



HERSHEY 

*Shared*  
**GOODNESS**

2018 SUSTAINABILITY REPORT

# *Unwrap* **SHARED GOODNESS**

Welcome to our 2018 Sustainability Report. This is our seventh report since we began in 2010. The progress we made sharing goodness in 2018 has set an exciting tone for our 125th anniversary which we are celebrating in 2019.

Inside, you'll find more about our business, our remarkable people and the progress we made on our Shared Goodness Promise. As we reflect on the past 125 years and plan for the future, The Hershey Company is proud to carry on the legacy of our founder, Milton Hershey.



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# THE BIG PICTURE

## A Legacy of Goodness

In 1894, Milton Hershey had a vision to create a product that brought people together and shared more goodness. As we celebrate our 125th anniversary in 2019, Hershey is proud to advance the legacy of a purpose-driven founder who wanted to use his business to make the world a better place.

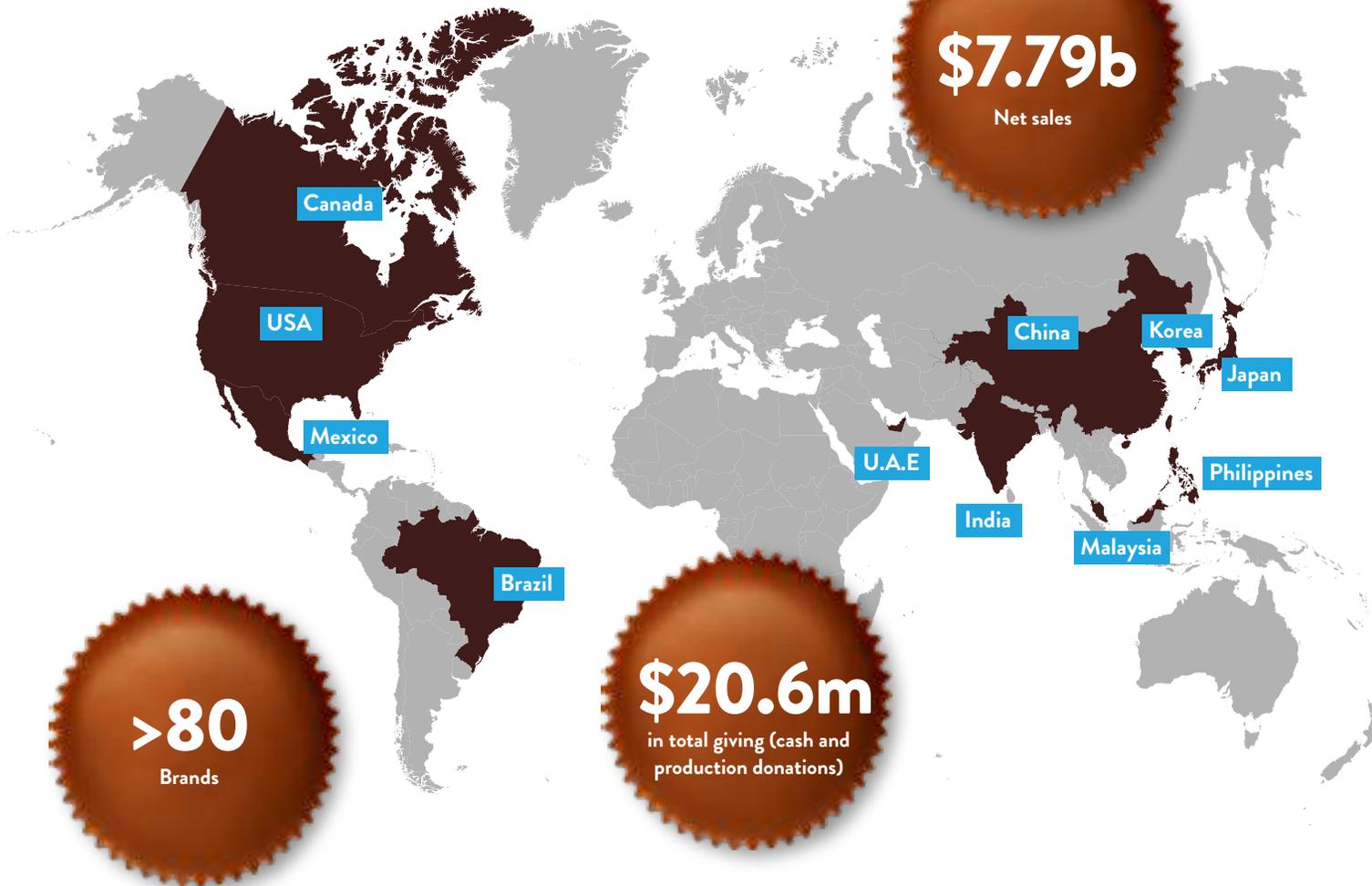
Today, that legacy lives on in our remarkable people and our iconic brands that support the Milton Hershey School and its mission to offer quality education and support to disadvantaged kids. It's upheld every day in the way we make moments of connection and shared experiences that consumers love, help kids globally reach their potential, support cocoa-growing communities, minimize our environmental footprint and give back to Hershey communities.



# This is Hershey

## Where goodness is made

We market, sell and distribute our beloved brands in approximately 90 countries worldwide and have operations in 14 countries.



## Reputation for goodness

6th time on the North American list and 5th time on global World Index Dow Jones Sustainability Index

#50 Forbes Just 100

#83 (first time on the list) Forbes World's Most Innovative Companies

#6 Reputation Institute Most Reputable Company

#50 Reputation Institute Most Responsible Companies Index

Civic 50 (6th straight year)

#33 DiversityInc Top 50 Companies for Diversity 2018

DiversityInc Top Companies for LGBT 2018

#9 DiversityInc Top 18 Companies for Veterans 2018

#6 DiversityInc Top 12 Companies for Executive Women

Leading the way in disability hiring National Organization on Disability (NOD) Leading Disability Employer 2018

• New awards

# Expanding Snacking Across the Spectrum

Our vision as an innovative snacking powerhouse is to grow our portfolio within core confection and expand with more better-for-you options to give consumers even more snacking choices.



Sweet



Savory



# 125 Years of Shared Goodness



## Q&A with Michele Buck

President and CEO, The Hershey Company

### Hershey is celebrating its 125<sup>th</sup> anniversary in 2019. As you think about the company's legacy, what are you most proud of?

This year we're celebrating the company's 125<sup>th</sup> anniversary. Our connection with consumers remains strong because, quite simply, we love making the brands that they love. As we celebrate this extraordinary milestone, I'm honored to lead a company with people who care about one another and their communities, have deep pride in our incredible brands and recognize that we are entrusted to build for the future and make strategic decisions that ensure Hershey succeeds for generations to come.

Hershey remains the number one manufacturer in the U.S. confection<sup>1</sup> category from a 2018 sales standpoint, thanks to a portfolio of iconic brands loved by consumers. As part of our vision to be an "Innovative Snacking Powerhouse," we have expanded our snacking portfolio and through acquiring Amplify and Pirate Brands, we are capturing new, better-for-you snacking occasions. We also made tremendous progress in our international business. In 2018, we transitioned to profitable and sustainable growth models around the world. I'm equally proud of how we continue improving the way we work. We're moving faster, experimenting more and expanding employees' freedom to operate while retaining our collaborative spirit. We continue to operate with care and concern, evidenced by the launch of our sustainability strategy, "Shared Goodness Promise," and our "Cocoa For Good" strategy, that aims to improve lives and the environment across cocoa-growing communities.

