remarkable people who work behind our brands, interact with farming communities that grow our ingredients, deliver on our commitments to consumers, customers and external stakeholders, protect the environment and support children and youth.

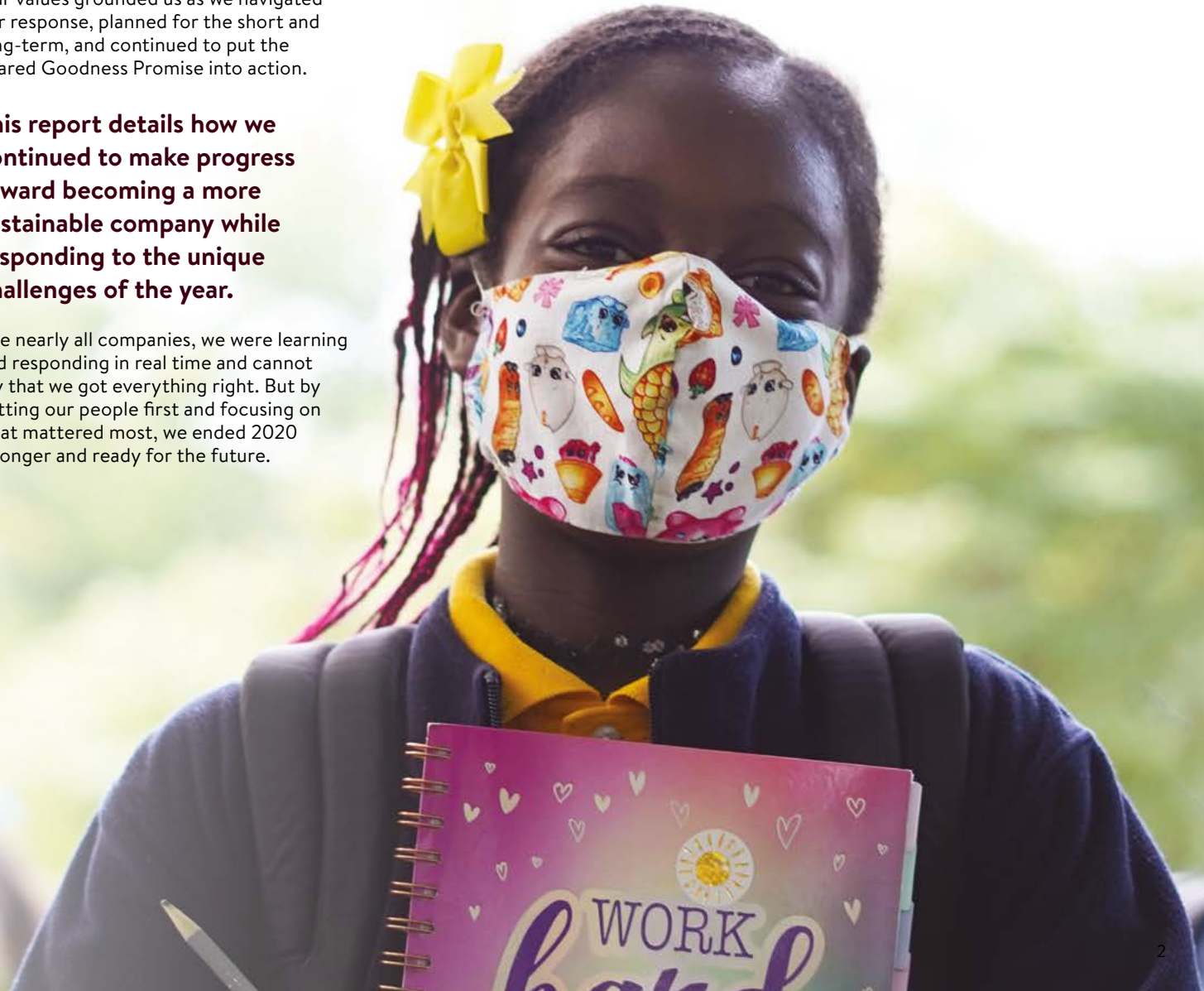
2020 has been a year like no other. Faced with the global COVID-19 pandemic, ongoing issues and social unrest stemming from systemic racism, and devastating natural disasters due to climate change, this year has put our Shared Goodness Promise to the test. It has prompted us to think differently, prioritize differently, act differently and bring empathy and compassion to the forefront of our decision-making. Throughout this volatile year, we continued to ask ourselves: How can we be better? How can we better support one another? How do we continue to move forward as a smarter, more resilient business?

Our values—Togetherness, Making a Difference, Excellence and Integrity—shone through during this challenging year. Our values grounded us as we navigated our response, planned for the short and long-term, and continued to put the Shared Goodness Promise into action.

This report details how we continued to make progress toward becoming a more sustainable company while responding to the unique challenges of the year.

Like nearly all companies, we were learning and responding in real time and cannot say that we got everything right. But by putting our people first and focusing on what mattered most, we ended 2020 stronger and ready for the future.

Note on photography: At Hershey, we take our commitment to health and safety seriously every day, and especially during the COVID-19 pandemic. We took fewer photos this year in order to follow social distancing precautions. Some photographs in this report show individuals without masks. They were taken before wearing masks became a part of our everyday vigilance.





What's Inside?

4 The Big Picture

- 5 A Message From Michele Buck
- 6 Stepping Up in 2020—
Our Response to a Unique Year
- 7 Our Sustainability Strategy

8 Our Performance

- 8 Our Year in Review—
Progress Against Our Goals

13 Governance and Approach

- 14 Being a Responsible
and Ethical Business
- 15 Materiality
- 16 Secure. Transparent. Resilient.

18 Responsible Growth

- 20 Nutrition, Innovation,
Choice and Transparency
- 21 No Compromise on Food Safety
- 22 Marketing Responsibly
- 23 Human Rights Across Our Value Chain
- 28 Responsible Sourcing
- 33 Cocoa For Good
- 36 Collaborating to End Child Labor

45 Environmental Impact

- 46 Acting on Climate Change
- 48 A New Era for Hershey Packaging
- 49 Protecting Water Supplies
- 50 Controlling Our Waste

51 Our People

- 53 Priority #1: Help Keep People Safe
- 54 Diversity, Equity and Inclusion
at Hershey
- 57 Providing a Caring
Employee Experience

59 Children and Youth

- 60 The Heartwarming Project
- 62 Nourishing Young Minds
- 63 Our Shared Goodness Legacy—
Milton Hershey School

64 Communities

- 67 Always There for Our Communities
- 69 Values With Impact: How Hershey
Makes a Difference
- 70 About This Report



ACT & IMPACT

Sharing the Moment

We don't just make chocolates and snacks—we make moments of goodness. Through our iconic brands, we create products that bring people together and make memories.

In 2020, we were there to create comfort and joy at home and forge connections between those who were socially distant. From snacks at family movie night to baking homemade favorites, and from summertime s'mores in the backyard to showing appreciation for essential workers, we were honored to be invited into these important moments and many more.

We also love that through our commitments and programs, we wrap each of these special moments in sustainability, giving us all more to feel good about.

A Message From Michele Buck



2020 was an unprecedented year of challenges and hardship, but also one that brought opportunity, resilience and compassion as individuals, businesses and communities around the world quickly adapted to address the impacts of the ongoing COVID-19 pandemic. As a society, we also experienced continued social unrest as we wrestled with systemic racism and political polarization.

Our company's purpose, to make more moments of goodness, and our values of togetherness, integrity, excellence and making a difference, grounded and inspired us as we looked after one another and worked to safely make the beloved products that were such an important part of the comfort and connection people needed as they navigated this unprecedented time.

I could not be prouder of the care, concern and commitment our teammates showed to one another, our customers and our

communities. Focus, agility and resilience enabled us to adapt and pivot to rapidly changing consumer behaviors and to continue to strengthen our business in terms of performance, the capabilities that will create long-term value and the culture of this special company.

At the start of the pandemic, our business was declared an essential business and we were prioritized by the government to stay open. Our priority was and continues to be to help ensure the physical, emotional and economic wellbeing of our teammates.

At the same time, we quickly pivoted our community engagement efforts to support the needs of our communities. In our hometown of Hershey, we invested \$1 million to convert some of our operations to manufacture more than 40 million masks, a portion of which was donated for community organizations and school systems. Along our supply chain, we provided support for suppliers and growers and infrastructure such as handwashing facilities in our cocoa-growing communities. I'm especially proud of the fact that, in the face of lockdown measures, we were able to adapt our engagement with cocoa-growing communities so that the child labor monitoring remediation and support (CLMRS) programs we invest in to protect at-risk children and their families in West Africa could continue.

In the U.S., the deaths of George Floyd, Breonna Taylor and others forced our society to confront the systemic racism that still shapes the daily experience of so many individuals and communities. Thanks to the frank and heartfelt feedback

of our teammates, including the outsized impact delivered by our Business Resource Groups (BRGs), we have launched our most ambitious diversity commitments to date, aiming for up to 30–40% of our workforce to be comprised of people of color (POC) by 2025.

I am excited that, despite the challenges of this past year, we committed to priorities within the environmental, social and governance (ESG) landscape that will guide our investments and focus going forward.

Those priorities are:

- Accelerating our sustainable cocoa strategy
- Further strengthening diversity, equity and inclusion and our differentiated culture
- Ensuring our ingredients are responsibly sourced
- Delivering our environmental goals
- Continuing our focus on youth and communities

Cocoa remains our top ESG priority. At the beginning of 2020, we achieved our 100% certified and sustainable cocoa commitment that we made back in the fall of 2011. Building on this, we further committed to 100% direct sourcing of all cocoa from Côte d'Ivoire and Ghana by 2025. This will increase our direct sourcing of cocoa in these countries from about 20% in 2019 to 100% by 2025, giving us greater visibility and impact into where and how our cocoa is grown. With this new model, we will be able to expand CLMRS programs to 100% of the cocoa we source from Côte d'Ivoire and Ghana by 2025. CLMRS is the best tool available to address child labor in West Africa.

Addressing climate change is another area where we have made significant progress, having recently announced our science-based target to achieve a 50% absolute reduction in our Scope 1 and 2 greenhouse gas emissions and a 25% absolute reduction in our Scope 3 emissions by 2030. In addition, we have committed to have 100% of our plastic packaging be reusable, recyclable or compostable by 2030.

We continue to strengthen our ESG disclosures, and I am pleased with our ongoing reporting utilizing leading sustainability frameworks and our continued support of the UN Global Compact. This year, we are expanding our efforts to report on the Task Force on Climate-related Financial Disclosures (TCFD) and the UN Guiding Principles Reporting Framework. This transparency provides our external stakeholders greater visibility to our goals, our progress and challenges.

It's an honor to lead this company and am tremendously proud of the great progress we have made in 2020. As this report shows, our company and our people have risen to the challenge, putting goodness into action by uniting to offer support, hope, strength and togetherness where it was needed most.

Michele Buck
Chairman, President and CEO,
The Hershey Company

Stepping Up in 2020—Our Response to a Unique Year

In the face of new and ongoing global challenges, we used our expertise, along with that of external partners, to respond and embed lasting change around the world.



Managing Through COVID-19

At the onset of the global COVID-19 pandemic we reinforced our health and safety measures and focused on the physical, emotional and economic wellbeing of our employees. We prioritized the safe operations for our Manufacturing and Field Sales teams to enable our business to continue operating during this challenging time. We also loaned our supply chain expertise and facilities to support healthcare systems, increased our corporate philanthropy to support struggling communities and collaborated closely with key stakeholders—like extending financing to suppliers and supporting localized responses in cocoa communities. For more info, [see page 16](#).



Shoulder to Shoulder Against Systemic Racism

In the wake of George Floyd's death on May 25, we co-created with our employees a strengthened inclusion strategy called The Pathways Project, with ambitious new diversity, equity and inclusion commitments. In addition, we deepened our community partnerships focused on racial justice and will be investing up to \$3 million over the next decade in an endowment for students at historically and predominantly Black colleges and universities. This is the first time a company has ever committed to endow a Thurgood Marshall College Fund scholarship. For more info, [see page 55](#).



Combating Climate Change

Our products rely on agricultural ingredients and a global supply chain. Climate change poses a significant and increasing risk to global food production systems and to the safety and resilience of the communities where we live, work and source our ingredients. This was underscored by historic wildfires in California and the 2020 Atlantic hurricane season, the most active and the fifth costliest season on record.¹ To help meaningfully reduce our impact on the climate, we have announced a new science-based target to cut our absolute greenhouse gas (GHG) emissions, amplifying our response and impact. For more info, [see page 46](#).



Improving Farmer Livelihoods

Our complex global supply chain spans communities with high levels of poverty and inequality. The raw ingredients we source come from different countries with unique laws, labor standards and pricing models. We support the Living Income Differential (LID) in West African markets, in addition to the premium we pay for certified cocoa. We are also continuing with our investment of \$500 million into cocoa communities by 2030 as part of our Cocoa For Good strategy. For more info, [see page 40](#).

¹ <https://www.noaa.gov/media-release/record-breaking-atlantic-hurricane-season-draws-to-end>.

Our Sustainability Strategy



HERSHEY



DRIVING RESPONSIBLE GROWTH

REDUCING OUR ENVIRONMENTAL IMPACT

ENERGIZING OUR REMARKABLE PEOPLE

SUPPORTING CHILDREN AND YOUTH

IMPROVING COMMUNITIES

OUR PRIORITIES

We have aligned these priorities with our board and they are supported by the goals on the next page.

- Expanding Cocoa For Good
- Sourcing priority ingredients responsibly and sustainably
- Respecting human rights

- Reducing our environmental impact in line with the best available data and planetary science
- Reducing packaging and waste

- Accelerating diversity, equity and inclusion
- Amplifying Hershey people and culture

- Continuing to build The Heartwarming Project (HWP) to support Youth socio-emotional learning

- Improving lives across the communities where we live and work through employee engagement, volunteering and corporate giving/investments

SDGS SUPPORTED

For more on our work on the UN Sustainable Development Goals (SDGs), visit [here](#).








Our Year In Review—Progress Against Our Goals

OUR GOAL





**TARGET
YEAR**
**OUR
PROGRESS**
HIGHLIGHTS

 Key  Achieved  On track  New




RESPONSIBLE GROWTH

100% of priority ingredients and materials to be responsibly and sustainably sourced	2025		Details on our five priority ingredients and materials provided on page 30 . We will report our first progress on this overall goal in our 2021 report.
Direct source 100% of the cocoa purchased from Côte d'Ivoire and Ghana from known farmer groups and farmers	2025		60% of our cocoa sourced in 2020 from Côte d'Ivoire and Ghana was considered direct sourced.
100% of cocoa farmers in Côte d'Ivoire and Ghana supplying Hershey to be covered by Child Labor Monitoring and Remediation Systems (CLMRS)	2025		Presently, 97% of direct-sourced cocoa is covered by CLMRS. We estimate this is about 58% of the way to our goal.
100% of cocoa farms in Côte d'Ivoire and Ghana supplying Hershey to be mapped ² to prevent deforestation	2025		Presently, 83% of direct-sourced cocoa's farms are mapped. We estimate this is about 50% of the way to our goal.
85% of in scope supplier sites meet Hershey's Responsible Sourcing Supplier Program requirements	2025		In 2020, we launched our Responsible Sourcing Supplier Program and started to enroll suppliers. See details on page 29 . We will report our first progress in our 2021 report.

ENVIRONMENTAL IMPACT

50% absolute reduction in Scope 1 and 2 GHG emissions against a 2018 baseline	2030		2020 Scope 1 and 2 emissions were 23.7% less than 2018. See pages 46–47 for more details.
25% absolute reduction in Scope 3 GHG emissions compared to 2018	2030		2020 Scope 3 emissions were 12.6% less than in 2018. See pages 46–47 for more details.
100% of plastic packaging to be reusable, recyclable or compostable	2030		77% of total product packaging currently recyclable (by weight).
25 million pounds of packaging to be eliminated	2030		2.26 million pounds of packaging reduced in 2020 ³ (cumulative progress to be reported in future years).

OUR PEOPLE

Achieve pay equity for salaried employees at \$1 for \$1	2025		In 2020, we achieved 1:1 aggregate gender pay equity and by early 2021 we achieved 1:1 aggregate POC pay equity for salaried employees in U.S. We seek to maintain existing achievements, and continuous improvement on pay equity for similar roles throughout our organization.
47–50% women representation across all employees globally and 30–40% people of color (POC) representation across U.S. employees	2025		48% female representation globally and 21% POC representation in the U.S.
50% hazard reduction for job functions with ergonomic risks through process improvements	2025		Ergonomic and repetitive movement injuries accounted for more than one-third of total Hershey safety incidents in 2020. We will provide our first progress report on this goal in 2021.

CHILDREN AND YOUTH

50 million children globally supported through education, nutrition, social and emotional wellbeing cumulatively	2025		7.6 million children supported in 2020 (cumulative progress to be reported in future years).
100,000 children take Heartwarming actions and impact their communities cumulatively	2025		61,243 children taking Heartwarming actions in 2020 (up 392% from 2019).

COMMUNITIES

\$105 million donated in cash and products cumulatively to community partners focused on education, community economic development, inclusive communities, and health and human services where we live and work	2025		\$26.6 million donated in cash and products in 2020 (cumulative progress to be reported in future years).
--	------	---	---

Awards and Recognition



#34

Forbes Just 100



#21

DiversityInc.
Top 50



DiversityInc Top Company
for LGBT Employees
(non-ranked)



#8

DiversityInc Top
Company for Veterans



#23

“Great Place to Work”
in Brazil by Great Place
to Work Institute



National Organization on
Disability 2020 Leading
Disability Employer



#405

Forbes America's Best
Employers for Diversity List



Forbes ranked Hershey
as one of America's
Best Employers for
Women 2020



Best Places to Work for
LGBTQ Equality 100%
Corporate Equality Index



FTSE4Good



The Civic 50
Honoree



Dow Jones
Sustainability
World Index



Best Company to
Work For in Asia



Malaysian Society For
Occupational Safety &
Health (MSOSH) OSH
Award—GOLD Class 1



American Malaysian
Chamber of Commerce
for 2020 MY AMCHAM
CARES AWARD



HR Asia—Best
Companies to Work
for in Asia 2020



#22

Morning Consult's 2020
Most Loved Brands




#7


Morning Consult's
Most Trusted
Brands



Our Performance

 RESPONSIBLE GROWTH		2020	2019	2018
FINANCIAL PERFORMANCE	Number of countries in which our products are marketed	90	85	90
	Number of countries in which our products are manufactured	6	6	6
	Manufacturing facilities (wholly owned/joint ventures)	14	15/1	15/1
	Consolidated net sales (U.S. \$ million)	8,150	7,986	7,791
	Shareholder return	5.91%	40.2%	-2.9%
	Adjusted diluted earnings per share	6.29	5.78	5.36
	Income taxes paid (U.S. \$ million)	215.5	238.1	118.8
	Worldwide payroll (U.S. \$ million)	863	834	755
	One year net sales growth	2.1%	2.5%	3.7%
	Investment in R&D (000s)	37.6	37.1	38.5
	Number of brands	>90	>80	>80
RESPONSIBLE SOURCING	Certified and sustainable cocoa in all our chocolate products worldwide	100%	90%	80%
	Farmers supported directly through Cocoa For Good	83,783 (14% female)	51,009 (12% female)	50,518
	Palm oil purchases traceable to mills and plantations	99.6% (mill) 70.7% (plantation)	99.8% (mill) 50.0% (plantation)	99.8% (mill) 34.0% (plantation)
FOOD SAFETY & NUTRITION	Revenue from products labeled and/or marketed to promote health and nutrition attributes (U.S. \$ million) ⁴	520.8	432.3	337.7
	Wholly owned manufacturing sites certified by the Global Food Safety Initiative	100%	100%	100%

⁴ This number represents revenue from our snacks portfolio, which includes ready-to-eat popcorn with no-artificial ingredients, baked and trans-fat free snacks, protein bars and other better-for-you snacks.