### A year into the Shared Goodness Promise strategy, what progress has been made?

I'm excited by the strong start we've made. Our commitments highlight our responsibility to environmental stewardship and human rights everywhere we work. We made great progress across key programs in our Cocoa For Good strategy, including providing the ViVi nutritional supplement to more than 57,000 school children in Ghana everyday with Project Peanut Butter. We also began construction on a ViVi factory in Cote d'Ivoire for in-country distribution in 2019.

During 2018, we invested heavily in developing important new policies and commitments covering the environment and human rights, which launched in early 2019. Looking ahead, we will develop Science-Based Targets for our environmental performance and specific human rights programs.

### What were the greatest challenges in 2018?

We work in an extremely dynamic and fast-moving marketplace. Consumers are looking for snacks that satisfy many different occasions and they are buying in different ways. This requires us to understand and activate strategies to be there for our consumers with the brands they love as they shop across the digital and physical retail environments.

We also reduced costs to enable investment in growth-generating assets and capabilities. We made difficult decisions to reallocate resources to our highest priorities and reorganized every function to achieve greater focus on our commercial objectives.

### What are you most looking forward to in the coming year?

I'm confident in our commercial strategies and how we continue to operate in a manner consistent with whom we have been for the last 125 years. We remain a consumer-centric brand building company focused on driving value for all of our stakeholders.

I'm energized by the passion and commitment of our employees, which was reflected in our highest employee engagement score in six years. It is our special Hershey culture that fuels our business and our long-lasting legacy of making moments of goodness in all that we do.

<sup>1</sup> Source: IRI ending 12/30/18; 2017 rankings by Tenet Partners, Corebrand, Smarty Pants

# Shaping Shared Goodness

## Our challenges

As we continue to grow and broaden our brand portfolio, our business faces a variety of challenges. We use our expertise along with external partners to address these challenges so that we can continue to delight consumers and communities around the world.



### Meeting changing consumer needs

Consumers' preferences are changing—from seeking healthier options that satisfy different snacking occasions, to wanting greater transparency across the supply chain and products made with responsibly sourced ingredients.



### Combating climate change

Our products rely on a global supply chain and agricultural ingredients. Climate change poses a significant and increasing pressure on agricultural commodities and the communities where we live, work and source our ingredients.



### Addressing poverty and supporting farmer livelihoods

Our complex global supply chain spans across communities with high levels of poverty and inequality. The raw ingredients we source come from different countries with unique laws, environmental conditions and concerns, labor standards, and pricing models.



### Stakeholder expectations

A wide variety of stakeholders, including consumers, retailers, investors, governments and NGOs, are increasingly expecting companies to use their operations as a force for good by making an impact on some of society's most pressing issues.

# Material Issues

During 2018, we updated our materiality matrix with the issues that are most important to our internal and external stakeholders, including environment, societies and economies where we operate.

The new matrix is an update of our 2016 assessment. This gave us a tool to prioritize the issues where Hershey’s operations most impact the people who the company touches across its supply chain.

## Our materiality process

We aligned our materiality methodology with the Global Reporting Initiative Standards. This included interviewing or sending questionnaires to dozens of people representing internal and external stakeholders, including Hershey managers across different functions (legal, supply chain, sustainability, government affairs, communications, packaging, nutrition and EH&S), investors, NGOs, think tanks, suppliers and industry associations.

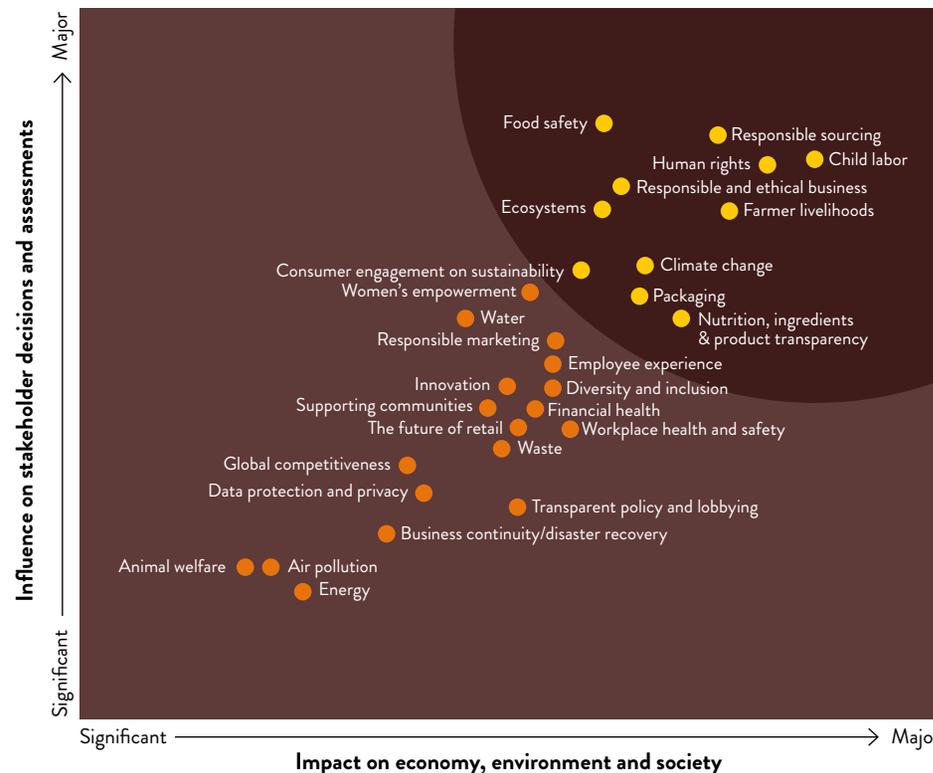
We also conducted an employee materiality survey. More than 1,200 randomly selected employees rated their top 10 most material issues and how Hershey was performing against them.

As a result of this analysis, we identified a total of 29 issues, with 11 being our most material:

- Child labor
- Climate change
- Consumer engagement on sustainability
- Ecosystems
- Farmer livelihoods
- Food safety
- Human rights
- Nutrition, ingredients and product transparency
- Packaging
- Responsible and ethical business
- Responsible sourcing

The results of our materiality exercise help to ensure that Hershey focuses on the issues where we have the greatest impact—both positive and negative—and works to effectively engage with these issues to make a difference.

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



**Key**

- Material
- Important

# Shared FUTURES

“IT ISN’T WHAT YOU LEAVE YOUR CHILDREN, BUT HOW YOU LEAVE THEM.”

– MILTON HERSHEY

**We invest in:**

- Helping children succeed
- Improving access to nutrition for children
- Building cultures of connection



# Our Sustainability Strategy



# Shared BUSINESS

“THE HELP-THE-OTHER-FELLOW PRINCIPLE IS THE ONLY ONE THAT WILL SUCCEED IN MODERN BUSINESS.”

– MILTON HERSHEY

**We’re focused on:**

- Sustainable sourcing
- Choice and transparency
- Purpose-driven brands and retail partnerships



# Shared PLANET

“THERE IS NOT A PERSON ALIVE WHO SHOULD NOT PLANT A TREE—NOT FOR THE SHADE THAT YOU’LL ENJOY, BUT FOR THOSE WHO ARE COMING AFTER.”

– MILTON HERSHEY

**We’re focused on:**

- Reductions in GHGs, total waste, packaging waste and water use
- Addressing climate change in our cocoa communities



# Shared COMMUNITIES

“I AM TRYING TO BUILD HERE A PLACE WHERE PEOPLE CAN BE HAPPY AND CONTENTED WHILE THEY WORK AND LIVE IN PLEASANT SURROUNDINGS”

– MILTON HERSHEY

**We’re making a difference through:**

- Investing in the places where we live and work
- Employee engagement & volunteerism



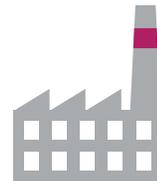
# Sharing Goodness Across Our Value Chain

## THE GOODNESS THAT GOES IN

Ingredients from farmers are sent to factories  
 Energy | Water | Packaging  
 16,422 employees  
 \$38.5 million invested in R&D  
 15 manufacturing facilities globally  
 8 U.S. factories  
 80+ brands  
 Our global supply chain partners



**SUPPLY CHAIN**  
 Provide ingredients, packaging or raw materials



**MANUFACTURING**  
 Safe and efficient in everything we do



**RETAILERS & DISTRIBUTORS**  
 Delivering our brands worldwide



**CONSUMERS**  
 Enjoy and are delighted by our snacks

## GOODNESS SHARED

80% of cocoa sourced in 2018 was sustainable and certified  
 2,685,669 trees planted in West Africa, U.S. and Mexico  
 \$562 million paid to shareholders, including Milton Hershey School Management Trust  
 57,700 Ghanaian schoolchildren receiving ViVi daily  
 6,086,000 kids reached through Heartwarming Project Partnerships  
 133,600 employee volunteer hours logged

## HOW WE CREATE GOODNESS



Our sourcing and manufacturing processes ensure our snacks are responsibly sourced, sustainable and safe



We make, market and distribute the snacks our customers enjoy while creating sustainable value for all our stakeholders



Our success helps children reach their potential with quality education and nutrition



Our snacking strategy provides consumers with even more choices

# Shared FUTURES



## Connecting Kids to a Brighter Future

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. Through our Shared Futures strategy, we focus on initiatives that support children through education and nutrition, including:

- 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 nutritious snacks that help children learn in school.
- Supporting the mission of Milton Hershey School, through our business and through employee engagement programs.

## Progress highlights



We launched the Heartwarming Project to help children create more meaningful connections with one another, their families and their communities through building skills like empathy, resilience and inclusion

# 316,837

Kids supported through our nutrition efforts – 32% of our 2020 goal

# 57,700

Ghanaian schoolchildren received ViVi, a highly fortified, peanut-based nutritional supplement, every school day



# The Heartwarming Project

## Why it matters

Since 1894, our products and people have helped create little moments of goodness for our consumers—and while these moments are small, they can warm hearts and create lasting memories. Whether sharing a snack, a smile, or even a wave to join the lunch table, such everyday actions can make a big difference, particularly for young people across the U.S., who report increasing levels of loneliness and isolation.

In an era where face-to-face conversations are declining, **The Heartwarming Project** helps build connections, resilience and empathy for kids' well-being. The Heartwarming Project equips parents, teachers and kids to build more meaningful connections and create a more inclusive and empathetic community.

# 6,086,000

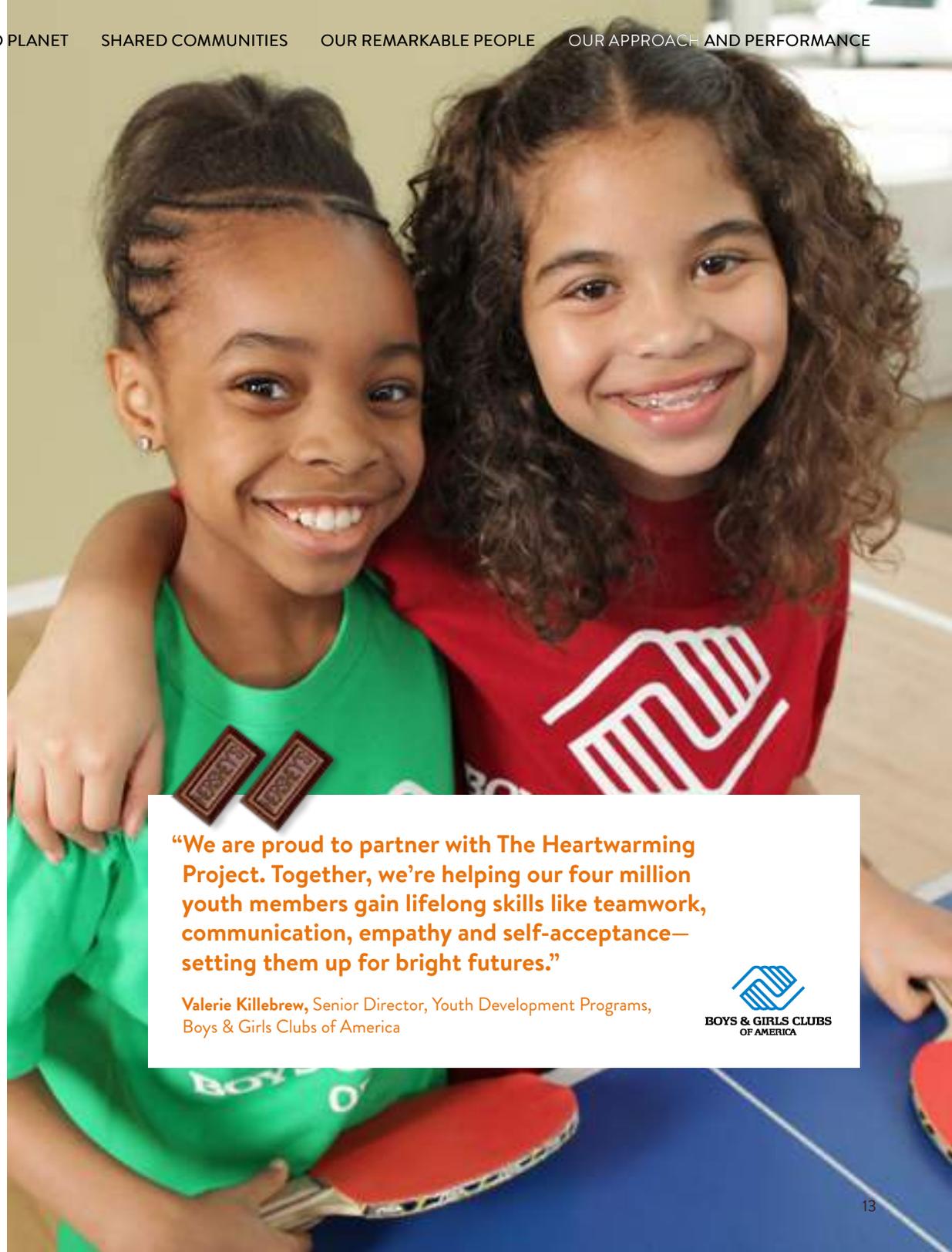
Kids reached through The Heartwarming Project partnerships

# 697,522

Youth directly benefiting from The Heartwarming Project investments

# 41,116

Youth taking heartwarming actions



**“We are proud to partner with The Heartwarming Project. Together, we’re helping our four million youth members gain lifelong skills like teamwork, communication, empathy and self-acceptance—setting them up for bright futures.”**

Valerie Killebrew, Senior Director, Youth Development Programs, Boys & Girls Clubs of America





### How we do it

The Heartwarming Project makes an impact by investing in partners and programs that help youth connect with one another and their communities. We also invest in research to build the evidence base for Social Emotional Learning (SEL) to benefit children, parents and teachers.