 ENVIRONMENTAL IMPACT	2020	2019	2018
Direct (Scope 1) GHG emissions (metric tons CO ₂ e)	147,224	157,322	156,001
Direct (Scope 1) GHG emissions (metric tons CO ₂ e per thousand pounds of product produced) ⁵	0.069	0.074	0.072
Indirect (Scope 2) GHG emissions (metric tons CO ₂ e) ⁶	143,616	215,638	225,060
Indirect (Scope 2) GHG emissions (metric tons CO ₂ e per thousand pounds of product produced) ⁵	0.068	0.102	0.104
Value chain (Scope 3) GHG emissions (metric tons CO ₂ e)	5,762,402	6,288,344	6,592,148
Value chain (Scope 3) GHG emissions (metric tons CO ₂ e per thousand pounds of product produced) ⁷	2.452	2.694	2.730
NOx emissions (metric tons)	74.9	77.8	76.8
SOx emissions (metric tons)	2.5	2.4	2.3
VOC emissions (metric tons)	83.8	190.3	203.9
CO emissions (metric tons)	64.2	77.8	70.2
Particulate emissions (metric tons)	49.2	49.1	51.1
Total water withdrawal (million gallons)	1,430.9	1,396.4	1,480.3
Total consumptive water use (million gallons)	230.6	232.8	263.2
Total water discharge (million gallons)	1,200.4	1,156.8	1,217.1
Water withdrawal from ground (portion of total used)	54%	55%	56%
Purchased water (portion of total used)	46%	45%	44%
Water use (gallons per pound of product produced) ⁸	0.106 ⁹	0.107	0.099
Waste generated, including recycling (metric tons)	62,395 (84% recycled)	53,172 (86% recycled)	51,316 (87% recycled)
Total hazardous waste (metric tons)	16.2	19.4	14.4
Trees planted and tree seedlings distributed	1,397,087	1,936,167	2,685,669


⁵ Denominator is thousand pounds of product produced in our own factories.


⁶ Represents market-based accounting of Scope 2.


⁷ Denominator is thousand pounds of product produced across our own factories and by co-manufacturing partnerships. The GHG footprint of co-manufacturing production of products is included in Scope 3.

⁸ Data has been restated from previous years to reflect water consumption per pound of product produced as opposed to water withdrawn, as this is the more meaningful indicator of our impact on nature.

⁹ 2020 data includes our India site but 2019 and 2018 data could not be restated to include this site.

 OUR PEOPLE	2020	2019	2018
Number of employees worldwide (full-time/part-time)	16,666 (15,005/1,661)	16,258 (14,718/1,540)	16,422 (14,927/1,495)
Union representation (approximate)	37%	34%	35%
Number of women on Executive Committee	2 (22%)	2 (22%)	3 (38%)
Number of women on Board of Directors	5 (36%)	5 (42%)	5 (45%)
Number of racial minorities on Board of Directors	2 (14%)	1 (8%)	0 (0%)
Number of racial minorities on Executive Committee	3 (33%)	3 (33%)	2 (25%)
Percentage of workforce, women	48.1%	47.9%	48.7%
Percentage of management, women	37.4%	36.6%	36.2%
Percentage of workforce, racial/ethnic minorities (U.S. only)	21%	20.1%	19.6%
Total Recordable Incident Rate (TRIR)	1.45	1.36	1.48
Days Away, Restricted, Transferred (DART)	1.09	1.02	1.11
Lost Workday Incident Rate (LWIR)	0.54	0.51	0.55
Total fatalities (work-related)	0	0	0

 CHILDREN AND YOUTH	2020	2019	2018
Number of children receiving ViVi on a daily basis	27,142	58,300	57,000
Children reached through The Heartwarming Project (HWP) partnerships	6,705,120	6,710,696	6,086,000
Youth directly benefiting from HWP investments	667,000	775,386	697,522
Youth taking part in Heartwarming actions	61,243	12,440	4,116

 COMMUNITIES	2020	2019	2018
Cash donations (U.S. \$ million)	16.9	12.2	10.9
Product donations (U.S. \$ million)	9.7	8.3	9.7
Employee volunteer hours	62,256	135,805	133,600



LEAD & INSPIRE

Operating With Integrity

Integrity is one of our core values and is central to what we stand for as a company. Operating as an ethical company is fundamental to how we build trust with all our stakeholders. We are guided by a suite of carefully crafted policies and processes, developed to keep us competitive, prepared and resilient. This work is never finished—best practices always evolve, and we are continually strengthening our approach and exploring leading standards to ensure that Hershey keeps pace.

Being a Responsible and Ethical Business

Why it Matters

Hershey prioritizes upholding ethical business conduct and being transparent. Through our commitment to live our values, we have developed robust policies and procedures to act responsibly across our operations and supply chain. We regularly review our position and processes to align with the changing regulatory landscape.

How We Do It

Our [Code of Conduct](#) (the Code) reflects who we are, what's important to us and emphasizes our commitment to acting ethically. It provides the policies and guidelines that define how we do business. The Code incorporates Hershey's policies, including, among others, those with respect to anti-corruption, antitrust, whistleblower protection and health and safety. All our directors and employees receive biannual training on the Code and verify that they have read and agree with the principles it outlines annually.

Our Board

The Board of Directors oversees our strategies (including our Shared Goodness Promise), significant decisions and business performance. This includes overseeing our compliance with legal and regulatory requirements, our Enterprise Risk Management (ERM) program and the key risks it identifies, the integrity of our financial statements, and management succession planning and compensation policies.

To manage these responsibilities, the Board maintains five committees that conduct in-depth reviews of significant issues: Audit, Governance, Compensation and Executive Organization, Finance and Risk Management, and Executive.

The entire Board is responsible for overseeing ESG risks and opportunities at Hershey. The ESG team briefs the full Board of Directors at least annually with deeper dives on ESG issues typically occurring two to three times per year.

As of December 2020, the Board had 14 directors, each over the age of 50 and each with significant professional experience. Diverse directors made up 50 percent of our Board, including five women and two people of color.

For more information on our Board, committees and approach to executive compensation, please see our [Proxy Statement](#).

Governing Sustainability

Our sustainability governance model includes a multi-level operating structure to ensure we are aligned on the most important issues facing the company. Key ESG priorities are embedded across the enterprise to ensure strategies are aligned and resources are allocated to drive progress. Accountability for managing sustainability across the enterprise sits with the Vice President of Corporate Communications and Global Sustainability, who reports to our Chief Supply Chain Officer.



Board of Directors

Briefed at least annually on our Shared Goodness Promise progress and oversees the most important emerging sustainability trends, risks and opportunities.



Executive Committee

Includes our CEO and her direct reports and conducts reviews of the Shared Goodness Promise sustainability strategy, data, progress and emerging sustainability challenges and opportunities at least quarterly, with more targeted meetings on priority items occurring regularly.



Sustainability Steering Committee

Composed of vice presidents from across key business functions and three members of our executive team (Legal, HR, and Supply Chain) who meet monthly to review progress, discuss challenges and opportunities and approve key decisions related to our global sustainability programs.



Global Sustainability Team

Led by the Senior Director of Global Sustainability and Social Impact, this team is composed of leaders from across the business who manage the strategy, implementation and reporting of our global sustainability progress. The Global Sustainability team is in regular communication with external stakeholders to get valuable perspectives on our program decisions and focus.

Materiality

We conduct a materiality assessment every few years to ensure that Hershey focuses on the issues that are of greatest importance to our stakeholders and works effectively to meaningfully address them. Our latest materiality assessment was completed in 2020.

Assessment Process

We align our materiality methodology with the Global Reporting Initiative (GRI) Standards. This consists of interviews, surveys and workshops with internal and external stakeholders, including Hershey managers across different functions, investors, non-governmental organizations (NGOs), think tanks, suppliers and industry associations.

Through the analysis of our findings, we identified a total of 33 issues, with 11 being the most material:

- business operations and supply chain resilience
- child labor
- climate change
- deforestation
- farmer livelihoods
- food safety
- forced labor
- human rights
- packaging and plastics
- responsible and ethical business
- responsible sourcing

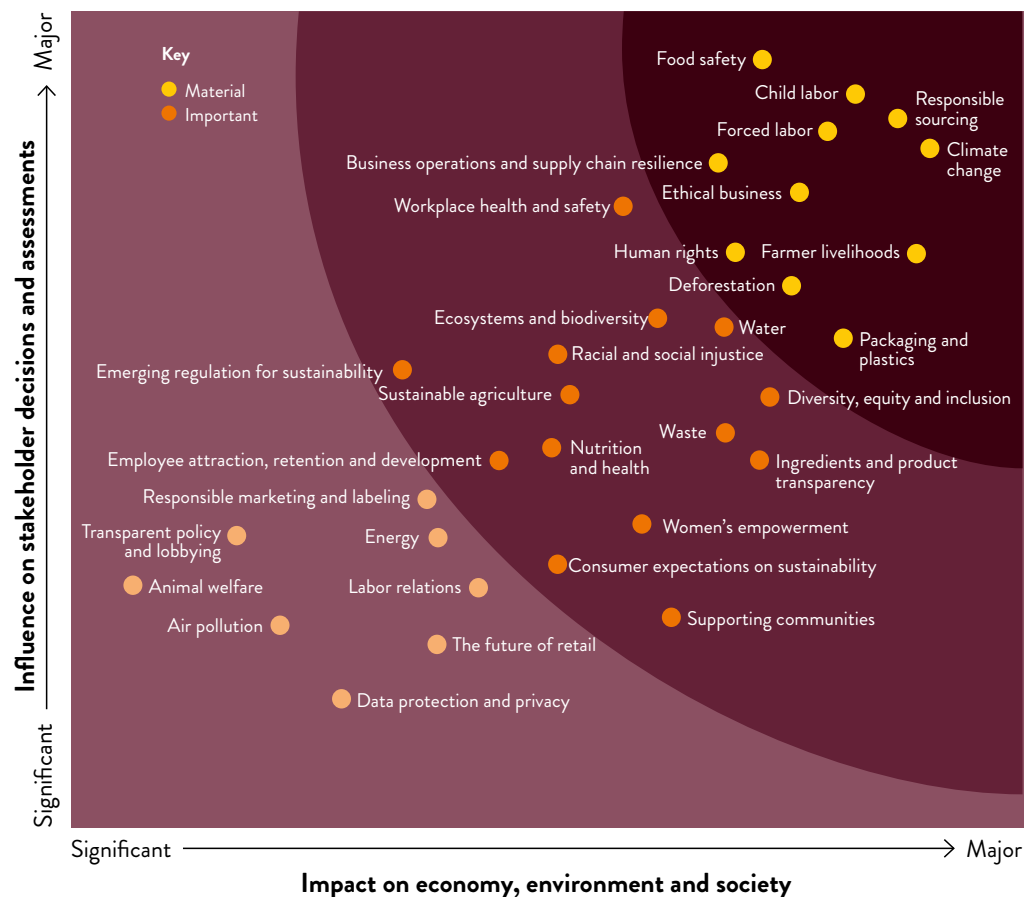
Please note that all 33 issues identified on the matrix are important and interconnected and should not be considered in isolation.

For a list of definitions, please see our [GRI Index](#).

We also recognize that investors and other stakeholders are interested in what Hershey is doing on topics identified as material by the Sustainable Accounting Standards Board (SASB). Our SASB report can be found [here](#).

Stakeholder Engagement

Hershey has several touchpoints throughout the year to engage with NGOs, customers, investors and other stakeholders who are interested in our ESG performance. Feedback from employees is sourced via our BRGs, Green Teams, Corporate Social Responsibility Network, surveys and ad hoc through direct engagement with the Sustainability team. In 2020, we also conducted an ESG investor perception study and participated in a Ceres Stakeholder engagement for the first time for guidance on how to use this report to better address the diverse expectations of our many stakeholders.



Secure. Transparent. Resilient.

Enterprise Resiliency Through COVID-19 and Beyond

As a large organization with a global supply chain and multiple manufacturing operations, it's vital for Hershey to be prepared for the unexpected.

In 2020, that meant adapting rapidly to the continuously changing circumstances presented by the COVID-19 pandemic. As a food manufacturer, we were deemed an essential business by the U.S. government, and in the early days of the pandemic our own manufacturing workforce and field sales force quickly became front-line workers.

We put together a COVID-19 Crisis Core team, which made timely recommendations on employee safety, travel restrictions, supply chain impact and securing personal protective equipment (PPE) and sanitizer for our U.S. and international locations. To further protect our employees, we developed enhanced health and safety protocols and prioritized a focus on physical, emotional and economic security in our decision-making. We also provided incremental incentives and appreciation pay to many Hershey manufacturing and retail workers globally. These efforts helped us protect the safety and wellbeing of our teammates and enabled us to continue to have a positive economic impact on our stakeholders by continuing to make and sell our products.

Given the rampant misinformation during the pandemic, robust communications and transparency was a key component to our response. We launched a COVID-19 website with access to informational resources and wellbeing materials for

employees, and we communicated both internally and externally at a regular cadence to help our stakeholders make sense of our plans.

The COVID-19 pandemic has also underscored the importance of protecting and promoting human rights and the need to urgently deploy resources to those most impacted. We used the guidance of the [United Nations Guiding Principles \(UNGPs\)](#) to identify and help address broad [COVID-19-related human rights vulnerabilities](#) among our employees and workers in our supply chain, such as funding temporary wage incentives for several strategic co-manufacturers and co-packers. We also contracted medical staff on our suppliers' behalf, bought medical scanning equipment and provided capital for suppliers to make infrastructure changes for social distancing.

Through the pandemic, we identified a clear opportunity to simplify our Crisis Management Playbook and develop processes to address future crises in a more structured, but still agile, way. We have begun methodically scoping across all our business processes, functions and geographies to determine procedures, systems and third parties that fall under Enterprise Resiliency Planning to be subject to further business impact analysis and risk assessments.

In addition, we are pursuing a future state where Crisis Management, Business Continuity and Disaster Recovery are interdependent functions. By blending all strategic plans in each discipline, we aim to deliver a more robust set of recovery strategies for our business.





Data Protection and Privacy

We respect the privacy of our consumers, customers, co-workers and others with whom we conduct business, and we handle their personal information with care. We are committed to complying with data privacy laws that prescribe how to responsibly collect, store, use, share, transfer and dispose of personal information wherever we operate.

Lobbying and Transparent Policy

As per our Code of Conduct, Hershey does not make political contributions and only engages in corporate political activities through the [Hershey Political Action Committee](#) (PAC). Funds raised through the PAC, which is made up of voluntary employee contributions, are used to support elected officials—regardless of political affiliation—who have demonstrated a willingness to consider Hershey’s perspective on matters impacting our business. All contributions are disbursed pursuant to our internal contribution guidelines and in accordance with applicable election laws. All PAC contributions are bipartisan and given

equally to both major political parties at the federal and state levels. Following the events of January 6, 2021 at the U.S. Capitol, we paused all PAC giving to reevaluate our strategy going forward.

Corporate funds are used to periodically support or advocate for issues, legislation or referenda of importance to Hershey and our shareholders. These funds, classified under the U.S. Internal Revenue Code as non-deductible lobbying expenditures, are paid primarily to industry trade associations and lobbying entities, and support the salaries of our internal Government Relations personnel. In accordance with the Lobbying Disclosure Act of 1995, our company files quarterly lobbying reports, outlining the company’s federal-level advocacy work. We also publish a [report of advocacy expenditures](#) on the Investors section of our website annually.



PARTNER & THRIVE

Integrity Across Our Value Chain

As an innovative snacking powerhouse, we are committed to growing sustainably and acting responsibly at each phase of our value chain. From protecting and respecting human rights in a complex supply chain to upholding high food safety standards and championing consumer choice and transparency, Milton Hershey's legacy to always do the right thing remains as deeply embedded in our culture now as it was when our company was founded.

At Hershey, we also use our global reach to create positive impact. In cocoa communities, we are investing and working to eliminate child labor, foster economic resilience, drive sound agricultural practices and bring an end to deforestation.



Expanding Our Snacking Portfolio

We craft snacks that work for every occasion—from indulgent treats for special moments to energy-boosting options that support a healthy lifestyle. We use quality ingredients and best-in-class manufacturing standards, and provide user-friendly nutrition information on our packaging to offer trusted snacks that are safe and delicious.

Sweet

Savory



Nutrition, Innovation, Choice and Transparency

Today's consumers are looking for a range of snacks that suit their values, lifestyles and health choices, while still sometimes indulging in a treat. Consumers also expect more information about what they're eating and are taking a greater interest in portions and nutrition information.

As a consumer-centric company, we seek to meet our consumers' evolving expectations and preferences. Through our commitments to both choice and transparency, we continue to earn our consumers' trust and be invited into new snacking occasions.

When it comes to providing choice, we continue to grow our snacking portfolio. We have evolved from being solely a confectionery-based company to also offering better-for-you (BFY) products around the world that provide consumers with increased options to help meet their health and wellness goals.

We have a dedicated Research & Development (R&D) team that works to create more BFY snacking options. Through product innovation, we have evolved to include options that cater to consumers looking to control sugar and portion sizes. In 2019, we innovated our first "Thins" option with our Reese's brand, with snacks that are 40 percent thinner than our regular peanut butter cups. Since then, we expanded Thins options to include Kit Kat™ and York Peppermint Patty brands. In March 2021,

we relaunched our Zero Sugar line with expansions of already-loved options such as *Hershey's Bar*, *Reese's*, *Twizzlers* and *Jolly Rancher*. The bold new packaging and branding will help consumers easily find and choose options that help them cut sugar intake. In addition, we launched a new line of Organic Reese's and Hershey's products.

Our R&D team continue to file patents for unique new formulations and technologies, with a strategy that focuses on scaling winning, new innovations that can be deployed in our markets.

We also continue to diversify our snacking portfolio through acquisitions. For instance, our acquisition of ONE Brands in 2019 has given us a strong presence in the nutrition bar space. ONE Bars give consumers up to 20 grams of protein per bar with just one gram of sugar and come in a variety of delicious flavors including four vegan, plant-based protein options.

To improve transparency, we helped develop an industry-wide technology for U.S. products called SmartLabel™. With a simple scan of a QR code on the product package, consumers are taken to Hershey's SmartLabel™ site and provided with a wide range of product information including information on nutrition, ingredients and their definitions, allergens and whether the product is gluten-free or contains any GMO ingredients. Currently, 68 percent of the Hershey portfolio has a scannable SmartLabel™.

To further this work, we maintain a Food Claims Review Council in the U.S. that acts as a collaborative, cross-functional team of regulatory, nutrition and legal partners. The Council provides guidance on product claims, labeling, marketing and advertising early in the innovation process to ensure products are compliant and address consumer needs. In providing guidance, the Council touches upon a wide variety of topics including nutrition, ingredients, sustainability, responsible sourcing and product certifications.