A lot has changed since Hershey was founded 125 years ago, but through daily interactions with our communities, consumers, partners and employees, we witness the power that meaningful connections and small moments of goodness can have every day. Helping kids feel more connected and supporting the growth of what we hope will become a more empathetic and inclusive culture is vital for the wellbeing of our children, our communities and our business—now, more than ever.

**“With support from Hershey’s Heartwarming Project, we will develop strategies to help parents guide young people in the development of key social and emotional capacities, to create meaningful connections and build stronger, more caring communities.”**

**Ali Cashin**

Director of Making Caring Common, a project of the Harvard Graduate School of Education

MAKING  
CARING  
COMMON  
PROJECT



**“Our WE Care elective class just wrapped up the activity day they planned for our middle school with our WE Schools leadership facilitator. Their goal was to build teamwork and kindness among our middle school students, so they planned an extended PE period with games and mixed age groups for the teams to encourage students to work with others they may not normally work with.”**

**Educator from Texas WE School**

When launching The Heartwarming Project, we proudly partnered with WE to bring the We Are Love program to more than 98 schools across the United States. We Are Love promotes connection and kindness by teaching students about kindness, gratitude and compassion, and encouraging them to write handwritten notes to friends and loved ones.



# Nourishing the Next Generation

## Why it matters

Every child deserves a chance at a bright future; however, millions of kids around the world face a serious disadvantage. Not because of their learning ability, but because they lack proper nutrition. Milton Hershey created Milton Hershey School with a promise to help children grow and thrive. Today, we use our knowledge of how to make great-tasting, high-quality snacks so that children can access the nutrition they need to learn in school.

## How we do it

We combine Hershey's technical capabilities with the experience of nonprofit organizations working on the front lines of providing nutrition to vulnerable children and families in West Africa and India. We also use our volunteer time and philanthropic giving to support broader efforts around hunger in the U.S., Canada, Latin America and East Asia. Together, we're designing and implementing solutions that help kids succeed.

# 6,400

Children in Maharashtra received school lunches through Annamrita and Hershey

# 12%

Increase in student enrollment in schools receiving ViVi

# 19,400

Children and families accessing vital nutrition during weekends and holiday breaks through six Feeding America®-affiliated food banks in U.S. cities

## Bringing NUTRITION TO CHILDREN in India

More than a third of the world's 146 million undernourished children live in India. Since 2016, The Hershey Company has been proud to partner with **Annamrita**, one of the largest providers of the Midday Meal Scheme in India. In 2018, Hershey's support for Annamrita helped provide school lunches for more than 6,400 children in Maharashtra.

In 2018, Hershey made progress on a nutrition-focused collaboration with Annamrita, IIT-Bombay and Sion Hospital. Together, the partners explored how different foods and snack products could enhance the existing school lunch program and provide school-age children with the added nourishment they need. In 2018, the partners completed a baseline assessment of the nutritional status of children aged six to 17 in four urban schools in underserved areas of Mumbai.

The three partners are now working to develop a snack that will address the nutritional needs of the children as identified by the research study. Our goal is to reach more than 400 children through the pilot program.

# Energize Learning

## Our Progress

Since 2015, Hershey's **Energize Learning** program provides ViVi, a highly fortified, groundnut-based nutritional supplement to Ghanaian schoolchildren. In partnership with the Ghana School Feeding Program and Project Peanut Butter, the project aims to improve students' access to nutrition and increase school attendance. In the longer term, students have a better chance to build bright futures.

In its third year of distribution, we are seeing great results. This year, 57,700 children across 177 schools in Ghana received ViVi every school day. A commissioned report by the University of Ghana demonstrates ViVi's impact. Anemia rates have lowered between 11–81 percent in children receiving ViVi this past year. School attendance increased between 84–95 percent and school enrollment by 12 percent. Teachers in select schools have reported that students are bringing their younger siblings to school and arriving on time to receive ViVi.

ViVi has also positively impacted the local economy. In 2018, we began locally sourcing groundnuts from Ghanaian producers and food processors. We locally sourced and roasted 45 percent of groundnuts used in ViVi. In addition, 32 percent of raw groundnuts sourced from the U.S. were roasted in Ghana—up from nine percent in 2017.

During 2018, with the Ivorian Government and their National Nutritional platform, we finalized agreements to expand the program into Côte d'Ivoire. A factory acquired in the city of San-Pedro is under reconstruction to produce ViVi for distribution to 25,000 school children in 2019.



**“The first day ViVi arrived in my school, I was absent. My mates came home and told me about it. I was so anxious that I couldn’t wait for the next day. In the morning of the next day, the head teacher talked about the goodness of the product and the nutrients our bodies will get after eating it.”**

**Fadila Alhassan**, 14 years old, Class Six

# Feeding Communities

Hershey has proudly continued its efforts to improve access to the food and nutrition children need to succeed and ultimately reach their full potential. Some highlights from our 2018 partnerships include:



Supporting **Feeding America's**® efforts to refine its child hunger strategy and reaching more than 19,000 children via direct investments in six local food banks.



Volunteering to plant, grow and harvest fresh produce for our local Nourishing Minds partner **Cocoa Packs**, which provides nutritious meals to food-insecure families in the area, Hershey employees helped 342 children each week succeed at school.



Enabling nonprofit **Power Packs Project** to provide access to nutritious meals to 10,729 children from food insecure families in Lancaster and Lebanon, Pennsylvania.

## 200+

Children completed Food Explorers

## 40,000

Children in the U.S. supported

## 1.5+ million

Pounds of food distributed for the Central Pennsylvania Food Bank's Backpack Program



Equipping more than 200 children across Canada with basic cooking and nutrition skills through our partnership with **Food Banks Canada** and its Food Explorers program.



Packing 285,120 meals done by more than 750 Hershey employees and 80 Milton Hershey School students with **Rise Against Hunger** to support families facing food insecurity in El Salvador.



Assembling meal packs for Dubai's **Sharing Fridges** event to distribute food to families experiencing hunger during Ramadan.



# Our Shared Goodness Legacy

For more than a century, **Milton Hershey School** (MHS) has helped children realize their full potential by offering a residential, cost-free, quality education to students in pre-kindergarten through 12th grade.

As a company, we continue to collaborate with the school on programs that reflect our unique partnership, fostering a sense of connection and community between the school's 2,100 students, Hershey employees and their families. Hershey Trust Company, in its capacity as trustee for the Milton Hershey School Trust, is our company's largest stockholder and receives a substantial portion of the dividends we pay each year. As such, our success as company significantly benefits Milton Hershey School, the sole beneficiary of the Milton Hershey School Trust.

**“Each year, our fourth graders tour Hershey’s offices. They work on a timeline of Milton Hershey’s life, do taste tests and answer trivia. It helps them connect how Hershey’s work supports our school and makes them more aware of the people who make that possible.”**

**Katharine Gibbs**

Teacher, Milton Hershey School



Hershey employees serve as guest instructors for the Hershey Honors Authentic Business Management program

MILTON  
HERSHEY  
SCHOOL®  
FOUNDED 1909

**“My class is part of the Business/Financial Management and Accounting career pathway in MHS’s award-winning Career and Technical Education (CTE) program. Hershey employees visit weekly to share topical business insights. I love the interaction and know that if my students or I need any information or help, Hershey employees are more than willing to step up.”**

**Marianne Cutugno**

Teacher, Milton Hershey School





**“My team has been associated with Buena Vista student home for girls. One of my fondest memories was in November when we celebrated Thanksgiving together. It felt like we were a part of a large family bonding over our own versions of Thanksgiving traditions. I love being a part of a company that values making a difference for these students.”**

**Pooja Kulkarni**

Associate Data Scientist, The Hershey Company



Project Fellowship pairs Hershey employees with MHS student homes, enabling informal mentorship and fostering a sense of connection and community. More than 400 Hershey employees participate in the program, sponsoring 64 student homes.

**“My team is partnered with a home for middle school boys. I’ve been interacting with them for about four years now and it’s been a truly fulfilling experience. Their enthusiasm for life, despite coming from a variety of very difficult situations, is so refreshing.”**

**Betsy Shipton**

Marketing Operations Manager, The Hershey Experience

# 400+

Employees from 25 Hershey departments sponsor 64 MHS homes through Project Fellowship, positively impacting the lives of 500+ students.

# Shared BUSINESS



## Using Our Scale to Drive Positive Change

Hershey's brands are loved in more than 90 countries and our operations span continents. This reach gives us the opportunity to improve thousands of lives and change our industry for the better.

The communities that produce the raw ingredients and materials across our supply chain are critical to Hershey's success. That's why we're committed to investing in and supporting them. Our sustainable sourcing policies, commitments and programs for cocoa, sugar, palm oil, coconut, and pulp and paper along with our new Environmental Policy and Human Rights Policy protect the communities behind our brands. With our newly launched Cocoa For Good strategy, we're helping our sourcing communities overcome environmental and social challenges and grow their resilience so that they can thrive for generations.

We also continue to champion consumers who love the snacks we create. We know their lifestyles are changing, and we've been watching, listening and learning how to best respond to their different and evolving needs. The result is an increasingly diverse and innovative snacking portfolio with something for every occasion.

## Progress highlights

**80%**   
Cocoa is certified and sustainably sourced

**\$500m**  
Pledged to be invested in our cocoa communities by 2030

**100%**  
of our wholly owned facilities are GFSI certified



# Where We Source Our Ingredients

## USA

- Almonds
- Beef
- Dairy
- Flour
- Peanuts
- Pulp and paper
- Soy
- Sugar

**Canada**  
Flour



**Eastern Europe**  
Soy



**Belize**  
Sugar

**Mexico**  
Sugar

**Ecuador**  
Cocoa

**Brazil**  
Cocoa  
Sugar

**Côte d'Ivoire**  
Cocoa

**Ghana**  
Cocoa

**Malaysia**  
Palm oil

**Indonesia**  
Palm oil

**Philippines**  
Coconut

**New Zealand**  
Dairy

Hershey actively works to responsibly source raw ingredients and materials for our delicious snacks. This map highlights where we source several of those resources.

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

# Responsible Sourcing

## Why it matters

Every year, we source thousands of tons of raw ingredients and materials from all over the world. We work with large-scale agricultural sites to family farms and smallholders, to provide us with quality cocoa, nuts, palm oil, sugar, milk and more. It's vital that we protect the ecosystems and working conditions of those who produce ingredients and materials for us.

## How we do it

We have long-standing sustainable sourcing policies including our [Supplier Code of Conduct](#), our [Sustainable Sugar Sourcing Policy](#), [Responsible Palm Oil Sourcing Policy](#), [Pulp and Paper Sourcing Policy](#) and [Farm Animal Welfare Position](#). Our commitment to source 100 percent certified and sustainable cocoa by 2020 is on track at 80 percent. We remain on track to meet our commitments of using 100 percent cage-free eggs in the U.S. and Canada and of sourcing 100 percent certified coconut by 2020. During 2018, we worked on furthering and strengthening our environmental and human rights efforts, leading us to publish our new [Environmental Policy](#) and [Human Rights Policy](#) in the first quarter of 2019.

To help achieve our goals, we leverage certification bodies such as [UTZ](#), [Rainforest Alliance](#), [Fair Trade USA](#) and the [Roundtable for Responsible Palm Oil \(RSPO\)](#) to improve the environmental and social conditions at field level and along our supply chain. In January 2018, we became a member of the certifying body, [Bonsucro](#), as a way to make progress towards our commitment of 100 percent responsibly and sustainably sourced sugar by 2020.

## *Improving* SUGAR CANE FARMING *in Belize*

In 2017, Hershey partnered with ASR Group, Belize Sugar Industries Limited and the Sugar Cane Production Committee to launch the three-year [Sweet Sampling for Sweet Returns](#) project. The program offers technical assistance and training to Belizean farmers on how to select the sweetest and most mature sugar cane for harvesting.

The project developed a farmer-friendly information system using ArcGIS (Global Information System) to visually map and color code lab results of cane quality. Subject matter experts also developed a training manual and a best practices video. As a result, farmers can make better harvesting plans, which will help them improve yields and transfer knowledge to neighboring farmers not in the program.

The 12 participating farmer groups, who represent about two-thirds of Belizean cane farmers, are seeing improvements in cane quality and price paid for the crop, compared to non-participating farmer groups. Among the 12, the group with the highest quality cane received U.S. \$0.89 increase per ton above the average cane price. Belizean farmers have realized an average annual benefit of greater than 10 percent per annum over the two-year period after implementation. The increased monetary benefit is positively impacting farmer livelihoods and the sustainability of the sugar cane industry in Belize.

## Reinforcing RESPONSIBILITY

Hershey is a member of the **Earthworm Foundation** - formerly known as The Forest Trust- a nonprofit that helps us work on a traceable palm oil supply chain so that we can influence supplier practices to meet our **Responsible Palm Oil Sourcing Policy**.

Hershey is one of a group of companies sponsoring and supporting the Earthworm Foundation's Area for Priority Transformation (APT) Project in Indonesia. APT is being implemented in three tropical forest areas that are experiencing encroachment, deforestation, peat drainage and labor right violations driven by the palm oil sector. By partnering with the Earthworm Foundation, the Government of Indonesia, civil society and other companies, Hershey is contributing to cross-sector efforts to prevent further deforestation and exploitation in the palm oil supply chain.

### Enhancing palm oil traceability

All the palm oil we sourced in 2018 was mass-balanced certified by the Roundtable on Sustainable Palm Oil (RSPO). For all palm oil and palm kernel oil purchased in 2018, we achieved 99.8 percent traceability to the mills and 26.75 percent traceability to the plantation. We continue to work on increasing traceability to plantations which has proven to be complex.

In line with our Supplier Code of Conduct and our commitment to No Deforestation, No Peat, No Exploitation (NDPE) in our Responsible Palm Oil Sourcing Policy, we ask our suppliers to discontinue working with palm oil companies that fail to comply. We continue to encourage our suppliers to remain engaged with these suspended parties so that they can push for meaningful and decisive correction plans and establish a timeline for progress reporting.