No Compromise on Food Safety

Hershey has some of the highest food safety production standards in the industry. We go beyond compliance with national and international standards, and every part of our manufacturing process is subject to rigorous auditing and oversight.

We maintain a Product Excellence Program (PEP), which is our Quality Management System for Food Safety, Regulatory Compliance and Product Quality. PEP is focused on identifying, reducing and eliminating risk throughout product design, supply chain, production and distribution.

Our Quality and Regulatory Compliance team continually reviews and evaluates emerging regulations and industry practices to ensure PEP is meeting the latest requirements and thinking. PEP's elements meet or exceed current Global Food Safety Initiative (GFSI) standards. In addition, all Hershey-owned manufacturing facilities are GFSI certified, which is an independent verification of the strength of our food safety and quality systems.

To drive the right behaviors around food safety and quality, we have standardized our manufacturing facility personnel onboarding and annual refresher training. This training is required for 100 percent of our manufacturing facility employees. Additionally, specific food safety and quality training programs were created and implemented for Hershey quality assurance, engineering, compliance and marketing professionals.

In the fall, our strong commitment to food safety was recognized by the Food and Drug Administration (FDA). Frank Yiannas,

FDA's Deputy Commissioner of Food Policy and Response and a food safety culture pioneer, invited our CEO Michele Buck to speak at an FDA "kick-off" event on food safety culture. The event laid the groundwork for future FDA activity promoting food safety culture among food manufacturers nationwide.

Food Safety in Our Value Chain— and Beyond

Hershey sources 100 percent of ingredients from suppliers approved through the Hershey Supplier Quality Management Program, which is defined and executed in compliance with applicable GFSI and regulatory requirements. Hershey has also been working with suppliers to help them achieve certification under a recognized GFSI Standard and has made great progress toward the goal of sourcing 100 percent of our ingredients from GFSI-certified suppliers. Presently, 89 percent of our suppliers globally have achieved certification, covering 99.1 percent of our sourced ingredients by spend.

We also promote community food safety education and allergy awareness. During May, Food Allergy Awareness Month, our Food Safety team partnered with Product Development personnel to raise awareness by offering Jolly Rancher Gummies—which do not contain any of the [FDA Big 8 allergens](#)—in teal, the official color of food allergy awareness. Additionally, we continued our partnership with the [Food Allergy & Anaphylaxis Connection Team](#), sharing our allergy-friendly Jolly Ranchers with their members to raise awareness of our manufacturing commitment and capability.



Marketing Responsibly

We are committed to responsibly marketing our products. Our strong values guide our behavior in all aspects of our brand-building work and consumer communications. We respect that parents play a crucial role in teaching children healthy eating habits and the appropriate role of treats and snacks in a balanced diet. We support this parental gate-keeping role, particularly in connection with children under the age of 12.

Our marketing principles stress responsible practices, particularly in relation to children. Hershey is a member of the U.S. Children's Food and Beverage Advertising Initiative (CFBAI), which is a voluntary self-regulation program created to improve the landscape of food advertising directed at children. Under our individual CFBAI pledge, we commit to not engage in advertising primarily directed at children under the age of 12.

For measured media, like television, radio and print, that means we do not advertise on shows where 30 percent or more of the annual audience on average is composed of children under the age of 12. For unmeasured media, like websites, video-sharing platforms or social media services, we use a multi-factor analysis to determine whether the media is child-directed, including audience composition data (where available), the nature of the site's content, and platform content identifier tools. We also do not use third-party licensed characters for child-directed advertising.

In Canada, we have signed a [pledge](#) with the Canadian Children's Food and Beverage Advertising Initiative, overseen by Ad Standards Canada, which commits us to similar standards and principles.

Consistent with our pledge, we submit data and information annually to the CFBAI demonstrating compliance with our commitments. The U.S. CFBAI's most recent compliance and progress report, which addresses the performance of Hershey and all other participating companies, is available for reference [here](#).

By agreement, we allow selected third parties to display our well-known brands on a variety of high-quality food and non-food items to be sold in various outlets throughout the world. We are also proud of the positive role our products play in raising funds for a wide range of organizations and programs, including elementary and secondary schools. That said, we do not advertise our products to children in elementary schools and we do not license our brands for use on educational material or materials intended for use primarily in elementary schools.



Human Rights Across Our Value Chain

For more than 125 years, Hershey has operated with the understanding that we are integral members of the communities where we live and work. The remarkable and diverse people we employ and the individuals who work along our value chain are some of our most important assets. We use an approach that identifies, evaluates and prioritizes action on the most significant, relevant risks, enabling all these individuals to exercise and enjoy their fundamental human rights. We have several standards and expectations that guide our [initiatives in this space](#), including the [Hershey Code of Conduct](#) and our [Human Rights Policy](#), which we developed using the UN Guiding Principles on Business and Human Rights (UNGPs).

Our Due Diligence

Our approach to human rights due diligence is guided by the UNGPs and represents an ongoing risk management process that allows us to identify, prevent and mitigate current and potential human rights risks throughout our value chain. It is informed by a risk methodology that we developed with the leading human rights nonprofit organization [Verité](#).

We continually perform due diligence on our own facilities and on high-risk suppliers identified through our risk assessment process. In 2020, we formally integrated human rights into our supply chain due diligence through the launch of our new Responsible Sourcing Supplier Program—see [page 29](#) for more details.

We also include human rights risk screening in our supplier qualification process to ensure we assess forced labor and other human rights risks before entering into commercial relationships. For example, we updated our supplier and ingredient information forms as well as our co-manufacturing/packaging pre-assessment questionnaire.



Providing Remedy

In line with the recommendations of the UNGPs, we provide access to effective remedy when our business may cause or contribute to adverse human rights impacts, and we use our influence with suppliers and business partners to encourage the provision of remedy when we find impacts linked to our supply chain.

We have put a range of mechanisms in place that allow our employees and other individuals in our supply chain to report grievances and seek resolution. Our mechanisms do not prevent complainants from using other channels or procedures where relevant to resolve their issue, such as local law enforcement agencies. We also partner with other organizations to help prevent, mitigate or remedy adverse human rights impacts. Some of our primary grievance mechanisms include:

- The Hershey Company [Concern Line](#) (available in more than 47 languages), which is primarily geared toward our employees and is also accessible to our suppliers
- The requirement that our direct suppliers have grievance mechanisms, which we validate via social compliance audits and our cocoa supplier sustainability assessment
- Our public [Palm Oil Grievance Procedure](#) and [Palm Oil Grievance Log](#)
- Grievance mechanisms made available through certification bodies or standards setting organizations

We are also working with our partners to explore more effective grievance mechanisms for partnering cocoa farmers and communities in West Africa.

More detailed information on our human rights due diligence approach, the results of our risk assessment process and our work with Verité can be found on our [website](#) and in our [modern slavery statement](#).



Engaging With Rightsholders

Hershey recognizes the importance of engaging with those who are impacted by our work—from farmers and their communities to our employees, consumers and others. We have identified vulnerable stakeholders and tailor methods and frequency of engagement to their individual needs to maximize our impact.

For example, our suppliers and NGO partners conduct regular visits with cocoa farmers and their communities throughout the year. Hershey maintains ongoing investment in sustainability programs, including [CLMRS](#) and other initiatives under our [Cocoa For Good](#) program.

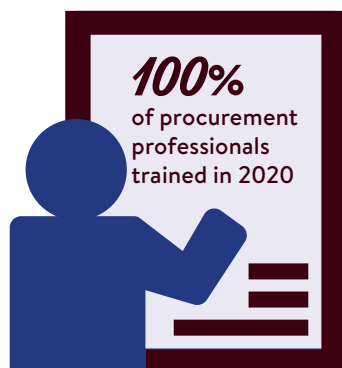
Every year, we conduct the “Many Voices, One Hershey” survey to get direct feedback from our employees on their working experience. This is supplemented by regular town halls and frequent pulse surveys.

We also partner with multiple NGOs on issues such as deforestation and child labor. In addition, we participate in several industry forums to promote dialogue and help drive the uptake of best practices.

We retain flexibility to respond to changing circumstances and explore new or alternative ways to connect with those affected by our work.

Training

The Hershey Company Human Rights training covers key human rights topics such as the UNGPs, Hershey's salient human rights issues, human rights considerations in purchasing practices and how to be an internal champion for human rights. Procurement professionals must achieve an 80 percent score to pass the training, which equates to more than 100 hours of e-learning. In 2020, we met our goal of training 100 percent of procurement professionals on human rights—well ahead of our 2021 deadline. In 2021, Hershey will expand the training requirement to our international supply chain and licensing teams as well as employees at Chocolate World, our global retail operations.



Ethical Recruitment and Preventing Forced Labor

Hershey does not tolerate child or forced labor in our operations or across our value chain. In 2020, we strengthened our commitment to preventing forced labor that results from unethical recruitment practices by supporting the Employer Pays Principle and The Consumer Goods Forum's Priority Industry Principles that every worker should have freedom of movement, no worker should pay for a job and no worker should be indebted or coerced to work. To operationalize this commitment, we developed a new Hershey [Responsible Recruiting & Employment Policy and Program](#).

We also joined the [Responsible Labor Initiative](#) (RLI), which provides the opportunity for us to leverage industry best practices and tools, including training resources, risk assessment tools and migration corridor data and research. In 2020, Hershey also used the RLI e-learning Academy to educate Hershey employees on forced labor issues and to train suppliers. In 2020, six Malaysia-based Hershey suppliers also participated in the AIM-PROGRESS/ELEVATE virtual responsible recruitment series.

SUPPORTING CHANGE AT EVERY LEVEL



As a global business operating across different regions with unique legislation, we're in a great position to help others learn about and embed best practices. During the process of rolling out our Responsible Recruitment Program, we identified through our due diligence and risk assessment process that a small cleaning service provider to our Malaysian facility needed to strengthen its human rights commitment. While no specific violations of the Supplier Code of Conduct or Responsible Recruiting & Employment Policy were identified, we did not feel that the supplier had the right policies and management systems in place to ensure our expectations would always be met.

The supplier was eager to put in place corrective actions but asked for support from Hershey in creating a set of new policies and protocols. After we shared some initial resources and best practices, the supplier created an initial draft of a human rights policy and a formal employee grievance mechanism, including a commitment to no recruitment fees and stronger protocols to prevent child labor.

After reviewing the initial drafts, the Hershey team offered suggestions on how to communicate the new policy and grievance procedures to the supplier's employees, including ensuring that it was translated into workers' native languages and that the supplier formally trained workers and documented attendance at the training. The supplier is now working on implementing the new policy.

Living Wages and Income

We believe that all individuals deserve the opportunity to earn a decent standard of living. In 2020, Hershey followed the guidance of the UNGPs to determine where individuals are most likely to experience wage and income-related vulnerabilities, particularly where Hershey has significant leverage and influence. This resulted in our new [Living Wage and Income Position Statement](#).

Amplifying Equality and Opportunity in Our Supply Chain

At the center of our Human Rights Policy is a belief in the principles of equality and non-discrimination, and a commitment to treating all individuals with respect and dignity.

We believe systemic racism is at its core a human rights issue. At Hershey, we have a long-standing commitment to diversity, equity and inclusion, and in 2020, we ramped up our efforts to be a more inclusive company ([see page 54](#)).

We also support inclusion and broader opportunities through our supplier diversity program. The program supports economic growth for minority, women, veteran, LGBTQ and disabled person-owned businesses.

To promote supplier diversity across our business and educate our employees and industry, we operate a Supplier Diversity Roundtable with representatives from each procurement area, as well as our contract manufacturers and packers.

We also have access to a searchable supplier database to help identify diverse suppliers.

In our procurement contracts, we specifically request that our direct suppliers use diverse suppliers in their value chain and report their diverse spend to us.

We track the internal reporting of spend with both diverse Tier 1 suppliers (those directly supplying us with goods and services) and Tier 2 suppliers (those that supply our Tier 1 suppliers) on a quarterly basis.

In 2020, we launched a new Supplier Diversity Strategy, paving the way for further growth and development in addition to internal and external engagements.

Climate Justice and Human Rights

Climate change poses a significant threat to human rights globally. Its impacts disrupt global food supplies and impact [livelihoods](#). Vulnerable communities will be disproportionately harmed by rising temperatures and the related safety and access to water risks.

Our supply chain includes many communities that will be impacted if the world does not take action. As such, we are committed to doing our part to act on climate change.

Read more about our new climate commitments on [page 46](#).



Where We Source Our Ingredients

Hershey actively works to responsibly source raw ingredients and materials for our delicious snacks. This map highlights many of the origin countries of several of these resources.

USA

Almonds
Dairy
Flour
Peanuts
Pulp and paper
Soy
Sugar

Canada
Flour

Mexico
Sugar

Ecuador
Cocoa

Belize
Sugar

Brazil
Cocoa
Sugar

Ghana
Cocoa

Côte d'Ivoire
Cocoa

Eastern Europe
Soy

Malaysia
Palm oil

Indonesia
Palm oil

Philippines
Coconut

New Zealand
Dairy

Disclaimer: The map does not include all geographic locations, ingredients or sourced materials.

Responsible Sourcing

Why it Matters

In 2020, we developed a new Responsible Sourcing Strategy. Our approach (summarized in the table below) is designed to deliver positive impact in Hershey's end-to-end supply chain. By working closely with our suppliers and industry partners, we aim to ensure the long-term sustainability of our supply chain. Our approach was created in consultation with diverse internal and external stakeholders, including suppliers, customers, human rights groups and nonprofits that work in our raw material value chains, among others.



Our Strategy to Source Responsibly

Our Responsible Sourcing Strategy is guided by our [Human Rights Policy](#) and our [Environmental Policy](#), and includes four key focus areas:

Responsibly Sourcing Goods and Services

- Engaging our suppliers around the requirements outlined in our Supplier Code of Conduct, which defines our expectations around respecting human rights and upholding environmental, legal and labor standards



Fostering Sustainable Agricultural Communities

- Reducing the environmental impacts of sourcing our ingredients and raw materials
- Building resilient agricultural communities by addressing the social and economic challenges they face



Promoting Transparency

- Committed to knowing and understanding who grows and manufactures the ingredients and raw materials used in our Hershey brands, and where and how they do so
- Driving traceability and mapping our supply chain so we can best invest in the people and ecosystems we rely on and measure, communicate and share the progress of our investments



Building Hershey's Capabilities

- Providing people across Hershey with training, tools and technology to achieve our responsible sourcing commitments

Our Responsible Sourcing Supplier Program

In 2020, we launched our Responsible Sourcing Supplier Program to verify and monitor our Tier 1 suppliers' compliance to our Supplier Code of Conduct (SCOC). The program supports suppliers' continual improvement to drive positive and lasting change for our people, the planet and the long-term sustainability of our supply chain through corrective action plans and capability building where needed. The program is aligned with our human rights saliency assessment, leverages third-party verification tools to check compliance and proactively identifies opportunities for future due diligence.

To prioritize suppliers for engagement under this new program, we assessed more than 1,300 direct raw material and packaging suppliers as well as co-manufacturers, co-packers, licensees and labor service providers accounting for \$2.34 billion in spend. The assessments covered four categories of risks:

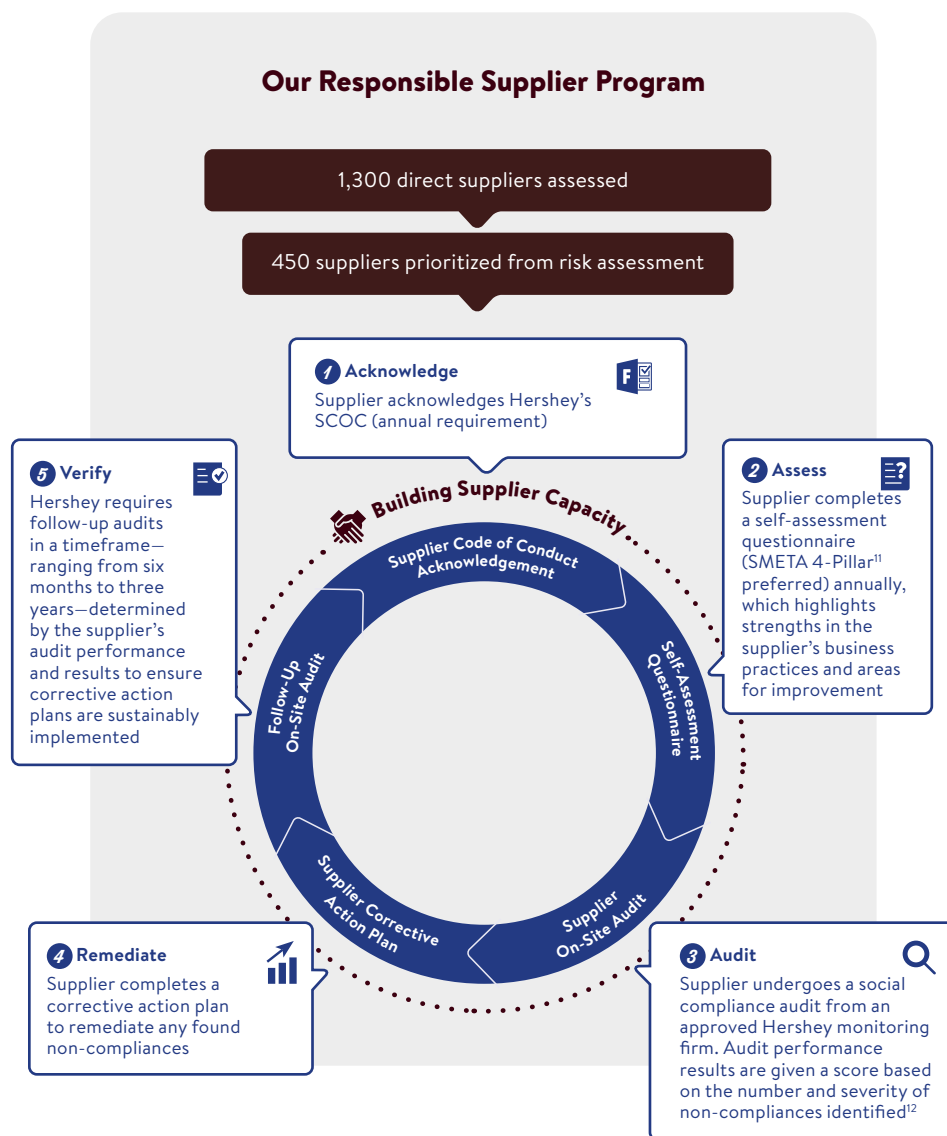
- Human rights risks based on geography
- Human rights risks based on value chain
- Volume of Hershey spend
- Supplier continuity risks

Using our risk tools we identified 450 high-risk suppliers and manufacturing sites to prioritize for our program.

Our goal is to enroll 100 percent of these higher-risk suppliers in the program by the end of 2021. By the end of 2020, 75 percent¹⁰ had enrolled. Our overall performance in this first year included:

- 100 percent of the enrolled suppliers have formally acknowledged our SCOC.
- 82 audits were submitted by sites in 2020 and 297 non-compliances were identified, of which 92.3 percent were minor non-conformances and 7.7 percent were considered to be major non-conformances.
- Of the major non-conformances identified, 13 were related to working hours, six were related to fire door safety, three were related to labor agencies and one was related to wages and benefits. No instances of forced or child labor have been found to date.
- 39 percent of these major non-conformances have been corrected and closed.

We continue to work with our suppliers on developing long-term corrective actions for all open findings.



¹⁰ All results represent performance from the program's May 2020 launch to year-end 2020.

¹¹ Sedex is a leading nonprofit focused on improving ethical performance in corporate supply chains. The Sedex Members Ethical Trade Audit (SMETA)-4 audit protocol has modules on Labor Standards, Health and Safety, Environmental Assessment and Business Ethics.

¹² Zero tolerance violations are outlined in our [Supplier Guidebook](#).

Sourcing Our Key Ingredients and Materials

We met many of our 2020 responsible sourcing ingredient commitments and continue to increase our ambition.

In 2020, Hershey analyzed the global environmental and social risks of our ingredients and raw materials alongside spend data to identify priority supply chains for future responsible sourcing investments and programming. We identified five priorities: cocoa, dairy, sugar, palm oil, and pulp and paper. This prioritization helps us target where we can make the biggest impact while best reducing risks in our supply chain.

Our responsible sourcing commitments for our priority ingredients take into account the specific sustainability challenges faced in the communities and ecosystems where these ingredients come from. In addition to working with suppliers and farmers to address these issues, we implement a variety of tools and approaches, including:

- **Certification**—using independent sustainability standards because they inform best practice in our industry and are trusted by consumers and other external stakeholders
- **Traceability**—seeking to improve mapping to the farm to know where our ingredients and raw materials come from
- **Origin-level investments**—investing in Hershey, supplier and other partner-led origin-level programs focused on environmental, social and economic issues
- **Industry engagement**—participating in industry-wide partnerships to enable systemic change, as no one company can solve these big sustainability challenges alone



Responsible Sourcing Commitments and Progress 2020

Cocoa

- ✓ **By 2020**, source 100% certified and sustainable Mass Balance cocoa through:
 - Fair Trade USA
 - Rainforest Alliance (UTZ)
 - Suppliers' standards meeting the international ISO/CEN criteria
- 100%
- + **By 2025** direct source through our suppliers 100% of cocoa that originates from Côte d'Ivoire and Ghana farmer groups
- 60%

Sugar

- ✓ **By 2020**, procure 100% sugar from responsible and sustainable sources¹³
- 100%
- + **By 2025**, procure 100% of our sugar from sources certified or verified to a recognized sustainability standard covering the farm level

Cage-Free Eggs

- ✗ **By 2020**, source 100% certified cage-free eggs for the U.S. and Canadian markets from cage-free farms that are in accordance with the American Humane Certified program
- 98%
- + **By 2025**, source 100% certified cage-free eggs globally
- 88%

Palm

- ✗ **By 2020**, source 100% Roundtable on Sustainable Palm Oil (RSPO)-certified Mass Balance palm oil and achieve 100% traceability
- RSPO-certified
- 100%
- Traceable to the mill
- 99.8%
- Traceability to plantation
- 72.7%
- + **By 2025**, achieve a verified deforestation-free palm supply chain and 100% traceability to the plantation while respecting and protecting the human rights of individuals

Pulp and Paper

- ✓ **By 2020**, source 100% virgin fiber pulp and paper products in the U.S. and Canada from third-party-certified mills (Forest Stewardship Council, Programme for the Endorsement of Forest Certification or Sustainable Forestry Initiative)
- 100%
- + **By 2025**, source 100% of our pulp and paper packaging from recycled or certified sources globally

Coconut

- ✓ **By 2020**, source 100% certified coconut through Fair Trade USA
- 100%

Key

- ✓ Achieved
- ✗ Missed target
- + New target

¹³ Sugar is verified as sustainable by Hershey after suppliers have undergone a SMETA Audit.

Dairy

Fresh dairy milk is an essential ingredient to Hershey's iconic milk chocolate. Proximity to dairy farmers was a determining factor in our founder's decision to establish our company in central Pennsylvania. To this day, most of the dairy that goes into our products is sourced from within a 100-mile radius of our factories in Hershey, Pennsylvania, and we are an important economic partner for local farmers.

In 2020, we assembled a cross-functional Dairy Sustainability team and defined a formal responsible sourcing strategy for dairy. As much as possible, we seek to align ourselves with broader industry frameworks and initiatives in our approach, including the global [Dairy Sustainability Framework](#) and the [U.S. Dairy Sustainability Alliance](#), with a focus on GHG emissions reduction and water stewardship.

To implement this strategy, we will rely on a combination of:

- Supplier assessments on farm-level management systems for sustainability impacts
- Supplier reporting on sustainability results
- External assurance of supplier sustainability management systems and results
- Investment with our suppliers in interventions at field level

While developing our strategy, we also engaged with [Land O'Lakes](#), our biggest dairy supplier, and the Alliance for the Chesapeake Bay to design a three-year collaborative project to implement best practices to reduce GHG emissions and protect water quality across dairy farms in our Pennsylvania supply chain. This pilot project will form a key component of our broader strategy implementation beginning in 2021. For more information on our responsible sourcing approach for dairy, please visit our [Dairy](#) webpage.

Palm Oil

Hershey recognizes that palm oil production has impacts on forests, biodiversity and producer communities that make it a challenge to grow and source responsibly. While we buy a relatively small amount of palm oil, we are committed to the highest standards in responsible and sustainable palm oil sourcing.

Since 2014, we have been working toward a series of 2020 goals around palm oil: source 100 percent Roundtable on Sustainable Palm Oil (RSPO)-certified Mass Balance palm oil and achieve 100 percent traceability to the mill (TTM) and plantation (TTP).

We were unable to realize our TTP goal by 2020 and have updated our ambitions to achieve 100 percent TTP by 2025. We acknowledge that the pathway to 100 percent TTP will continue to be complex for several reasons, including challenges associated with mapping smallholders. We improved our plantation traceability by reallocating volume to suppliers more committed to traceability and we will continue to do this going forward.

In 2020, we strengthened our commitments to No Deforestation, No Peat and No Exploitation (NDPE) and updated our [Palm Oil Policy](#). We also implemented a palm grievance process and publicly disclosed our [Palm Grievance Log](#) to increase transparency on NDPE and other Palm Oil Policy violations found within our supply chain. As of December 2020, we have suspended 13 suppliers in our upstream supply chain for NDPE violations, none of whom supplied to us directly. We have not yet granted re-entry to any of these suppliers.

Lastly, in 2020, with Airbus and Earthworm Foundation's [Starling](#) satellite-based service, we started monitoring the supply chains of our highest volume direct suppliers, covering about 67% of our palm supply chain (based on 2019 volumes). Our objective is to move our palm supply chain to 100% verified deforestation free by 2025.

For more information on our palm supplier engagement, monitoring and verification work, and landscape transformation project investments, please visit our [Palm Oil](#) webpage.



100%
RSPO-certified Mass
Balance palm since 2017



99.8%
traceability to
the mill in 2020



72.7%
traceability to the
plantation in 2020



Sugar

In 2016, Hershey launched its [Sustainable Sugar Sourcing Policy](#) and committed to procuring 100 percent of its sugar from responsible and sustainable sources by 2020. Our intention is to support sugar cane and beet-producing communities to actively preserve local ecosystems while providing fair and decent work opportunities.

We require that all the facilities we source sugar from in the U.S. have an up-to-date Sedex Members Ethical Trade Audit (SMETA). For sugar sourced outside the U.S., we purchase Bonsucro-certified Mass Balance sugar where possible. When this is not feasible, we purchase Bonsucro credits to match the volumes of the conventional sugar we buy from international sources or invest in on-farm programs that promote sustainable production.

As of 2020, 100 percent of our sugar was procured from responsible and sustainable sources.¹⁴

Looking to 2025, we aim to procure 100 percent of our sugar from sources certified or verified to a recognized sustainability standard covering the farm level.

For more information, visit our [Sugar](#) webpage.

PARTNERING FOR SUGAR SUSTAINABILITY IN BELIZE AND MEXICO



Since 2016, Hershey has partnered with our supplier American Sugar Refining and Belize's Sugar Industry Research and Development Institute on our Learn to Grow program for Belize's sugar cane farmers. The program uses a farmer field school model to help farmers learn about and implement sustainable growing practices. During the past three years, close to 5,000 farmers have participated in the program and benefited from increased yields while lowering their environmental impact. More than 3,300 participating farmers reported improvements in their incomes as a result of improvements in cane quality. Due to the program's success, we have committed to extending the project for another three years with the added focus of helping farmers adapt to climate change. With community support, we will assist farmers in utilizing technology to predict changing weather and pest patterns and will provide training on best management practices to respond to these challenges.

We also launched a new Learn to Grow program in Mexico aimed at improving cane quality and sugar yields to increase farmer revenue in the central state of Veracruz. Our Mexico program will focus on implementing a strategic educational and incentive program to improve harvesting practices, reducing extraneous matter and establishing socially responsible practices in preparation for meeting sustainability standards.

During the global COVID-19 pandemic, our on-the-ground Learn to Grow partners quickly pivoted to provide meaningful support to sugar farmers in Mexico and Belize and became part of the front line on education and prevention in these communities. By educating farmers on COVID-19 transmission prevention through correct handwashing techniques, social distancing and other safety guidelines, our partners helped improve community resilience.

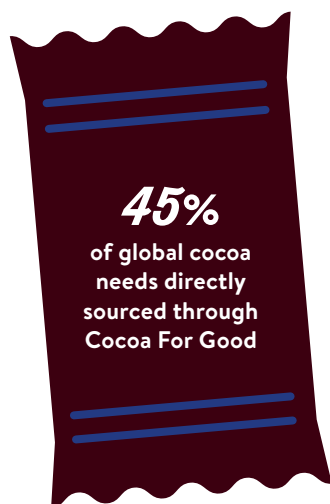
¹⁴ Excluding our Amplify and ONE brands.

Cocoa For Good



In 2018, Hershey launched the Cocoa For Good program to holistically address systemic social and environmental challenges in cocoa communities and safeguard our business. Child labor, poor nutrition and deforestation are all symptoms of poverty. Through Cocoa For Good and our commitment to invest \$500 million in cocoa communities by 2030, Hershey seeks to disrupt the cycle of poverty while also addressing each of these symptoms directly.

The program works to increase the profitability of cocoa farming as well as diversify incomes at the household level, educate families on the value of savings, empower communities, foster women's leadership and improve quality of nutrition and access to education.



Cocoa For Good Explained

We're working to make cocoa-growing communities stronger for generations to come. To do so, we have a clearly defined program:



Purpose

To support the people in the communities where Hershey sources its cocoa and support our business objectives to source cocoa that is socially and environmentally responsible.



Principles

- We listen to and engage with communities on the ground, incorporating constructive feedback and supporting people-led change.
- We partner with like-minded organizations to drive change at scale.
- We track our performance and share our successes and learning opportunities.



Practices

We focus on four key areas of impact that we believe are all interconnected:

- **Nourishing Children:** We provide better nutrition at school and provide training to support improved child nutrition at home and food security.
- **Empowering Youth:** We work with communities to combat child labor, improve the quality of education and equip youth with life and business skills and resources to break the cycle of poverty in their communities and become tomorrow's leaders.
- **Prospering Communities:** We economically empower women and partner with suppliers to provide training and financial support to cocoa farmers and their families to grow their business and diversify and stabilize household income.
- **Preserving Ecosystems:** We teach more environmentally responsible agricultural practices and promote agroforestry and shade-grown cocoa to tackle deforestation.



Partners

We work with experts from stakeholder groups—including suppliers and partners—to support field, farmer and community interventions. We also support public-private initiatives that align with our impact areas. In 2020, our partners included:

- **Nourishing Children:** Helen Keller International, International Cocoa Initiative (ICI), Jacobs Foundation, Project Peanut Butter and Transforming Education in Cocoa Communities (TRECC)
- **Empowering Youth:** Aflatoun and INADES Formation, CARE International, CocoaAction, ICI, Jacobs Foundation, Save the Children and TRECC
- **Prospering Communities:** CARE International, CocoaAction, ICI and USAID
- **Preserving Ecosystems:** AFOR (Ivorian Rural Land Agency), BDSI (Association of the German Confectionery Industry), Cocoa & Forests Initiative (CFI), FarmStrong, GIZ (German Corporation for International Cooperation), Impactum, Lindt, Meridia, Nature Conservation Resource Center (NCRC), PEG, PUR Projet, USAID, Unilever and World Cocoa Foundation

Deeply Committed to Responsible Cocoa

In 2020, we achieved a significant milestone in our sustainable cocoa journey. As of January 2020, 100 percent of the cocoa we sourced for all our products worldwide was certified and sustainable.¹⁵ Through cocoa certification we directly support higher incomes for farmers and improved labor and environmental standards.

Our journey to drive systemic change has not stopped. In 2020, we announced three new cocoa-related ambitions for 2025:

- Achieve 100 percent direct-sourced cocoa from known farmer groups via our suppliers in Côte d'Ivoire and Ghana
- Map 100 percent of Hershey-supplying farms in Côte d'Ivoire and Ghana, ensuring we have accurate, real-time monitoring through geospatial satellites
- Scale CLMRS to cover 100 percent of our Côte d'Ivoire and Ghana-sourced cocoa

These initiatives will give us a clearer line of sight into where our cocoa is grown

and how it was produced—a level of transparency we've never had before. These investments will allow for a more data-driven and targeted approach to provide holistic support to farmers and their families and scale up programs to end instances of child labor.

While Côte d'Ivoire and Ghana continue to be the regions where the majority of our programming is focused, in 2020, we expanded Cocoa For Good to five new countries (Brazil, Cameroon, Ecuador, Indonesia and Nigeria) to provide

additional support to farmers where our cocoa beans originate.

As of 2020, 60 percent of our volume originating from Côte d'Ivoire and Ghana was sourced directly through partnerships with our suppliers, putting us well on our way to reaching our new 2025 commitment. Overall, 45 percent of our global cocoa needs were directly sourced through our suppliers from 89 farmer groups where Hershey invests in Cocoa For Good programming globally—more than double our 2019 volume of 21 percent.



¹⁵ Certified sustainable by either Fair Trade USA, Rainforest Alliance (UTZ) or suppliers' standards that meet the international ISO/CEN criteria. In line with these standards, beans are traced from the farmer to the first buyer, usually kept separate up to port, where certified bags of beans are opened and mixed. At this point, the certified beans become Mass Balance and flow into our supply chain.

Accountability, Transparency and Due Diligence in Cocoa

In 2020, Hershey developed a more comprehensive approach to human rights due diligence in cocoa. This process covers country-of-origin risk assessments and a supplier sustainability assessment that evaluates suppliers' policy commitments and management systems to address topics like child labor, forced labor, grievance mechanisms and living income.

The approach also includes manufacturing site risk assessments using the SMETA protocol, farm-level risk assessments through our certification partnerships like Rainforest Alliance and our existing CLMRS. We are now in the process of creating action plans with suppliers based on results from these assessments.

We also continued to increase our accountability and transparency by publishing [lists of the suppliers and farmer groups](#) whose beans have entered our supply chain.

Despite the challenges posed by COVID-19, our suppliers continued farm and community visits while taking the necessary precautions. Third-party auditing of certified farmer groups also continued or was based on desk research.



CocoaAction (2016–2020)

Since 2016, the World Cocoa Foundation-led [CocoaAction](#) has provided a model for industry collaboration. Through CocoaAction, nine of the world's largest cocoa and chocolate companies partnered in a non-competitive manner to drive change in cocoa-growing communities in Côte d'Ivoire and Ghana. By building trust, establishing connections and allowing the companies to learn from their efforts, the initiative boosted both individual companies and the sector's capacity around sustainability, paving the way for subsequent projects such as the [Cocoa & Forests Initiative](#). As a co-founder, Hershey found CocoaAction to be a powerful steppingstone for our own Cocoa For Good program, helping move ideas from paper to practice tackling cocoa's biggest challenges, such as child labor monitoring and remediation, and tailored farm-development plans.

Collaborating to End Child Labor

What Is Child Labor?

Hershey uses the International Labour Organization's (ILO) definition, which specifies that:

Child labor is work that is mentally, physically, socially or morally dangerous and harmful to children and/or interferes with their schooling.

Not all work done by children, such as helping their parents around the home and assisting in a family business, is classified as child labor.

The worst forms of child labor put children at the greatest risk and are the highest priority for elimination. Most instances of inappropriate child labor involved tasks such as carrying heavy loads like firewood or water, contact with agrochemicals or clearing away bushes.

Child labor is also distinct from forced labor, which is defined by the ILO as:

Situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities.

As of 2020, Hershey's Child Labor Monitoring and Remediation System (CLMRS) found no evidence of forced child labor in Hershey's cocoa supply chain.

Hershey does not tolerate child labor within our value chain and has formed strategic partnerships with communities, NGOs and governments to eliminate it from occurring within cocoa communities.

In cocoa-growing communities, child labor is a complex issue resulting from a mix of poverty, cultural norms and misunderstandings about what constitutes appropriate child work. In many communities, child-friendly work on the farm or in the household is an important part of young people's learning and cultural development. However, a lack of stable income and educational opportunities in rural areas can lead to families requiring children to put in long hours at home and on family farms, which are often the families' sole source of income. Paired with lack of awareness about age-appropriate work, this puts children at risk of performing farm work that is hazardous to their health and development.

This cycle can further entrench intergenerational poverty in rural communities, as it also deprives children of the chance to attend school and shape their own future.

Hershey has developed a multifaceted approach that includes improving community and farmer awareness, and investing in preventative, supplier-led approaches that monitor farmers to help ensure child labor is not occurring and provide tools, resources and oversight to remediate instance of child labor if they are found.

Identifying and Addressing Child Labor

Our regular review of key risks in the cocoa supply chain (as outlined in our cocoa due diligence process on the previous page) continues to highlight the importance of preventing and remediating instances of child labor.

CLMRS is the leading method of child labor detection and remediation among children aged 5 to 17 years old and was developed through the ICI. It is executed by supply chain structures and community-based groups that identify child labor and monitor and remediate when cases are found.

Under CLMRS, members of local farmer groups and our suppliers' staff are trained to become facilitators and build skills in communities to detect and report instances of child labor. We also support the establishment of community-level child protection committees to do the same. As trusted community members, both these groups are in the best positions to raise awareness, identify cases of child

labor and implement the most appropriate practices to remediate those cases. Dependent on the type of child labor detected, remediation support is done at the child, household or community level.

Successful remediation strategies vary and need to respond to the needs of individual children and their families. By increasing farmers' awareness of what constitutes child labor (such as children carrying heavy loads) and improving farmers' and families' ease and efficiency of completing tasks around the farm, the need for children to lend a hand with more hazardous tasks is reduced.

COVID-19 elevated risks of child labor with children not in school during lockdowns and the loss of seasonal laborers due to travel restrictions related to the pandemic. Through CLMRS, child labor liaison officers and community child protection committees continued to make farm and household visits while taking appropriate safety measures.



Image courtesy of Fair Trade USA

How CLMRS Is Helping Kids Be Kids



- 1 Community facilitators visit every farm assigned to their farmer group
- 2 Any child involved in hazardous activity is identified and information about his/her situation is recorded in a centralized database
- 3 The report is verified
- 4 The data is used to design actions in support of children identified
- 5 Children and their families receive remediation support from supply chain facilitators and NGO partners or are referred to public services

What's next

We will continue to invest to improve the quality of CLMRS and to expand it with the aim of ensuring that no child goes unseen and everyone gets the right support. In addition, we are increasingly focusing on the topic of forced labor to understand how to uncover it and mitigate it in partnership with ICI and our suppliers.