- In February 2018, we learned of ongoing violations of workers' rights on Indofood Agri Resources' plantations. We do not directly source palm oil from Indofood Agri Resources, but we instructed our direct sourcing partners to remove Indofood's oil from our supply chain until such time as Indofood aligns with our policy.
- In November 2018, we also learned of repeated NDPE violations by Surya Panen Subur. Again, we instructed our suppliers to remove the company from our overall supply chain, effective immediately and until further notice. This suspension will remain in place until we see an acceptable, timebound corrective action plan with proven progress that leads to a resolution.
- In December 2018, we instructed our direct suppliers to remove FGV Holdings Berhad (formerly Felda) from the supply chain as the organization had been suspended by the RSPO for illegal labor practices.

We provide non-compliance updates at [Palm Oil Facts](#).

# A Focus on Human Rights

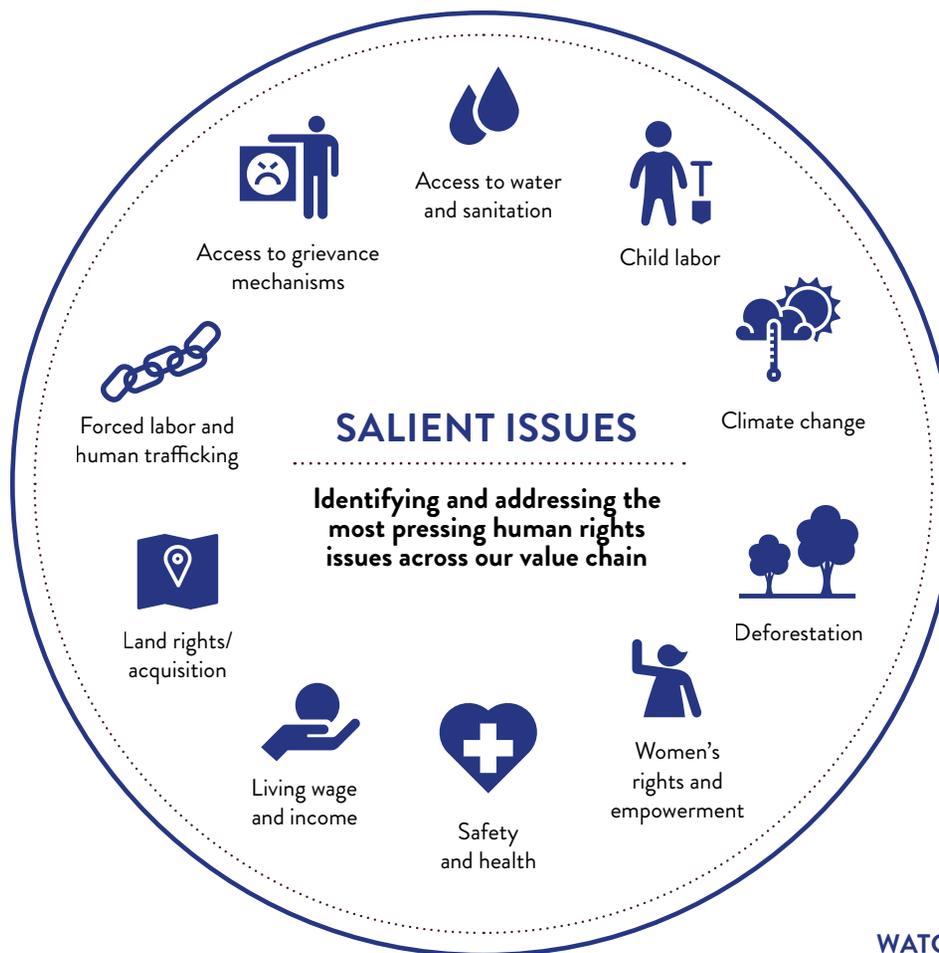
The Hershey Company was founded on the principle of doing well by doing good and for more than 125 years, we have operated with the understanding that we are integral members of the communities where we live and work.

By identifying and prioritizing the most significant human rights risks to individuals throughout our value chain, we can better focus our policies and programs to the areas where we can have the biggest impact on people impacted by our business activities.

Hershey conducted its first human rights saliency assessment in 2018 to understand and prioritize our most pressing human rights issues. The assessment was conducted in line with the UN Guiding Principles Reporting Framework and with the assistance of an independent third party. Our saliency assessment and prioritization process included:

- Desk-based research including a review of relevant internal policies and procedures, peer review & benchmarking, and a media scan
- Internal and external stakeholder interviews including a diverse cross-section of Hershey leaders as well as representatives from labor and nonprofit organizations, our suppliers, investors and governmental bodies
- A workshop with internal and external stakeholders to review research findings and prioritize our list of salient issues.

We formalized our commitment to human rights in an enterprise-wide **Human Rights Policy** in early 2019 and have begun working to implement the policy across our value chain. For more information see our [website](#).



## WATCHING ISSUES



Children's rights



Environmental health and justice

# Cocoa For Good

## Why it matters

Every day millions of farmers in West Africa support their families and communities by growing the cocoa that goes into delicious Hershey products. They are the people behind some of our most iconic treats, so we want to help them overcome the biggest issues they face. And the pressure isn't just on people—farming is placing strain on local environments where cocoa is grown.

Supporting our cocoa communities is more than an investment—it's about enabling lasting and systemic change. Hershey aims to enable people and strengthen businesses and infrastructure to support sustainable livelihoods for farmers, families and communities.

## How we do it

Launched in 2018, our **Cocoa For Good** Strategy continues Hershey's work in cocoa with a focus on addressing poor nutrition, poverty, at-risk youth and vulnerable ecosystems. Our strategy is backed by our commitment to invest \$500 million in our cocoa communities by 2030.

Cocoa For Good's four pillars are interconnected and all are key to helping build sustainable livelihoods and economic resilience for cocoa growing families and communities.

- **Nourishing Children** gives children the tools to reach their full potential, including better nutrition at school and improved quality of education.
- **Empowering Youth** works with communities to combat child labor and supports youth to become tomorrow's leaders by equipping them with life and business skills as well as access to resources to create successful futures.



- **Prospering Communities** provides training and financial support to cocoa farmers and their families so they can grow their business, stabilize their household income and economically empower women.
- **Preserving Ecosystems** works closely with farmers and communities to protect forests, spread more environmentally responsible agricultural practices and promote agroforestry and shade-grown cocoa to eliminate deforestation in cocoa communities

We worked with various stakeholders to select the key performance indicators under Cocoa For Good that will measure the impact of our pillar programs and all our data is verified by third parties.

You can hear more from people helping us change lives in our Cocoa For Good [video](#).

# \$500m

Investment committed to the Cocoa For Good Strategy by 2030



# Nourishing Children

## Why it matters

Without consistent access to nutritious food, children struggle to focus in class. For many kids in cocoa growing communities, this can lead to leaving school, limiting their long-term opportunities. To help children build the bright future they deserve, they need a full stomach and a quality education.

## How we do it

Hershey has developed several programs with partners to help children fulfill their potential by supplementing their diets, improving nutrition awareness in communities and improving the quality of education.

We're already seeing great results through the **Energize Learning** program and have finalized agreements to expand the program into Côte d'Ivoire to begin ViVi distribution to 25,000 children in 2019.