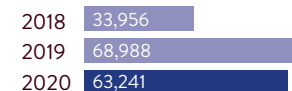


97%
of farmers in Côte d'Ivoire and Ghana that direct sourced to Hershey were covered through CLMRS in 2020

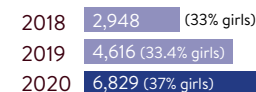
2020 PROGRESS¹⁶

Detection and Reporting

Children monitored



Children identified doing inappropriate work and in process of remediation

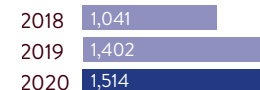


Children identified in forced labor



Capacity Building

Monitoring and Remediation Agents and Community Liaisons (paid and volunteers)



¹⁶ CLMRS coverage of our supply chain continues to grow year over year. Increases in children monitored, children identified doing inappropriate work and Monitoring and Remediation Agents all represent the expansion of this program. Cumulative numbers 2018 to 2020 have been adjusted to account for children flowing out of CLMRS, such as those who are older than 17, have moved away, whose parents are no longer in a farmer group, etc., and the digitization of paper-based systems.

Prevention Is the Priority

Preventing Child Labor through Access to Education

As part of our holistic effort to eliminate child labor, we seek to prevent child labor from occurring by removing barriers to children being able to attend school. We focus significant resources and effort on making it easier for children to access and continue their education, such as by improving education infrastructure, training school-parent management committees, providing school kits filled with important school supplies, and helping children and youth obtain birth certificates for school enrollment.

Since the launch of Cocoa For Good, Hershey has invested together with local authorities to build four schools. In 2020, Hershey launched its latest fully equipped primary school in the village of Naabadougou, Côte d'Ivoire with the partnership of the local cocoa cooperative and the community. Construction was completed in September 2020, just before the new school year started. The school includes six classrooms, two bathroom blocks, one canteen, two handwashing taps, six teacher residences, a hydraulic pump and water tower villagers can access, and a solar energy system to power the whole school.

We have also committed to invest \$3 million in the coming years to support the Jacobs Foundation on two new public-private initiatives from 2020 to 2025: the Child Learning and Education Facility

(CLEF), which will contribute to improved foundational literacy and numeracy skills for 5 million children at the primary level and invest in 2,500 new classrooms; and the Early Learning and Nutrition Facility (ELAN), which is designed to reach 1.3 million children below the age of five and their caregivers, providing quality services and training in early childhood development and nutrition.

Our Impact

In 2020:



3,367

birth certificates obtained to enable access to school



83

classrooms renovated



6,562

school kits provided



47,481

children enrolled in primary schools that benefited from quality education interventions

ADDRESSING CHILD LABOR THROUGH SCHOOL-BASED NUTRITION



Image courtesy of Fair Trade USA

Not only does a full stomach improve a student's ability to concentrate and learn, it can also be the deciding factor between whether or not a child attends school. Since 2015, we have been distributing ViVi—a peanut-based fortified snack—to school children in Ghana daily. ViVi was developed by Hershey and our partner Project Peanut Butter, and provides children with 30 percent of their daily nutritional intake requirements.

Knowing that children will be fed at school becomes another reason to ensure they go to class rather than to work, making it an important preventative tool in the fight against child labor.¹⁷ Our research has shown that providing ViVi increases school enrollment and regular attendance while also enabling improved academic performance. There is also a reduction of 11–81 percent in the prevalence of anemia in those receiving ViVi¹⁸ so that they are energized to learn!

In 2020, we distributed approximately 1.4 million sachets of ViVi, which were received by 27,142 children daily. Unfortunately, due to school closures related to COVID-19, we distributed less ViVi to students than in prior years. However, with the completion of our new ViVi production factory in Côte d'Ivoire, we expect that post-pandemic we will be able to manufacture more ViVi for students' daily access than ever before.

Children receiving ViVi daily

2018	57,000
2019	58,300
2020	27,142

Total ViVi sachets distributed

2018	12.8 million
2019	10.6 million
2020	1.4 million

¹⁷ https://cocoainitiative.org/wp-content/uploads/2019/06/Education-quality-and-child-labour-evidence-from-C%C3%B4te-d'Ivoire-and-Ghana_June2019.pdf.

¹⁸ Steiner-Aseidu, M (Prof) & Saalia F.B. (Prof) (2016–2018) A Pilot Study to Determine the Efficacy of Consuming Highly Fortified Groundnut Nutritional Supplement on the Nutritional Status of School Children, University of Ghana.

Uplifting Rural Livelihoods

A confluence of factors contribute to the prevalence of poverty in cocoa-growing communities, including low access to credit, impeded negotiating power for farmers to set crop prices, a singular reliance on cocoa for income, falling cocoa yields as cocoa trees age, a lack of proper business and financial training, and gender imbalances. Meanwhile, we know that the cycle of poverty continues to exacerbate the existence of child labor and high deforestation rates in these communities.

Our aim is to support cocoa farmers' transition out of poverty, and we invest in developing multiple opportunities to increase income and build resilience.

Supporting the Development of Farmer Groups

Farmer groups are essential platforms for farmers to unify their voice and negotiating power to increase their earning potential and economic resilience. Through Cocoa For Good, in 2020, Hershey expanded its support to 91 certified farmer groups, reaching 83,783 farmers through our suppliers across seven origins.

Our support has assisted these groups in receiving certification of their cocoa in compliance with credible sustainability standards. This not only helped us reach our goal of sourcing 100 percent certified and sustainable cocoa but also ensures the farmer groups and their farmers are paid a higher premium for their harvests.

Farmers receive direct cash payouts from the certification premium that enables them to reinvest in their farms and their families, including buying food,

paying school fees and covering medical expenses. In 2020, through Cocoa For Good, we paid \$5.9 million direct cash premium to farmers across all origins. In Côte d'Ivoire and Ghana, the premiums were equivalent to 5 percent on top of farm gate prices. At the group level, the certification premium is used to further strengthen the resiliency of the group as a whole, such as through investment in shared equipment and capacity building like training on climate-smart cocoa techniques and income-diversification opportunities.

In 2020, two farmer groups supplying Hershey were decertified, based on third-party audits that found a lack of transparency related to bean traceability, issues on group documentation and inconsistencies between the groups' forecasts and sales. Consequently, the farmer groups were excluded from our direct sourcing and none of their beans have entered our supply chain since. Based on improvement plans, we expect the farmer groups to mitigate gaps found and recertify in early 2021, making them able to rejoin Cocoa For Good at that time.

Our Impact



\$5.9m
direct premium
paid to farmers



91
farmer groups
supported in 2020
2018: 57, 2019: 64

FARMER GROUPS ARE LOCAL GAME CHANGERS



In 2014, the Ivorian CA CPSL cocoa cooperative partnered with Hershey via our supplier and became UTZ certified. By achieving certification, the farmer group can now sell its cocoa for even more than the price set by Côte d'Ivoire's Conseil du Café Cacao. For the farmers, the cooperative has increased their incomes and greatly contributed to their wellbeing, and has also had positive ripple effects on surrounding communities.

Since certification, the farmer group has increased in size by 36 percent to 1,789 members and developed structurally, making it possible to secure around 50 full-time jobs and

about 100 part-time jobs. They have also invested in new offices and storage facilities and purchased cars and trucks. Their goal is to grow to 2,000 members by 2023.

At the community level, the group premium—an incentive for being certified that is paid by Hershey—enabled the cooperative to invest in the construction of two primary schools, six village water pumps and the renovation of roads and two bridges. The direct premium has also led to extra income-generating activities and the renewal of cocoa tree orchards through a program that developed nurseries for cocoa trees and shade plants.

Improving Income Through Cocoa Yields

Next to certification, we support farmers in achieving economic gains by actively exploring how to improve their cocoa yields and enhance the productivity of their lands by creating tailored farm-development plans. Through Cocoa For Good and associated farmer groups, farmers have access to higher-yielding cocoa varieties and are trained on the proper pruning of shade and cocoa trees, fertilization and irrigation, and weed and disease control. Members also have improved access to credit and loans to make further investments in their farms. As a result of these and other interventions, farmers in the Cocoa For Good program have shown increased productivity.

Diversifying Incomes

To help diversify economic opportunities, we support cocoa community members in developing alternative means of generating income. In 2020, 5,673 community members were trained in alternative income-generating opportunities such as soap making and cassava processing. During the year, 17,527 farmers, or 21 percent of all farmers participating globally in Cocoa For Good, also received guidance on crop diversification for growing and developing new foods on their farms. This training supports better nutrition and food security for farmers' families in addition to the added sources of income.

HERSHEY'S SUPPORT FOR THE WEST AFRICA LIVING INCOME DIFFERENTIAL (LID)



Hershey's commitment to improving cocoa farmer livelihoods and ensuring a long-term sustainable cocoa supply is unwavering. Solving the many challenges within cocoa production, such as low incomes, poverty, child labor and environmental protection, will only be possible through collaboration and cooperation across industry, governments and civil society. We deeply value our long-time mutual collaboration and partnership with the governments of Côte d'Ivoire and Ghana to advance our shared goals.

As of 2021, the governments of Côte d'Ivoire and Ghana installed a LID premium to be paid on cocoa purchased in these countries to help fight farmer poverty. Hershey fully supports and is participating in the LID for our ongoing and substantial cocoa purchases from the 2020–2021 Côte d'Ivoire and Ghana crops—and commits to do so for future crops as well.

We have engaged the governments of Côte d'Ivoire and Ghana to make our commitments clear, and we have also communicated this requirement to our cocoa suppliers and confirmed that they have paid and will continue to pay the LID. We recognize the importance and value of the LID as a means to reach and improve the lives of farmers across the entire Ivorian and Ghanaian cocoa-farming industries, not just the ones directly involved in our programs.

2020 PROGRESS

Farmers supported directly through Cocoa For Good

2018	50,518	(14% female)
2019	51,009	(12% female)
2020	83,783	(14% female)

Community members trained in additional livelihoods

2018	7,276	(58% female)
2019	7,852	(48% female)
2020	5,673	

Total farmers trained on crop diversification

2018	2,534	(25% female)
2019	21,194	(16% female)
2020	17,527	(11% female)

Community action plans¹⁹

2018	83
2019	132
2020	147

Farm development plans

2018	15,905
2019	20,695
2020	27,147

Farmers receiving individual coaching

2018	28,807	(14% female)
2019	27,428	(12% female)
2020	25,879	

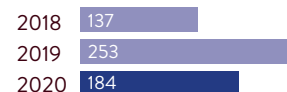
¹⁹ Community action plans are developed through trained community representatives to enhance local livelihoods and the quality of life in the community.



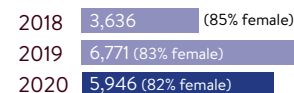
Supporting Women in Achieving Economic Independence

Village Savings and Loan Associations (VSLAs) are a simple, accessible way to help individuals—especially women—and communities learn about saving, borrowing and investing responsibly. The groups' members are likely to be either completely unbanked or unable to qualify for a loan through traditional financial providers. In VSLAs, loans are based on trust among group members. The groups also create a small solidarity fund that is dispensed either for collective problems (such as repairing a village water pump) or individual emergencies. Hershey now directly supports 184 VSLAs with 5,946 members, 82 percent of whom are women. We are especially pleased to report that, thanks to collective savings, the VSLAs have proved an invaluable source of resilience and security during the COVID-19 pandemic.

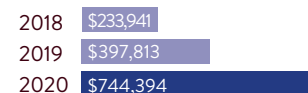
Number of VSLAs set up



Total VSLAs members



Total savings and interest accrued (as of December 31, 2020)



Empowering Youth

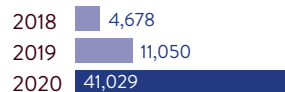
To break the intergenerational cycle of poverty, today's youth in cocoa communities (defined as 15 to 35 year-olds) need to be equipped with life skills, technical and vocational skills, and the practical knowledge and tools needed to become self-sufficient community leaders of the future. We support youth economic empowerment through access to training, land tenure documents and the development of income-earning opportunities such as community pruning teams. Pruning teams are groups of up to 10 young adults who help to provide essential pruning services to cocoa farmers in their communities. Regular pruning of cocoa trees helps to prevent tree mold and diseases and reduces the need for farmers to apply agrochemicals and pesticides. In addition to providing an invaluable service to farmers, these community pruning teams provided 525 young adults in cocoa-growing communities in 2020 with valuable skills and knowledge about cocoa farming, while also helping to support their families with extra income.

Assisting Cocoa Growing Communities With Responding to COVID-19

Recognizing that cocoa farmers were some of the most vulnerable people in our supply chain as the COVID-19 pandemic spread globally, we took action as early as March 2020 and worked with our suppliers and NGO partners like CARE International and the ICI to support awareness activities through trainings, visual posters and voice messages sent through the Hershey-sponsored free mobile application CocoaLink in Ghana.

We also focused on access to water by installing clean water equipment at farmer groups' warehouses, constructing new village water pumps or renovating old ones, and providing hygiene kits and medical equipment to supplier staff and farmer groups. Members of VSLAs were trained to become self-reliant in creating handwashing systems and making soap. Hershey also contributed to the industry response convened by the World Cocoa Foundation, funding COVID-19 protection activities in cocoa-growing communities in and outside West Africa.

Total community members trained on nutrition and health (including COVID-19 safety in 2020)



What's Next

As we collectively navigate the challenges presented by COVID-19, we have seen that past investments in farmer groups, communities and social infrastructure such as VSLAs have lived up to their purpose. But we have also seen how vulnerable the rural communities we work with still are. More work is needed, especially in the areas of food security and access to clean water.

We are also working with research firm Ipsos on a bi-annual impact assessment methodology that will capture data on farmer and household income to measure the efficacy of our programs in addressing farmer livelihoods. This will use the Living Income Community of Practice methodology, which defines living income as: "The net annual incomes required for a household in a particular place to afford a decent standard of living for all members of that household." Baseline data will be collected in 2021 and will generate a general view of the percentage of farmers earning a living income across our cocoa supply chain. For more information on this work, please see our Living Wage & Living Income Position Statement.



Image courtesy of Fair Trade USA

Fighting Deforestation

In cocoa-growing regions in West Africa, deforestation and biodiversity loss due to encroachment into protected areas is a manifestation of a complex set of root causes, such as poverty, the absence of land titles, a lack of clarity on land tenure arrangements, limited knowledge of sustainable farming practices and poor law enforcement.

To combat this, Hershey is investing in helping farmers secure land titles where they farm, spreading climate-positive farming methods and investing in protecting the delicate ecosystems where cocoa is produced in Côte d'Ivoire and Ghana.



Since 2018, Hershey has publicly committed to no new deforestation in our global cocoa supply chain and to implementing shade-grown agroforestry tree-planting programs.

Farm Locations and Deforestation

We have spent the past few years comprehensively mapping our cocoa-growing farms in Côte d'Ivoire and Ghana to create a baseline deforestation rate through measuring annual tree cover loss and to closely monitor farm locations for encroachment into protected forest areas. In 2020, 119,537 hectares were polygon mapped in Côte d'Ivoire and Ghana—that's an area greater than 356,000 football fields.

With our partner [Sourcemap](#), we are using a geospatial satellite monitoring tool and cross-validating data with our

suppliers' systems, national forest laws, Rainforest Alliance and CFI. In 2020, 1,628 farmers were located in protected areas, of whom:

- 577 farmers were permitted by the government to continue farming in compliance with approved guidelines.
- 583 farmers were removed from the Hershey direct sourcing supply chain.²⁰
- 8 farmers still have decisions pending.

Farms supported by Cocoa For Good showed a tree cover loss of 1 percent, which may be the result of human activities or natural causes such as disease or storm damage. This is lower than the national annual tree cover loss rates of 1.6 percent and 1.3 percent for Côte d'Ivoire (2019) and Ghana (2019)²¹ respectively.

Securing Land Titles to Unlock Land Value

Without proper land titles, it is difficult for farmers to access financing or make necessary changes on their farms to prevent deforestation, promote reforestation and apply agroforestry and climate-smart cocoa farming.

Through our partnership with the [USAID Integrated Land and Resource Governance \(ILRG\) Project \(2018–2021\)](#), we support communities in Ghana to clarify and document land rights as well as improve land-use planning practices through agroforestry. Through our engagement with ILRG and our supplier [ECOM](#) in 2020, 622 farmers have obtained land title documentation and 749 certificates registering ownership of shade trees were issued to farmers.

In 2020, we co-launched the Côte d'Ivoire Land Partnership program ([CLAP](#))²² to promote affordable land titling as a catalyst for halting deforestation. Due to our intervention and design of relevant land

tenure documents that are government sanctioned and community accepted, this partnership was able to shorten the time of delivery and costs of securing land titles—greatly improving farmers' access.



²⁰ When farms are found to be located in protected areas, verification takes place and local authorities are informed. When national laws do not permit a farm's location, the farmers are removed from our direct supply chain and can no longer sell cocoa beans via our certified farmer groups and suppliers. Sometimes, certain farm locations in protected areas are allowed. In this case, farmers may continue farming after receiving approval from local authorities and after farm-development plans are put in place.

²¹ Global Forest Watch, [Côte D'Ivoire](#), [Ghana](#).

²² The CLAP Consortium key founders are Meridia, AFOR, The Hershey Company, Unilever, Barry Callebaut/Cocoa Horizons and BDSI.

Continuing Our Landscape Programs

We continued our Kakum Agroforestry Landscape Program partnership in Ghana, which covers an area equivalent to twenty times the size of Manhattan. This partnership promotes and supports community-led landscape management, spreads climate-smart cocoa-growing practices and provides training for extra income-generating activities.

In 2020, we also partnered on our first landscape program in Côte d'Ivoire, the "Green Nawa Initiative." The program is led by our partner [FarmStrong Foundation](#) and funded by a multi-sector consortium of enterprises and SECO (the Swiss government development agency). It is set to run until 2023 and has been designed to integrate landscape approaches into agriculture and forestry activities within the Nawa Region's cocoa-growing area (900,000 hectares). What's different is that it is tackling the root causes of the issues through a multi-commodity approach (cocoa, coffee, palm, rubber and rice). The activities planned to be undertaken by this partnership include forest restoration, afforestation, the creation of green jobs, digital payment systems to farmers, the geo-localization of farms and the use of a sophisticated satellite-based land-use change tools to analyze deforestation.

Promoting Climate-Smart Cocoa

As we support more farmers to gain control of their land, we are also promoting climate-smart growing techniques. In 2020, 16 percent of our farmers in Côte d'Ivoire and Ghana were trained on climate-smart cocoa using a curriculum Hershey helped develop. We will be expanding access to this training by making the content available via a free app. In 2020, 209,961 hectares of certified cocoa area was farmed across seven origins through the 83,783 Cocoa For Good farmers in line with sustainable farming practices: promoting shade-grown agroforestry, specific tree species, tree handling and planting, and the management of trees after planting.

Find out more about our progress against public targets in dedicated [CFI reports](#).

What's Next

We will continue our engagement in our current two landscape initiatives and are exploring new landscape initiatives in Côte d'Ivoire. In addition, we will continue to double down on agroforestry, promoting climate-smart cocoa and affordable land titling as well as community-led natural resource management.

Our Impact



83%

farmers polygon mapped in Côte d'Ivoire and Ghana



8.46 million

cocoa trees and 1.26 million shade trees distributed (since 2013)

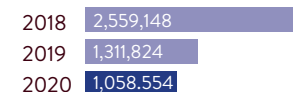


1,018,000

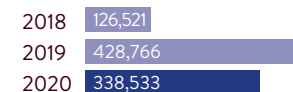
hectares of landscapes programs supported and monitored

2020 PROGRESS

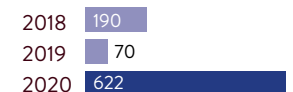
Total tree seedlings distributed to replace old cocoa trees (drop due to Côte d'Ivoire government suspension)



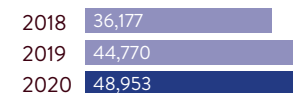
Total multi-purpose trees distributed



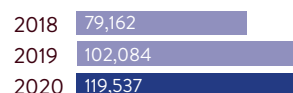
Land titles acquired with Hershey's assistance



Total farmers mapped



Total farm area mapped in Côte d'Ivoire and Ghana (in hectares)



GROW & PROSPER

Protecting the Planet

Our products put smiles on our consumers' faces every day. These products are made with raw ingredients and materials grown all over the world. Climate change, natural resource scarcity and extreme weather all pose risks to the snacks our consumers love as well as to the farmers and local communities we rely on. Specifically, climate change and deforestation often negatively impact the world's most vulnerable first, making these important environmental issues into human rights issues as well. Given the significance of these risks and opportunities, we have elevated our ambition and have put in place new targets on climate and packaging. These bold steps will help ensure the long-term sustainability of our planet, people and business.



Acting on Climate Change

In recent years, we at Hershey have fundamentally altered how we prioritize our actions on environmental sustainability. We have shifted our approach to align, where possible, with the best available science and to ask what does the world need from us instead of simply what can we do. As a result, this year we retired our 25 by 25 commitments²³ to pursue goals that are more aligned with the best available planetary science and what the world truly needs from companies like us. We have set new goals related to packaging and climate and are working through what our new commitments on water and waste should be. We continue to try to reduce our footprint while developing these new commitments.



As part of this new approach, in 2020, we set a science-based GHG-reduction goal to cut our absolute Scope 1 and Scope 2 emissions by more than 50 percent and our absolute Scope 3 emissions by 25 percent by 2030 compared to a 2018 baseline.

Our emissions-reduction targets were approved by the Science Based Targets initiative (SBTi) as consistent with levels required to meet the most ambitious goals of the Paris Climate Agreement. The targets covering emissions from our operations are aligned with reduction requirements to keep warming to 1.5°C globally.

Cutting Direct Emissions

We seek to meet our Scope 1 and 2 commitment through investing in renewable energy and increasing energy efficiency. This includes two power purchase agreements that will enable the construction of two new utility-scale solar farms that are expected to come online in late 2021 and 2023, respectively.

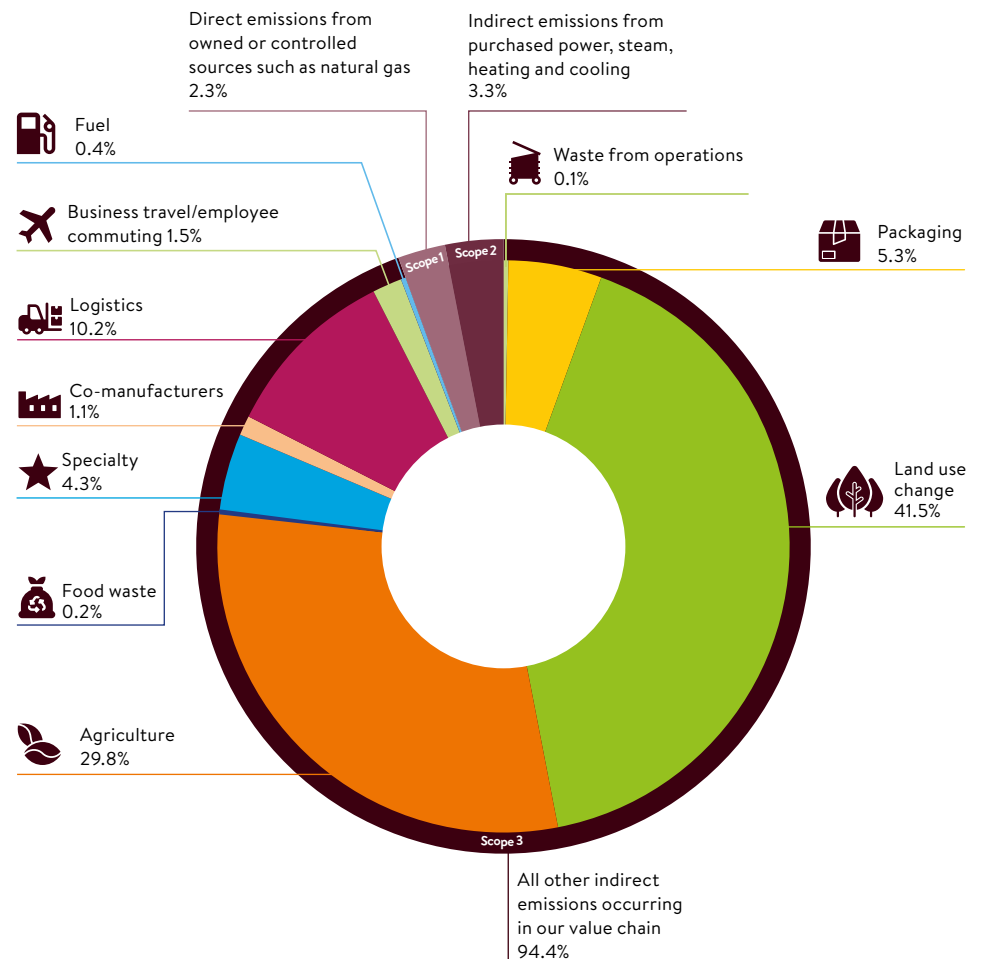
Additional renewable energy purchase agreements are being negotiated. We are also already working with our utility providers to increase the proportion of our energy coming from zero-emissions sources.

Our Sustainability and Engineering teams have also partnered to launch a companywide energy program. This program will set challenging targets for energy and water conservation for each of our facilities and support our mission to become an ENERGY STAR® partner. Our manufacturing plants will be entering the ENERGY STAR Challenge for Industry and will be seeking to reduce the energy intensity of manufacturing our products by 10 percent within five years or less.

The program will also build technical infrastructure and knowledge within our manufacturing facilities to help drive more carbon savings and promote employee engagement. This has already begun thanks to our partnership with [ThermalTech](#), which is helping us identify opportunities for energy reduction and efficiency.

To help implement this program, each Hershey location has designated an “Energy Champion”—an on-site employee who will help launch our energy program in their respective location.

OUR EMISSIONS BASELINE BREAKDOWN



²³ In 2016, Hershey launched what we called our 25 by 25 commitments. These represented four goals to reduce our company's impacts on the environment. As per these goals, we sought to reduce GHG emissions, water use and waste by 25 percent by 2025 compared to 2015, and to reduce packaging by 25 million pounds, the final one of which we did accomplish.

Reducing Value Chain Emissions

Over 90 percent of our carbon emissions are from Scope 3 emissions in our extended value chain. Cocoa, dairy, sugar, packaging and logistics represent the areas where we saw the largest emissions and the greatest opportunities for emissions reductions.

Around 42 percent of our baseline Scope 3 emissions are due to land-use change from the farm-level production of our ingredients. Land-use change refers to human activities that transform the natural landscape, such as converting grasslands or forest to farmland.

Addressing land use will form a significant part of our future actions on climate change and, as such, we have adopted a commitment to **eliminate deforestation from all our ingredient supply chains by 2030**. The GHG impacts of land-use change are most pronounced in our cocoa supply chain, where we have already been working for several years to prevent deforestation. We do this by analyzing satellite imagery and digitally mapping cocoa farms that supply to us to track their growth and ensure they do not encroach on surrounding forest. For more details [see page 43](#).

In both sugar and dairy, we are incorporating our climate efforts into new responsible sourcing programs. In addition, our dairy operations will run a pilot with our supplier Land O'Lakes and the Alliance for the Chesapeake Bay to make on-farm improvements in the Pennsylvania area. Many of the projects will have water and carbon co-benefits, such as encouraging the adoption of farming practices that promote soil health.

ENGAGING EMPLOYEES FOR OUR SHARED ENVIRONMENT



Our bold new environmental targets will require everyone at Hershey to do their part on sustainability. To open the door for our employees to play a role, on Earth Day 2020, we launched our first Green Teams. These teams include passionate Hershey employees from all levels of the company to come together out of a shared interest in improving sustainability at Hershey and in our communities. The teams were created to:

- Educate: spread awareness of Hershey's sustainability initiatives and challenges

- Engage: foster feelings of inclusion and ownership around our initiatives
- Activate: harness employee energy to identify and implement improvements with tangible impact

The teams currently count over 2,000 employees as members at nine Hershey locations. In just their first year of operation, Green Team members are already taking on-the-ground action on sustainability issues at Hershey and in our communities.

Our Progress

We've seen an improvement in 2020 of 23.7 percent against our baseline for Scope 1 and 2 emissions and 12.6 percent for Scope 3. This progress has been driven by purchasing zero-emissions credits, reducing coal usage within our India plant (to be phased out completely in 2021), and continuing to make progress on no new deforestation in cocoa while

maintaining our commitments to certified, sustainable cocoa sourcing. The unique circumstances of 2020 also played a role. We saw significant decreases in our employee travel and utility usage at certain corporate offices and manufacturing plants due to work-from-home mandates and their impacts on our business. Cuts in our emissions for these reasons are likely to be reversed as economies open back up again.

2020 PROGRESS²⁴

Direct (Scope 1) GHG emissions (metric tons CO₂e)

2018	156,001
2019	157,322
2020	147,224

Indirect (Scope 2) GHG emissions (metric tons CO₂e)²⁵

2018	225,060
2019	215,638
2020	143,616

Value Chain (Scope 3) GHG emissions (metric tons CO₂e)

2018	6,592,148
2019	6,288,344
2020	5,762,402

²⁴ These figures have been calculated following the Greenhouse Gas Protocol and now include all of Hershey global operations excluding Amplify and ONE Brands. 2018 and 2019 data has been updated to reflect the same footprint boundary as 2020.

²⁵ Scope 2 market-based methodology.

A New Era for Hershey Packaging

Hershey is dedicated to delivering safe, high-quality products to our consumers. Packaging is a key component of that consumer promise. However, we recognize packaging waste is a global issue that is increasingly on the minds of our customers and consumers. Beyond waste, we know that both the production and disposal of packaging contribute to our Scope 3 GHG emissions.

Tackling packaging sustainably is important to us. In 2020, we met our 2025 commitment to reduce packaging weight by 25 million pounds—five years ahead of schedule. We are now expanding our commitments and are focused on reducing the environmental footprint of our packaging by:



End of 2022

Eliminate hard-to-recycle materials such as PVC

2030

100% of our plastic packaging to be recyclable, reusable or compostable

Reducing our packaging weight by an additional 25 million pounds

Together, these initiatives will help us keep our packaging out of nature and help reduce our Scope 3 carbon footprint in line with our science-based target.

There are several challenges to overcome on our path to recyclable packaging, including limited recycling infrastructure, cost and the commercial availability of materials, and direct food solutions that uphold our safety, quality and freshness promises to our consumers. To inform our choices, we are using an array of data and tools ranging from quality and insights analysis to sustainability calculators and life cycle analysis tools. Currently, 77 percent²⁶ of our product packaging by weight is recyclable.

We will be focusing our R&D capabilities on recyclable materials that will provide the safety barrier, shelf-life protection and flexibility our products need. Our aim is to leverage our expertise and resources to help provide solutions that will protect our own products and potentially offer solutions with benefits beyond our business.

Our focus also extends beyond the consumer package to include transport and display packaging where we have increased our focus on using recycled materials, reducing material usage and driving distribution efficiencies. By partnering with key corrugate suppliers, we have successfully redesigned and standardized many of our merchandise displays, enhancing reliability and reducing waste.

Exploring sustainable packaging requires a holistic approach that balances consumer needs, manufacturing and distribution requirements, and quality and safety. This challenge is bigger than Hershey—it impacts producers across our industry. In assessing solutions, we are cautious to ensure we are not solving one problem only to create another. While we pursue more sustainable options, our priority is to make sure that our packaging continues to deliver high-quality and safe consumable products to market.

26.7m lbs

of packaging eliminated since 2015



²⁶ In 2020, we altered our methodology for calculating packing recyclability to exclude items that are technically recyclable by material but are not recyclable in form (e.g., our Reese's cup paper), so as to more accurately reflect the end-of-life impacts of our packaging.

Protecting Water Supplies

Until recently, most of our work on water has focused on our own operations. As a company highly reliant on agriculture to produce the ingredients and materials we need, we recognize that the proper stewardship of watersheds within our supply chain is critical to upholding the human right to water and to ensuring the long-term sustainability of our business.

In 2020, we joined the [Science Based Targets Network's](#) Corporate Engagement Program to stay aligned with the emerging best practices for companies to set science-based goals on freshwater.

Understanding Our Impact

In 2021, we aim to measure our value chain's water footprint. We will also create a risk map to better understand which ingredients come from high-risk areas for water. This information will be used to determine our future value chain-wide, science-based water goals.

For our own operations, we have been using the [World Resources Institute's Aqueduct](#) tool to gather information on future water risks that could affect our offices and manufacturing plants, and have determined that we have one manufacturing operation in an area of extremely high baseline water stress (our plant in India) and three plants (our two plants in Mexico and our plant in Brazil) in regions of high baseline water stress. Our Mexico plants in El Salto and

Monterrey already have dedicated water management teams and are exploring how to use water more efficiently, and all four plants will be expanding efforts on water conservation through our new energy program ([see page 46](#)). Where opportunities are identified, plans are put in place to capitalize on them.

Monterrey's water conservation team has identified several improvement projects, including enhancing the efficiency of their reverse osmosis system. This will eliminate the amount of water rejected and reduce the amount of city water used. In 2020, our Monterrey plant achieved significant utilities savings and cut water consumption by 20 percent compared to 2019.

The El Salto team is using up to 45 percent of its wastewater treatment effluent for irrigation and evaluating its water-consuming processes to find improvement opportunities. Between 2018 and 2020, El Salto reduced well-water consumption by 10.4 million gallons, in part by diverting rainwater runoff to canals and connecting them to the well. The plant teams also identified and addressed leaks and optimized equipment-cleaning processes.

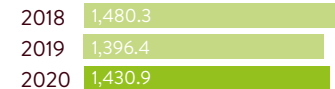
Between 2019 and 2020, our three Hershey manufacturing plants located in regions of high baseline water stress reduced their collective water withdrawal by approximately 16 percent and decreased water consumption by 13.6 percent.²⁷

In addition, Hershey's overall water consumption across all global manufacturing facilities and owned, U.S. distribution centers and corporate offices declined by 12.4 percent since 2018.

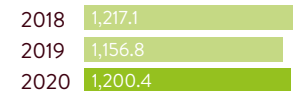


2020 PROGRESS²⁸

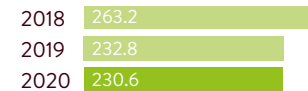
Total water withdrawals (million gallons)



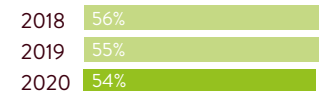
Total water discharge (million gallons)



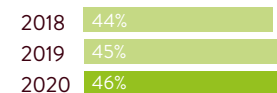
Total water consumption²⁹ (million gallons)



Percentage of water withdrawal from ground water



Percentage of water withdrawal from purchased water



Water use (gallons per pound of product produced)



²⁷ 2020 is the first year we began collecting water data in India, so we are unable to report changes in water consumption for our operation in the location of extremely high baseline water stress.

²⁸ Data for all years has been restated to encompass our most complete data available. These numbers now represent Hershey's overall water consumption across all global manufacturing facilities and owned, U.S. distribution centers and corporate offices with the exception of Amplify and ONE Brands; some numbers within our 2019 and 2018 footprints have been estimated due to a lack of quality data during those timeframes. Sites where data was estimated account for approximately 5 percent of total 2020 withdrawals.

²⁹ Water withdrawals less water discharge.

Controlling Our Waste

A century ago, our founder Milton Hershey established our first recycling center to reuse manufacturing waste. Since then, we've maintained that spirit of responsibility and that drive to find innovative solutions as we explore new ways to continually reduce, reuse and recycle our waste. In 2020, our plants had an average recycling rate of 84 percent and we achieved a corporate-wide waste recycling rate of 77 percent.

Positive Peer Pressure

Waste minimization is an issue our employees care deeply about. Our employees are often at the forefront of innovating solutions for our enterprise to reduce waste and are the stewards of proper waste disposal at our facilities. Through our new Green Teams employee initiative, Hershey employees have had more opportunities to escalate concerns about improper waste disposal and to collaborate to explore ways to address what to do about new waste streams such as personal protective equipment. We are hopeful that there will be a gradual return to work in our physical locations later in 2021, and the Green Teams at our corporate headquarters and Technical Center are already looking to conduct a grassroots educational campaign to reset expectations about how to properly dispose of waste at work.

Hershey Plants in Latin America Leading the Charge on Innovative Waste Solutions

In 2020, our plant in São Roque, Brazil installed an automatic composter to convert organic waste from the cafeteria into fertilizer that it donates to two socio-environmental projects in the local community, one focused on environmental education and another focused on community gardens. Both projects help to support the growth of food for families and children in need. Extra fertilizer is also available for employees to use.

Brazil also partnered with a supplier that turns waste into products that can be used in the plants such as plastic pallets and boxes.

In addition, our plant in Monterrey, Mexico has been sending sludge and peanut skins from its manufacturing processes to a composting processor, achieving a 97 percent recycling rate against waste generated.

What's Next

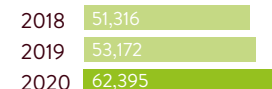
As we continue to reevaluate our environmental commitments against our 2019 Environmental Policy, we are also actively questioning what the future of our corporate waste-reduction goals should look like. At the end of 2020, we set up a cross-functional working group that included members from our EHS and Sustainability teams as well as employee representatives from our Green Teams to work through this question.

STRENGTHENING OUR HOLISTIC APPROACH

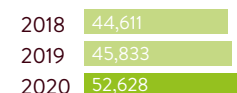
Our new Environmental, Health & Safety (EHS) Management System is modeled on the leading ISO 14001 and 45001 standards. We believe that standardizing practices not only makes it easier to ensure legal compliance regardless of location, but also unites our people under one way of thinking about EHS. The new Management System will be fully implemented by 2022. [See page 53](#) for more details.

2020 PROGRESS³⁰

Waste generated (metric tons) (includes recycling)



Waste recycled (metric tons)



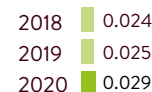
Waste disposed to landfill or incinerator (metric tons)



Total hazardous waste (metric tons)



Waste intensity (total waste generated per pound of product produced)



³⁰ Data for 2020 encompasses our most complete data available. These numbers now represent Hershey's overall waste performance across all global manufacturing facilities and owned with the exception of Amplify and ONE Brands, U.S. distribution centers and corporate offices. Due to our data records, we are unable to restate 2018 and 2019 numbers to reflect the same boundary. The data from 2018 and 2019 excludes information from our India and Malaysia manufacturing plants as well as info from our owned, U.S. distribution centers and corporate offices.