# 4,678

Community members trained on nutrition

# 80,488

Children enrolled in primary schools that benefited from quality education interventions



We also focus on increasing nutrition awareness to support better health outcomes. With partners, we trained 4,678 people (68 percent female) in cocoa communities on nutrition and health, and 2,534 farmers (25 percent female) on crop diversification. We are also trying new models with **IDH** and **GAIN** to increase nutrition knowledge and incentivize long-term change.

To raise the quality of school education, we're setting up and training school management committees, improving infrastructure with new classrooms, teacher accommodation, latrines, solar lighting and access to water, providing supplies and facilitating birth certificates so that children can enroll.

In 2018, 80,488 children across 233 schools benefited from our support. We helped train 90 school management committees and provided 533 birth certificates. We renovated 95 classrooms, 13 teacher houses and 13 latrine facilities. With our partners—Cooperatives, the Conseil du Café Cacao, Ministry of Education and our suppliers Cargill and Barry Callebaut—we also opened two new schools in Côte d'Ivoire.

Supporting  
**BETTER EARLY  
CHILDHOOD  
NUTRITION**

We are part of the **Transforming Education in Cocoa Communities** (TRECC) initiative led by our partners, the Jacobs Foundation and Bernard van Leer Foundation, collaborating with independent nonprofit Hellen Keller International and supplier Blommer. This program in Côte d'Ivoire provides parents and caregivers coaching focused on hygiene, nutrition and other key elements of developmental support to improve living conditions of children and youth.

Hellen Keller trained 10 master trainers and 100 community workers—all volunteers—to deliver the training in community group sessions and at homes, eventually reaching 4,500 caregivers (including parents and grandparents) across six communities and completing 16,000 home visits.

# Empowering Youth

## Why it matters

The majority of youth in Côte d'Ivoire's cocoa communities—young people between the ages of 15 and 30 years—**have received limited education, or none at all.** Many do not have a job, or prospects for a stable income. Additionally, cocoa farming is not seen as an attractive career and is not promoted by their parents. Hershey's Cocoa For Good strategy is supporting programs that teach core life and business skills and provide resources to help more young people successfully transition into a thriving adulthood.

# 40



Volunteers trained as coaches

# 305

Youth trained

# 10

Youth and savings clubs formed

## How we do it

Hershey has partnered with Aflatoun International, Inades-Formation and our supplier Barry Callebaut on the TRECC program designed to assist young people in cocoa communities. Through a comprehensive life skills and financial education program, we're enabling young people to become agents of change in their own neighborhoods. Participants develop their own income-generating activities through training, coaching and establishing savings groups, which ultimately helps change their perception towards farming and working in cocoa supply.

In 2018, we developed the life skills and financial education curriculum for youth in cocoa growing communities in Côte d'Ivoire. During the pilot, we trained 40 volunteers as trainers and coaches and reached 305 youth, of whom 29 percent were women. Participants formed 10 youth clubs and savings clubs which will act as their continued support network. They visited micro-finance institutions to learn about available financial services and visited cooperatives to explore opportunities for farm-to-exporter in the cocoa sector. Some have already taken what they've learned from the curriculum to grow and market vegetables. In 2019, we will conduct an independent evaluation that will inform future scale-up plans.



# Working to Eliminate Child Labor



## Why it matters

As part of our commitment to **supporting young people in cocoa communities**, we want to help ensure that children can spend their days safely in school and at play to bring out their full potential. Child-friendly work on the farm or in the household is a healthy and important part of young people’s socialization, but the lack of educational services in rural communities and inconsistent family incomes could lead to children working long hours in cocoa production or get involved in hazardous tasks on family farms.

## How we do it

In 2018, we further strengthened our efforts to combat child labor by introducing the Child Labor Monitoring and Remediation System (CLMRS) through our suppliers on Cocoa For Good farms and their local communities. CLMRS is a leading method of detection and remediation of child labor and was developed through the **International Cocoa Initiative (ICI)**. The program leverages the supply chain structure and community-based groups to identify child labor and to monitor and remediate found cases.

The system enables community, cooperative members and supplier staff to be facilitators who raise awareness on the need to eliminate child labor, identify cases and request remediation. As trusted community members, facilitators are best placed to identify child labor in cocoa, implement the most appropriate child safeguarding practices and use impactful awareness raising methods. As part of the process, CLMRS helps facilitators receive training and build skills to detect and report child labor.



## Working to Eliminate Child Labor continued

Most instances of child labor involve hazardous tasks such as carrying heavy loads like firewood. Some cases relate to working with chemicals and bush burning. The type of remediation CLMRS offers varies depending on the kind of labor children have been engaged with. These programs also include obtaining birth certificates, providing school kits, subsidizing school fees and offering families income generating activities.

Hershey's suppliers and partners rolled out CLMRS in Ghana and Côte d'Ivoire in 2018. We will be reporting performance data in the second half of 2019.

While we're pleased with the progress CLMRS is making and the potential impact and scalability this system can have, we recognize no one organization or initiative will solve the challenges that contribute to the use of child labor. We will continue to invest and innovate in this work while partnering with governments, non-governmental organizations like ICI, the industry and other organizations as we work to create brighter futures for young people and communities in cocoa-growing regions.

**“I was able to convince a friend who kept missing classes to come back to school. I talked to her and convinced her.”**

**Bertha Ayeteh**

Child Protection Committee Member



**“When our co-op entered the CLMRS program, I immediately wanted to be part of it. My childhood experiences had impacted me a lot, and I had advice to transmit to others. I pay monthly visits to the family and regularly raise awareness with the children and the whole family to change mindsets. The CLMRS project is unique because it makes it possible to have a whole view of the family and the household. It is progressive and deeply human. When I see children hugging their parents and vice versa, I think I've done my job.”**

**Nendu Kouassi Clovis**

Farmer Coach, Konankro community

Our supplier, Cargill, works to protect the rights of children in Côte d'Ivoire cocoa-growing communities, build awareness amongst cocoa farmers through sensitization and improve the livelihoods of cocoa growing households.



# Prospering Communities

## Why it matters

Through the impact of climate change and the volatile price of ingredients, a farmer's annual income can be unstable. It's important that growers and their families live in thriving communities where they have a future. Healthy communities rely on diverse income sources, economic literacy and collaboration that empowers everyone.

## How we do it

We work with **CocoaAction**—a World Cocoa Foundation program that aligns key initiatives and reporting among the world's biggest cocoa and chocolate companies—to support community-led development. Communities are selected based on community needs assessments. Those selected are helped to set up community action committees to develop their own plans and receive support over a two-year period to implement them.

In 2018, we expanded our CocoaAction development strategy from 59 to 94 communities and trained farmer organizations and communities on gender sensitivity. Due to this training, community governance structures now have 41 percent female representation.

# 7,276

Community members trained in additional livelihoods

To increase the professionalization of farmers, we provide farm development plans and coaching to help growers rehabilitate and intensify their farms and build climate resilience. In 2018, we supported 50,518 farmers (14 percent female) and 32 percent now have tailored plans. This helps farmers attain skills, engage networks and cooperatives, and make better decisions around credit. Hershey is also investing in and supporting local entrepreneurs to strengthen local businesses and improve farmers' access to services and products.

We invested in alternative means of generating income for 7,276 farmers (58 percent female), such as spices and vegetable farming and snail rearing. We also support non-farming income generating activities such as soap making and cassava processing. Women participating in these activities self-reported a 51 percent increase in income.