INCLUDE & ACHIEVE

Co-Creating Leading Workplaces With Our Remarkable People

The physical, emotional and economic wellbeing of our employees is paramount and was especially important during 2020. This year, we saw amazing progress and improvements in our culture around resiliency, agility, flexibility and speed of decision-making. We also continued to drive progress on diversity, equity and inclusion, including achieving a 1:1 aggregate gender wage ratio and new commitments and programs to improve pathways to leadership and fulfilling employment for underrepresented groups. We have more work to do to improve and grow, and our employees are co-creating the way forward.



Stronger Together

The remarkable and diverse people employed by Hershey and the individuals who work along our value chain are our most important assets. Without them, we would not be able to fulfill our purpose to make more moments of goodness.

2020 was not a normal year. All across our company at all levels, people have faced the fear and uncertainty of the pandemic, the struggles of balancing work, isolation, taking care of loved ones and the heartbreak of reckoning with systemic racial injustice. While we could not control

all the stressors impacting our employees this past year, we sought through our role as an employer to avoid being one of them.

From the early days of the pandemic, we rapidly took steps to safeguard employee health and physical, emotional and economic wellbeing. Through engagement with managers and the adaptation and expansion of our benefits, we supported employee wellbeing and mental health. Through smart management of our business, we concluded the year without any significant layoffs. We also saw an

increase in all metrics tracked on our Many Voices One Hershey (MVOH) annual employee satisfaction survey. In our 2020 MVOH, we achieved industry leading employee engagement and fulfillment scores. In addition, we saw our net promoter score, which measures how likely our employees are to promote and speak positively about our company, double during the pandemic.

COVID-19 was not the only event of 2020 that demanded a bold response.

As a result of the conversations and protests around racial injustice, we have increased our efforts to advance diversity, equity and inclusion here at Hershey and are supporting equity in the broader community through internal development, representation, advocacy on social issues and advancing educational opportunities specifically for Black and Brown communities locally and globally.



Priority #1: Help Keep People Safe

We recognize safety as one of our salient human rights issues and put the safety of people—from our employees to contractors and guests at Hershey facilities—first. We are also committed to protecting and promoting the wellbeing of the people who work for and with us.

We made good progress on our standardization efforts in a year when much of our focus was diverted to keeping employees safe through the COVID-19 pandemic. In early 2020, we quickly established a committee with key executive leaders to make all decisions and communicate with site managers. We also developed a COVID-19 website to share up-to-date information with all employees on topics such as travel and health and safety requirements.

Employees that were able to work from home were directed to do so. We then stepped up our procurement efforts to procure disinfectants, face shields, gloves, goggles, masks and equipment to monitor the temperatures of individuals coming into our facilities. Throughout our plants, plexiglass barriers were installed wherever needed to keep our employees safe. Working spaces were modified to allow physical distancing. We also developed resources for site leaders to provide easy access to all Hershey's guidelines and directions on how to manage employee safety, from using proper PPE to how to manage a possible case of COVID-19 in the workplace.

We continue to maintain a low infection rate among Hershey's worldwide workforce, with a large majority of these cases tracing back to contacts occurring outside of work. We believe this is a

testament to the efficacy of the systems our teams put in place and the deep care and concern Hershey folks showed for their co-workers.

During 2020, we have been enhancing our EHS Management System. As part of this, we have also been working to standardize our safety, health, and environmental compliance processes. Our approach is based on global best practices and seeks to meet or exceed regulations wherever we operate. The new standardization systems will include developing new global safety standards for both people and the environment, as well as regular and continual training for relevant employees in applicable areas.

Its implementation will be supported by a robust internal audit system that will validate the application of the standard as well as sites' compliance with local regulations. The Audit teams will consist of EHS Center of Excellence members and EHS managers from other sites. Our EHS Lean Pillar team will be overseeing the implementation of the new safety standards and procedures.

While standardizing safety processes, we also developed a training matrix that lists all safety topics, the frequency of training required, the relevant personnel to be trained or to manage training, and what resources the training requires, such as online classes or in-person demonstrations.

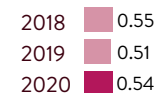


2020 PROGRESS

Total Recordable Incident Rate (TRIR)



Lost Workday Incident Rate (LWIR)



Days Away, Restricted, Transferred (DART)



Diversity, Equity and Inclusion at Hershey

Accelerating Our Efforts

The killings of George Floyd and Breonna Taylor and the injustices committed against Christian Cooper, among others, underscored ongoing systemic issues facing the Black community. In the wake of these events, we took a moment to reflect on Hershey's response to the rapidly unfolding protests and dialogue. It was clear to us that we had to pause, engage with our employees and refresh and strengthen our inclusion strategy to meet the needs of our teammates and communities.

During our co-creation process, we committed to improving and increasing the Black and Latinx representation in our organization, while continuing to be a recognized employer of choice for women, people with disabilities, veterans and LGBTQ employees. Honest, real and tough discussions with our employees were incredibly valuable and have moved us to strengthen our practices in the following areas:

Unconscious bias training: This training is now required two times a year with intentional timing to increase the likelihood of employees incorporating the learnings into behavior. For instance, people managers must take this training around year-end when employee feedback and ratings are due.

More diverse candidate slates and interview panels: For all open job positions, we now require that 50 percent of the candidate slate must qualify as diverse before interviewing for the position can begin. Furthermore, our interview teams also represent at least 50 percent diversity. To aid in developing a diverse candidate pipeline, we are also expanding our work with minority-owned talent-search firms, setting a goal to have 30 percent of total search volume done by diverse-owned firms.

Improving access to educational resources: We created a site for employees on our corporate intranet with tools on how to be a leader and an advocate as well as to provide advice on how to access wellbeing resources for anyone suffering from the impacts of systemic racism. In addition, we provided articles and advice for parents who want to be able to have healthy, meaningful conversations about racism with their children. We continue to populate the site with new information and tools.

Investing in early-in-career and mid-career development and training that focuses on commercial skills and career building for POC and women.

Stepping Up Inclusive Representation

Our learnings from the candid, pivotal employee conversations about race in the U.S. led to the creation of ambitious new corporate goals around representation.



By 2025, we seek to increase representation of our employee base so that **47 to 50 of our employees are women and 30 to 40 percent are POC. Similarly, we aspire to have 15 to 22 percent of People Leader roles occupied by POC and 40 to 42 percent by women.** Through these goals, we aim to set the bar for representation in our industry.

To keep progress visible, these new commitments are paired with internal short-term goals that seek to pace our progress in targeted areas, including better representation of Black and Latinx employees among our salaried and hourly workforce and improving the representation of women, Black and Latinx talent among our People Leader positions.

Diversity, equity and inclusion topics are now also a regular agenda item for Executive Committee meetings. We measure and track inclusion and representation metrics and share them at these meetings to identify gaps and opportunities to be better.

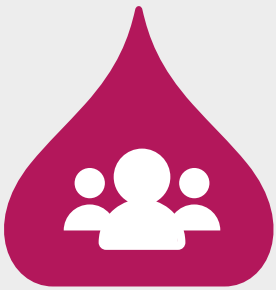
After we launched our commitments internally, we continued to keep the conversation going with our employees at a team level with what we call **#ListenAndLearnMoments**. These offer our employees a constructive open platform to talk about what they see on TV or read online.



Charting New Pathways at Hershey

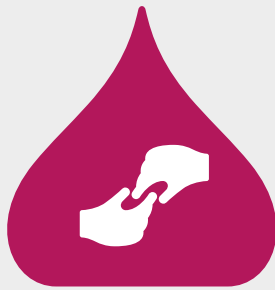
The Pathways Project

To achieve our new diversity, equity and inclusion commitments, we have launched The Pathways Project, which focuses on:



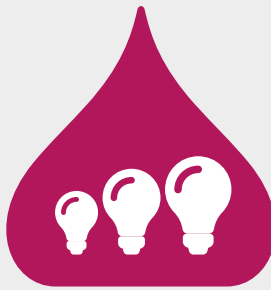
More pathways to JOIN—bringing in a wider range of talent and perspectives

Supported by new hiring policies for 50% diverse slates of candidates and interviewers, expanded opportunities for remote hires and remote work



More pathways to REACH OUT—showing up for consumers and communities in new ways against racism

Supported by seeking to improve access to education for Black and Brown communities through new partnerships, supporting Business Resource Group membership and engaging in volunteering and giving opportunities



More pathways to GROW—recognizing and developing talent that was underrepresented in the past

Supported by unconscious bias training, promoting diverse mentorship and commercial leader development to retain and promote Black and Brown talent

Creating Opportunities

In order for us to meet our new representation goals, inclusion needs to start before employment. We are doing our part to help develop a solid pipeline of diverse talent ready to share their unique perspectives with Hershey and are intentionally expanding the talent pools we seek to recruit from.

In December 2020, we announced a historic \$1.5 million investment in the [Thurgood Marshall College Fund \(TMCf\)](#) to establish a scholarship endowment. Our aim is to increase that to a total of \$3 million over the next 10 years. The endowment will provide scholarships for students pursuing degrees in food science at TMCf member schools, which include public colleges that provide advanced education for underrepresented populations.

This is the first time a company has ever committed to endow a TMCf scholarship.

In the coming years, we will be focusing on increasing recruitment from 10 to 15 historically Black colleges and universities, as well as increasing recruitment from 2 to 15 historically Hispanic-serving colleges and universities with the aim of achieving a college recruiting portfolio that is at least 50 percent diverse.

Lastly, after signing the White House [Fair Chance pledge](#) in 2016, we continue to support second chance hiring, which is particularly important to Black and Latinx communities, who are overrepresented in the U.S. penal system. We are pleased to report that we continue to hire candidates with past convictions yet, out of respect for these individuals, we do not track this data because we believe in fresh starts.



Snapshot: Diversity at Hershey in 2020

Hershey's operations are divided into corporate, manufacturing, sales, and distribution and logistics activities. A significant portion of our U.S. operations are based in our historical headquarters of Hershey, Pennsylvania. The location of our operations can make attracting and retaining diverse talent challenging, as it is far from diverse living centers and talent pools. However, we remain committed to working toward our new goals to create lasting change.

PAY EQUITY (U.S.)

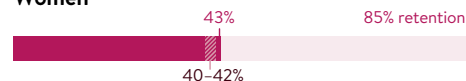
Gender: Salaried women:
\$1 for \$1 aggregate compared to men.

Ethnicity: Salaried POC:
\$1 for \$1 aggregate compared to non-POC.³¹

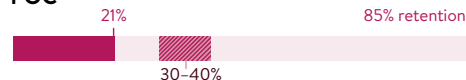
Figures are for Hershey's U.S.

% REPRESENTATION (U.S.)

Women



POC



Black



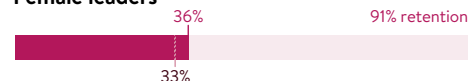
Latinx



Asian



Female leaders



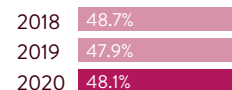
Key



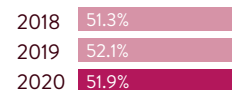
2020 PROGRESS

Gender diversity (total company)

Female

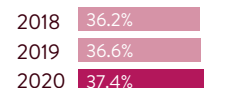


Male

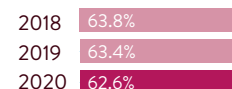


Gender diversity (management, total company)

Female



Male



POC in management roles (U.S. only)



Networks of Remarkable People

"Employees from our Business Resource Groups delivered outsized impact in 2020."

Michele Buck, CEO

Our eight employee-led BRGs—Abilities First, African American, Asian, GenH (Generations), Latino, Prism (LGBTQ), Veterans and Women—play a core role in attracting diverse talent, providing mentoring and career development opportunities, delivering business insights and connecting people to the company and the communities where we do business.

Each BRG is supported by an Executive Committee 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.

The BRGs are meeting our strategic imperative of fostering inclusive dialogue, offering leaders the opportunity to engage in an ongoing conversation with employees about what matters to them. For example, during 2020, our African American BRG partnered with senior leaders to have a frank discussion on race, systemic racism and white privilege. The group also continued the conversation across the company by sharing "Being Black" insights and participating in every #ListenAndLearnMoments session, leading conversations with empathy and courage.

³¹ Achieved in April 2021.

Providing a Caring Employee Experience

We recognize that employee wellbeing is a cornerstone of an engaged, innovative and productive workforce. When our employees feel seen, respected and cared for, they give their best. Hershey is proud to offer a competitive suite of benefits, including:



Medical, dental and vision



Life insurance



Disability benefits



401(k) with generous company match



Retirement planning



Paid parental leave including adoption benefits



Fertility coverage



Unique volunteering opportunities, including at Milton Hershey School



Flexible working solutions



Private rooms designed for lactation, quiet reflection, prayer or wellness rest breaks



State of the art fitness center at our Hershey, Pennsylvania campus (also open to Hershey retirees)³²



Employee Stock Purchase Plans



Employee relief fund that provides grants to individual employees facing disaster or hardships



Hershey Company Scholars Program—scholarships to children of Hershey employees pursuing post-secondary education



Product discounts and candy giveaways around the major holidays



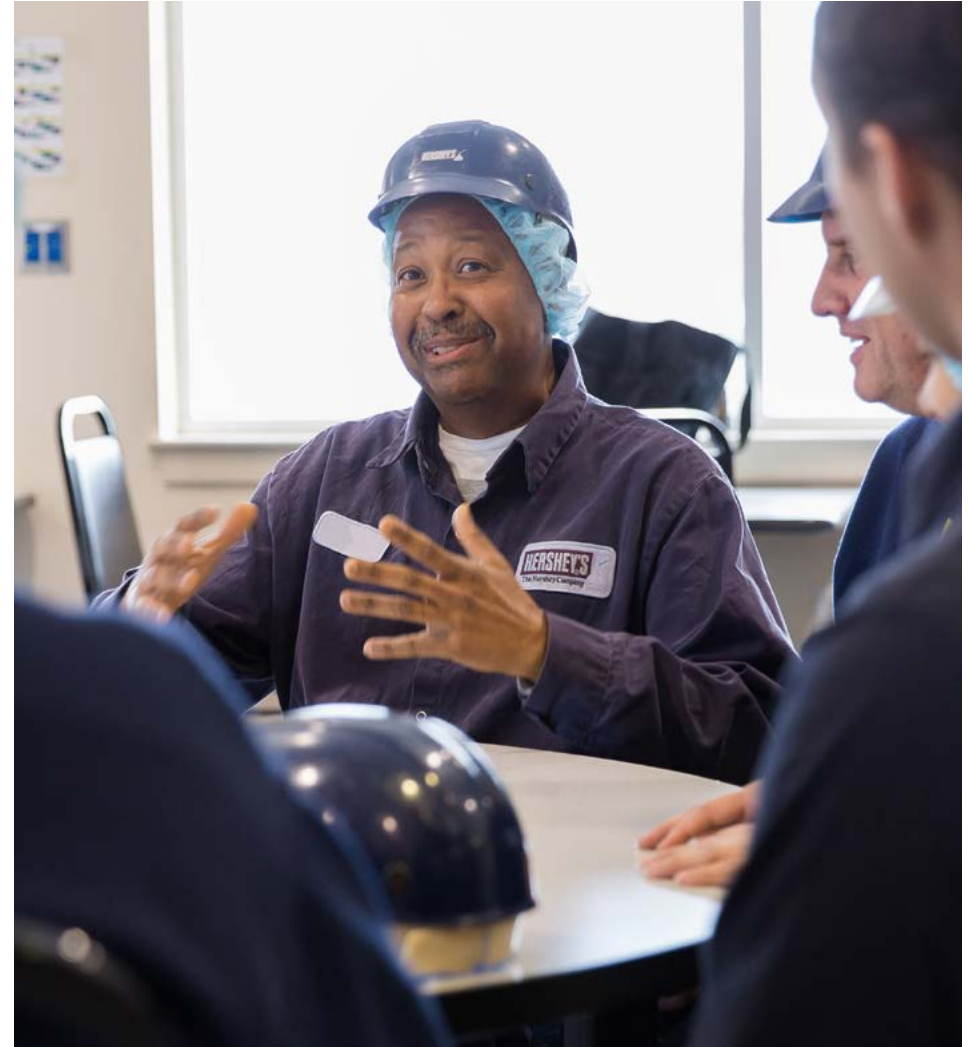
Charitable giving match (more details on [page 69](#))



Pet insurance



Vendor discounts



³² Also available to qualifying part-time employees. As of December 31, 2020, part-time employees represented approximately 10 percent of our total workforce.

Supporting Balance & Wellbeing

Migrating to a virtual workplace was an adjustment for many workers across the globe as governments and companies responded to COVID-19. For many families, that meant taking on full-time childcare responsibilities on top of a full workload. Recognizing the added pressures, Hershey did what we could to help our employees adapt. Alongside new Family Flex policies, we also expanded virtual assistance through:

- **Care Connect:** Our Women's BRG collaborated with Human Resources and Hershey Information Systems to create the HSY Care Connect app. The app helps employees collaborate to cover childcare and transportation needs. Users can provide these services or ask for them, as well as request additional assistance such as tutoring.
- **Bundle:** The Bundle Program is an "Educare" platform designed to give employees a break from childcare and elderly care responsibilities by providing children ages 3–11 and elderly family members an opportunity to engage with vetted and trained instructors in one-on-one or small group sessions virtually. Children can take educational adventures in science, engineering, arts and culture, health and wellness or diversity, equity and inclusion, work on homework or tutoring, or review school concepts. Older family members receive opportunities to connect with others and engage in intellectually stimulating experiences in arts and culture, travel and games.

Engaging With Unions

Hershey has a proud history of crafting world-class products, and employees at our manufacturing facilities enjoy competitive wages, benefits and highly skilled jobs. They also report strong engagement with their work. At some facilities, our manufacturing employees are represented by labor organizations and operate under collective bargaining agreements. Our labor relations are conducted in the spirit of collaboration for the benefit of employees and the company. In 2020, approximately 37 percent of our employees worldwide were covered by collective bargaining agreements.

A Place to Learn & Grow

Hershey gives all employees the chance to learn, grow and own their work. Since 2017, we have partnered with leading online content experts and increased internal learning development to expand our catalog of online and classroom courses from 3,000 to over 17,000. This unique combination of world-class resources, real responsibility and authentic experience makes Hershey a place where employees can become leaders in their fields. In fact, seven of our nine Executive Committee members were promoted from within Hershey.

17,000+
online and
classroom courses
available to
Hershey employees

SMARTFLEX BENEFITS

SmartFlex is our suite of policies that allows individuals to create their own balance between work and personal life. It is designed to improve productivity, boost job satisfaction and increase employee engagement.



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 in addition to other similar benefits available to employees.



Flex Tech

Utilizing new technologies and personally owned devices to provide employees with 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.



Family FLEX new 2020

Employees can designate time in their workdays reserved for caring for children, family members, other loved ones, and even self-care to enhance flexibility in a virtual work setting and better equip employees to balance business needs with personal obligations.

CONNECT & SUCCEED

Connecting Kids to Bright Futures

From the moment Milton Hershey founded a school for orphaned boys in 1909, Hershey has continued our founder's legacy of helping children succeed and reach their full potential. Today, we support access to education, nutrition and wellbeing for children around the world by:

- Equipping children with the social and emotional skills they need to build meaningful connections with one another and their communities
- Using our expertise as a snacking company to provide snacks that offer basic nutrition for children
- Supporting the mission of Milton Hershey School through our business model and our employee engagement programs



The Heartwarming Project

Why it Matters

Young people today are more likely to report feeling lonelier than any other generation,³³ and teens today report high levels of stress, anxiety and other mental health challenges. Research has shown that increasing social and emotional skills, such as practicing empathy and inclusion, as well as fostering meaningful connections with peers, adults and the community, can improve youth outcomes and wellbeing.³⁴ Because of this, Hershey created The Heartwarming Project (HWP) to help kids and teens build these skills and celebrate the power of connection for youth wellbeing.

How We Do It

Through HWP, Hershey supports programs for children and teens with social, emotional, learning based approaches that increase youth wellbeing and prepare them for success in the workplace. We also work with our partners to inspire, encourage and highlight young people who take action to create more inclusive, empathetic communities.

Our 2020 partnerships included continued support for Boys & Girls Clubs of America's (BGCA) Keystone Club teen program. Hershey is a proud supporter of BGCA's Keystone National Project program, which encourages teens at clubs across the U.S. to work together on community-focused projects, building leadership, character and other critical social and emotional skills in the process.

We also continued our support of Harvard University's Making Caring Common initiative to provide parents with evidence-based caregiving strategies to raise more caring, empathetic and inclusive children.

We supported the expansion of WE charity's WE Well-being program across the U.S., providing thousands of educators and students with critical wellbeing resources during the transition to virtual learning.

We also fostered a new partnership in 2020 with Crisis Text Line to create a series of empathy resources and ensure that more young people have access to its free, text-based counseling platform and the connection it provides, whenever it is needed most.

6.7m

youth served by
HWP partner
organizations



³³ <https://www.cigna.com/newsroom/news-releases/2018/new-cigna-study-reveals-loneliness-at-epidemic-levels-in-america>.

³⁴ <https://journals.sagepub.com/doi/10.1177/1745691614568352>.

Sparkling Connection & Conversation

In 2019, we gathered over 80 teens from across the country for our Makers of Good Teen Summit, which focused on turning social isolation into inclusion. Speakers included celebrities who faced isolation and teen leaders who focus on mental wellbeing, kindness and inclusion.

Our 2020 event was a virtual Facebook Live summit hosted in conjunction with WE. The event brought together over 1,000 students and teachers and featured a range of young people and experts talking about the role that connection plays in supporting wellbeing. Since it aired, the event has been viewed more than 400,000 times, in part because it was so relevant and timely given the increased need for social connection during the pandemic.

During the year, we also partnered with Snapchat to co-host an online conversation, “Spark Connection: A Fireside Chat.” The event focused on how teens are advancing inclusion, empathy and connection through social media during these increasingly divided times. The event brought together three young leaders from Snapchat to talk about topics including activism on social media for inclusion and racial justice, civic engagement and how young people can lead the way by modeling empathy and kindness online.

Sparkling a Wave of Heartwarming Actions

HWP continued its Action Grants Program, which supports young people who are advancing inclusion, empathy, kindness and connection where they live. This growing program received over 1,000 applications

in 2020 and offered 500 action grants worth \$250 to teens. This year, we saw many applicants focus on racial justice and other inclusion efforts as well as a significant increase in those focused on combating social isolation during the COVID-19 pandemic.

TEENS TAKING ACTION

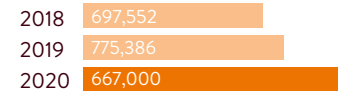


“When I walked into my first coding class, the boy next to me tapped me on the shoulder and asked if I was sure I had signed up for the right class. It was humiliating, exclusionary and made me feel like I was not good enough. I want to change this in my community through my project, which seeks to empower minorities in STEM with free learning opportunities. We hold workshops, camps and events directly targeting young people from underrepresented backgrounds and celebrating educational inclusivity and diversity, and a classroom where everyone’s voices are heard. The grant will help hands-on workshops that center around STEM for social good, intertwining humanity and kindness with science and technology.”

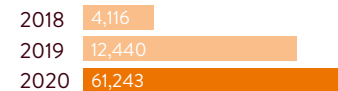
Archika D., Washington, HWP Action Grant Recipient

2020 PROGRESS

Youth benefiting directly from HWP investments



Youth taking part in Heartwarming actions



1,000+

applications
received for the
HWP Action
Grants Program

Nourishing Young Minds

According to the World Nutrition Report, one in nine people in the world go hungry and almost a quarter of all children under the age of five are stunted. At the same time, progress on malnutrition has been too slow to meet global targets. Since 2018, Hershey has been acting to support childhood nutrition by collaborating with one of the largest providers of the Mid Day Meal Scheme in India, Annamrita, along with the Indian Institute of Technology Bombay and Sion Hospital. This partnership explores how different foods and snacks could enhance Annamrita's existing school lunches to provide even greater nutrition to school-aged children.

In 2019, the consortium of partners first completed a baseline assessment of the nutritional status of 800 children aged 7-17 in four urban schools in underserved areas of Mumbai. The research results indicated that 30 percent of the children had a below normal body mass index. Of this 30 percent, 18 percent were determined to be thin, 11 percent were severely thin, and 0.9 percent were underweight.

In response to the baseline data, the Hershey India R&D team worked to reformulate one of our flagship products, SoFit soymilk. The product, *SoFit Plus*, is a vitamin and protein-enhanced version of the original beverage specifically formulated to address the nutrition needs identified in the baseline study. During 2019, Hershey worked with Annamrita to distribute the beverage alongside midday meals to approximately 500 children.

After the distribution program was put in place, a formal study was conducted examining the effectiveness of *SoFit Plus*. A group of children was monitored while having two servings a day for six days a week over a three-month period in 2020. The results showed a positive 10 percent increase in the number of normal-weight kids and a corresponding decrease in the number of thin children from 18 to 8 percent, while the number of severely thin children shrunk from 11 to 2 percent. The children drinking *SoFit Plus* also improved 75 to 100 percent of their vitamin A, vitamin C, vitamin D, vitamin B12, calcium, zinc, ferritin, magnesium and total protein levels.

There was a significant improvement in the cognitive ability of kids, linked positively to the replenishment of micronutrients and improved body composition.

While a more expansive study is needed to fully understand the direct contributions of the drink to children's health and development, the project partners are encouraged by the positive results in terms of both nutrition and the children's academic performance as measured through cognitive tests. Hershey and our partners are now exploring different options for continuing and expanding the program.

500
children
(approximately)
receiving
SoFit Plus
twice a day



Our Shared Goodness Legacy— Milton Hershey School

Since 1909, Milton Hershey School (MHS) has offered children from low-income backgrounds in the U.S. a residential, cost-free, quality pre-kindergarten through 12th-grade education. MHS is a place where students' potential meets life-changing opportunity thanks to our shared founder, whose entrepreneurial spirit and commitment to helping youth succeed blended to create an early social enterprise.

Milton Hershey bequeathed his ownership of The Hershey Company to The Hershey Trust Company, with MHS as the sole beneficiary. The Hershey Trust Company continues to be Hershey's largest shareholder and receives a substantial portion of the dividends we pay each year. This unique relationship means that Hershey's success directly benefits the school and its 2,100 students. In addition, our employees get the opportunity to participate in unique volunteer programs with MHS that foster connection and community with the students and faculty.

In 2020, the school's critical focus was on keeping students safe while navigating the COVID-19 pandemic and the challenges it created. Many MHS students had to stay on campus from spring to summer as part of COVID-19 lockdown measures. Despite the difficulties, fostering meaningful connections between MHS students and Hershey employees remained important to students' success.

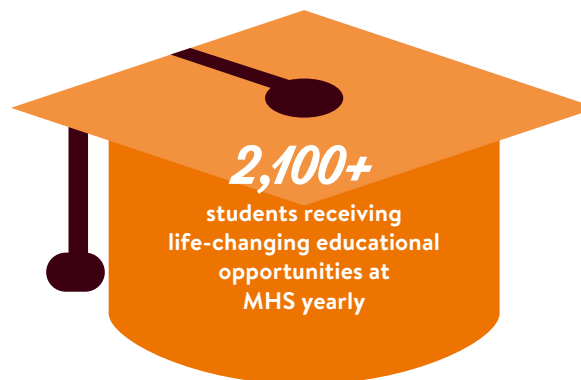
In a normal year, these connections are forged through in-person activities with students. As we shifted to virtual formats, employees and MHS found creative ways to enable authentic work experiences and mentoring opportunities throughout the year. For instance, students in the Hershey Honors Business program received access to Hershey subject matter experts through video conference presentations on topics such as order management, distribution and warehousing, production planning and manufacturing, packaging and food safety.

Additionally, Hershey's Project Fellowship program continued, with teams of Hershey employees taking part in a series of fun virtual activities with MHS student homes, providing much-needed community connections in a year when students were required to stay on campus. And, MHS high school students continued practicing their conversational Spanish with native speakers from Hershey's Latino BRG virtually.



"Education is being turned upside down, and in spite of that, we have been able to turn this into a positive. By embracing technology and adapting, our students continue[d] to benefit from [Hershey] employees' expertise and professional insight."

Christine Fisher, MHS Spanish teacher



SUPPORT & EMPOWER

Helping People Thrive

Hershey has a long tradition of putting people first—from creating a town where our employees and their families could thrive to our long-standing partnerships that keep families fed and lend a hand during hard times. In 2020, COVID-19 and the issues stemming from systemic racism made for a uniquely challenging year, but we kept doing what we do best: showing up for the communities we care about as a trusted partner and neighbor.



Showing Up for Our Communities

Making Masks

In spring 2020, we invested over \$1 million to establish a production line for disposable masks in Hershey, Pennsylvania. The masks were produced for our employees and their families and also for community nonprofits, healthcare organizations and school districts, who could request mask donations via our website. Hershey donated more than 1.5 million masks to 85 different community organizations, including two dozen school districts that received mask shipments on a recurring biweekly or monthly basis for their students and faculty.

Keeping Families Fed

Due to the pandemic and its impacts on the economy, more Americans than ever in recent history experienced food insecurity in 2020. In response, we quickly mobilized to provide COVID-19 relief grants to local food banks and United Way chapters in each of our U.S. communities. We also partnered with our suppliers and customers to strengthen our support. For example, we worked with our counterparts at Land O'Lakes and ASR Group to arrange for a “triple donation” of dairy products, sugar and cash to the Central Pennsylvania Food Bank. We also partnered with food retailer Giant and the state of Pennsylvania to create a COVID-19 relief grant program for childcare providers, which helped ensure that more families of essential workers were able to access safe, reliable childcare during the pandemic.

Helping Superheroes

We launched a “Healthcare Heroes” product-donation care package program for healthcare organizations that donated over \$1.5 million worth of products to nonprofits directly supporting COVID-19 relief efforts, such as the food relief

organization Convoy of Hope and the Founders Give program, which delivered donations to healthcare workers at each of New York City’s hospitals during the city’s surge of cases. Overall, we donated to more than 200 hospitals, totaling more than 10,000 cases of Hershey products.



Supporting Justice

In 2020, we significantly increased our philanthropic giving on racial justice and equity. We deepened our long-time partnerships with NAACP's Afro-Academic, Cultural, Technological and Scientific Olympics in Greater Harrisburg, Pennsylvania and initiated a scholarship endowment with the

Thurgood Marshall College Fund.

We also committed support to the Equal Justice Initiative and mobilized employees to support these and other racial justice organizations.

At our Austin, Texas Amplify headquarters, we established new partnerships with several community organizations serving

Black youth, including the Austin Justice Coalition and the African American Youth Harvest Foundation. We also joined Naturally Austin and SKU as a lead sponsor of a newly established minority-owned consumer packaged goods start-up program to promote inclusivity in the food sector. In addition to the financial support we provided, our Amplify team

partnered with minority-owned start-ups to provide technical assistance and mentorship.

In addition to the more than \$2 million committed via the initiatives above, our employees donated more than \$50,000 to racial justice organizations in the months following George Floyd's death—an amount that was matched dollar-for-dollar by Hershey.

Lending a Hand Around the World

Globally, we made a range of donations of cash and product to support COVID-19 response efforts in several of our key markets:

Brazil

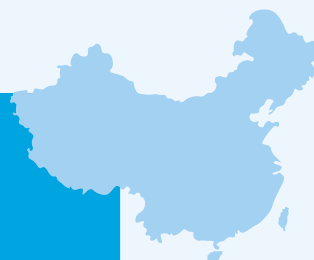
We provided US\$25,000 worth of face masks for school children and partnered with the mayor of São Roque and the state of São Paulo to donate more than US\$50,000 of Hershey products to healthcare workers at more than 35 hospitals across the region.



China

We donated RMB 1 million worth of Hershey biscuits and chocolate, which were distributed at four local hospitals in Wuhan. We also arranged for a RMB 250,000 cash donation to the China Population

Welfare Foundation, which has been working to distribute medical supplies, test kits and other essential supplies to the region.



India

We joined other companies in supporting the Madhya Pradesh Chief Minister's Relief Fund for COVID-19 relief and supported the Red Cross Society of Raisen in Mandideep with their response efforts.



Malaysia

We donated 10,000 face masks, along with bottles of hand sanitizer and chocolates to several hospitals.



In 2020,
we significantly
increased our
philanthropic
giving on racial
justice and equity.



Always There for Our Communities

Why it Matters

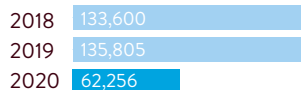
This past year, our employees found ways to still support their communities—whether virtually, in-person, by donating or by getting involved in a cause.

Social distancing recommendations and evolving family schedules meant that the hours our employees volunteered on company time decreased significantly, with 58 percent of employees noting they were unable to volunteer or spent less time volunteering than in prior years.

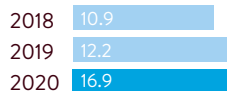
At the same time, we experienced a 40 percent increase in employee gifts, which are matched dollar-for-dollar by Hershey, showing that many more employees chose to donate than ever before. Thirty percent of employees who took part in our matching program said they increased their giving in 2020 because of the rising need in their communities due to COVID-19 and to support inclusion and racial justice efforts.

2020 PROGRESS

Employee volunteer hours



Total cash donations (\$ million)



Total in-kind donations (\$ million)



PARTNERS IN FOOD SOLUTIONS

In 2015, Hershey employees began working with Partners in Food Solutions (PFS) to support local food entrepreneurs in Africa. Since the start of our partnership:

115
projects have
been supported

5,203 hours
have been contributed
by Hershey employees

\$3,627,714
of investment has been
made into PFS clients

413,305
farmers have
been supported

47
PFS-supported
businesses are owned or
managed by women

GOOD TO GIVE BACK 2020 IN NUMBERS

\$56,000

total donations
from employees
to nonprofits

1,300

volunteer hours

1,000+

employees

30

organizations

Good to Give Back Month

With many employees working from home and balancing their personal and professional demands, we provided flexibility by extending our annual Good to Give Back Week to an entire month. We offered more virtual and remote volunteer opportunities with community nonprofits and national nonprofits and shared

in-person options that required PPE and social distancing. Overall, more than 1,000 employees took part in activities this year.

We also organized a one-day, contactless drive-thru food drive at our corporate headquarters in Hershey, Pennsylvania that collected over 5,200 pounds of food for three local food pantries. More than 500 employees dropped off donations.



Helping Tackle Hunger

- Hershey donated \$50,000 to support Rise Against Hunger's Empowering Communities sustainable agriculture projects.
- Employees stocked shelves, collected groceries and distributed items via curbside delivery to clients at food banks, including the Hershey Food Bank, the Central Pennsylvania Food Bank, Salvation Army and Lancaster Food Hub.



Protecting Health in Our Communities

- The Hershey Mexico team led a food drive for Asociación Mexicana de Diabetes in Nuevo León A.C. to support senior citizens and children with diabetes during the COVID-19 pandemic.



Spreading Moments of Goodness

- Amplify employees participated in Austin Justice Coalition's supply drive to support the homeless and create back-to-school packs for their local community.
- Hershey employees assisted Aaron's Acres staff with assembling craft kits for their summer virtual camp programs to continue opportunities for children with special needs.
- The HELP FROM HOME fundraiser encouraged each employee to donate \$25 through the Hershey giving portal, which Hershey matched dollar-for-dollar. We surpassed our goal of \$5,000, donating \$6,791 to Food Banks Canada.

Values With Impact: How Hershey Makes a Difference

Our company was built by purpose and we're all bearers of the legacy of kindness, support and showing up that Milton Hershey has left us, especially in a year as challenging as 2020. Our longstanding philanthropy and volunteerism efforts are managed by our Sustainability team. The team operates from our corporate headquarters in Pennsylvania and collaborates closely with team members at each of our plant and office locations around the world. We provide both philanthropic contributions and product donations to nonprofit organizations in communities where we have a presence. We do not maintain a corporate foundation, and instead, we direct a portion of our annual pre-tax profit to community philanthropic endeavors. In 2020, that amount was 0.21 percent. The company's giving guidelines, criteria and application are published on our corporate [website](#), and we use those criteria when assessing requests for both cash grants and product donations.

We work closely with counterparts in each of our plant and office locations across the U.S. and globally to identify local community needs and craft tailored approaches to provide support. This work includes forging partnerships with local NGOs, providing grants and contributions, and organizing volunteer service activities and employee fundraisers. We encourage all grantees to provide impact reports with both quantitative and qualitative data, and host annual meetings with NGO partners to evaluate the effectiveness of our philanthropic investments.

Hershey has long supported the causes important to our employees through our matching gifts program and workplace-giving campaigns. Our year-round employee matching gifts program matches up to \$5,000 in charitable donations per employee each calendar year. Over and above the matching gifts program, we also match employee donations made via payroll deductions during our Season of Giving workplace campaign up to \$10,000 per employee each calendar year. Employees also receive up to two days of paid time off to volunteer through our Employee Volunteerism Policy. Furthermore, we offer a Dollars for Doers program, which rewards employees that volunteer at least 50 hours per year by awarding a \$500 grant to the nonprofit of their choice.

Hershey provides up to

\$15,000

in matching employee charitable giving per employee per year



Hershey saw a HUGE increase in employee giving in 2020—employees stepped up when they saw their communities in need, with company matching gifts increasing 40% from 2019.



About This Report

This is our ninth report that reviews progress made on ESG issues.

This is our second Sustainability Report to be released alongside a Sustainability Accounting Standards Board Index and it is our third report prepared in accordance with the Global Reporting Initiative Standards: Comprehensive option, after prior reporting in accordance with the Core option.

For the first time, we are reporting through the UNGPs Reporting Framework and Task Force on Climate-related Financial Disclosures, and have released our second UN Sustainable Development Goals Index. We have also developed this report with guidance from the United Nations Global Compact.

The report covers the 2020 calendar year, which is also our fiscal year.

We have not sought any external assurance for this report, our GRI Index or any of the other reports above.

All financial figures are reported in U.S. Dollars, unless otherwise stated.

For stakeholders who want more detail, please see our separate reports for:



[GRI](#)



[UN Global Compact](#)



[SASB](#)



[UN SDGs](#)



[TCFD](#)



[UNGPRF](#)

We welcome any feedback you have on how we report and how we performed. Please direct inquiries to sustainability@hersheys.com