We also set up 137 Village Savings & Loans Associations (VSLA) during the year together with our partners including CARE. This proven concept allows a village group to save and invest together. A total of 3,636 community members were trained to form VSLAs, 85 percent of whom were women.

# 50,518

Farmers supported directly through Cocoa For Good



Empowering  
**FARMERS  
WITH DATA**

In partnership with Farmerline, a technology-based social enterprise in Ghana, we launched **CocoaLink 2.0**. This mobile technology app builds on the success of the initial voice messaging service and is freely available through the Google Play store. Through gamification and social media interaction, CocoaLink 2.0 enables youth and farmers with smartphones to access market and weather information as well as training on a range of topics, including climate-smart agriculture, agribusiness and income diversification. It also includes the *Climate Smart Cocoa Curriculum* developed through a consortium led by World Cocoa Foundation. At the end of 2018, 1,400 CocoaLink mobile app users—mostly younger than 30 years old—subscribed to the platform.

## Prospering Communities continued

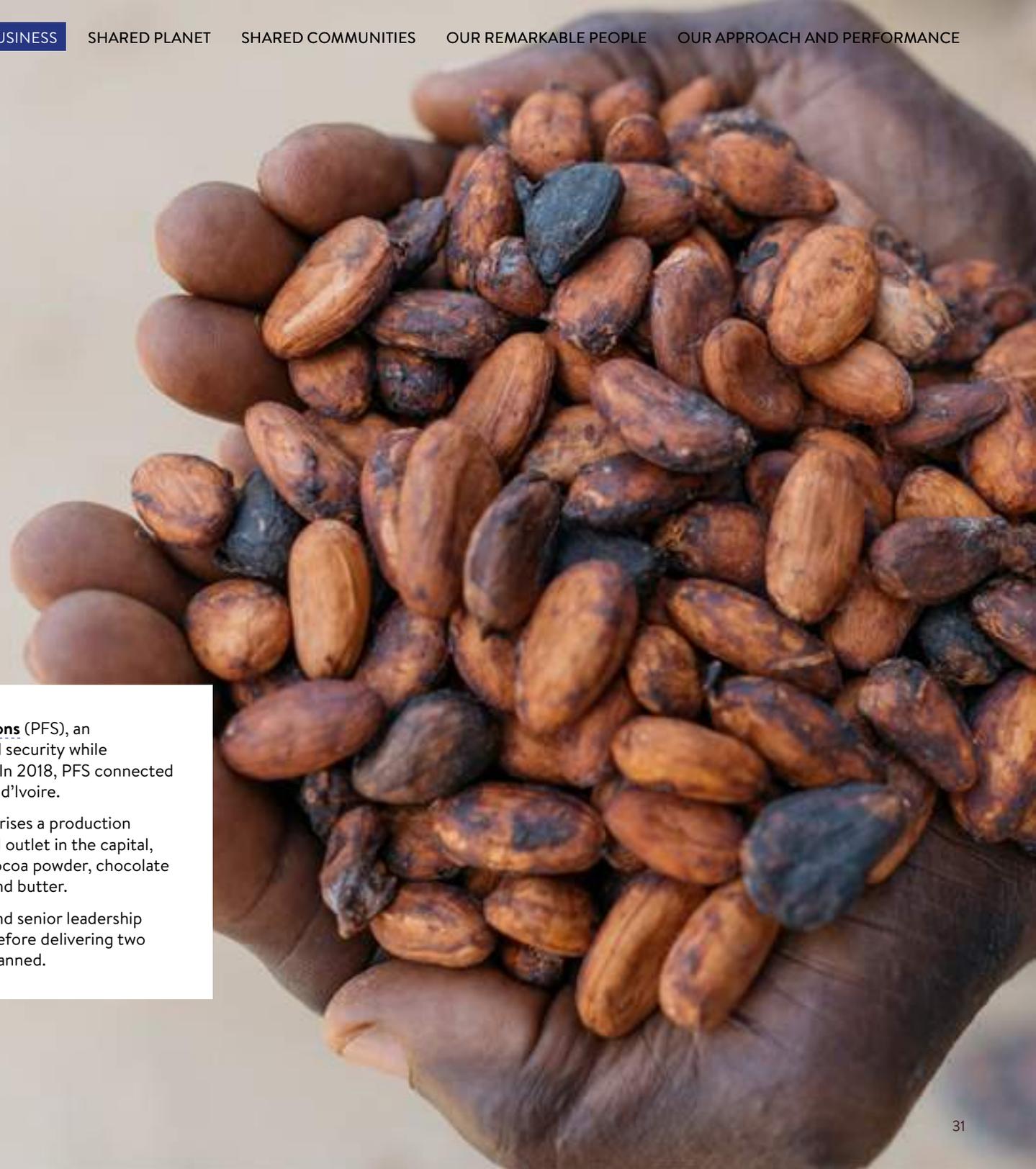


# Supporting LOCAL COCOA PRODUCERS

Hershey works closely with **Partners in Food Solutions (PFS)**, an independent nonprofit dedicated to improving food security while empowering economic development across Africa. In 2018, PFS connected Hershey with Tafissa, a cocoa manufacturer in Côte d'Ivoire.

Led by local entrepreneur Olga Yenou, Tafissa comprises a production facility in rural Côte d'Ivoire and a small commercial outlet in the capital, Abidjan. The company currently produces instant cocoa powder, chocolate spread, semi-finished cocoa liquor, cocoa powder and butter.

Tafissa worked with Hershey's procurement team and senior leadership to build capacity to meet necessary certifications before delivering two containers of cocoa butter, with more shipments planned.



# Preserving Ecosystems

## Why it matters

Most of the world's cocoa is grown in West Africa, where it is a mainstay of local economies and supports hundreds of thousands of small farmers and their families. As the market for cocoa beans continues to grow, more forests are at risk of being cleared. In the face of climate change, Hershey has committed to zero deforestation and increased agroforestry and shade-grown cocoa.

## How we do it

Achieving zero deforestation will require overcoming several key challenges, including convincing farmers on the merits of sustainability, training farmers on climate-positive farming methods such as agroforestry, and improving farmers' access to land and tree tenure rights.

We are a founding member of the **Cocoa & Forests Initiative** (CFI), an initiative of the World Cocoa Foundation (WCF). This program joins WCF members with the governments of Côte d'Ivoire and Ghana in a commitment to halt any further conversion of forest land for cocoa production. It also commits signees to ending deforestation, restoring forest areas and eliminating illegal cocoa production in national parks.

Delivered through Cocoa For Good, our **CFI Action Plans** promote a holistic approach to protecting forests while taking into consideration the human impact as well.

In 2018, we supported increased mapping of cocoa farms and experimented with new land governance models and community engagement. We have mapped 72 percent of the farms in our direct sourcing program covering 79,162 hectares and established 90 community nurseries, distributing more than 2.5 million cocoa seedlings. Farmers received 126,521 shade trees which provide shade for the cocoa trees and can increase biodiversity, food security and income.

In addition to our work on farms, we maintain dialogue with communities to develop solutions that residents can adopt for themselves. We are looking into partnerships that build the capacity of local facilitators to support agroforestry-based restoration, rehabilitation and intensification of farm land and land tenure documentation.

# 126,521

Shade trees distributed

# 2,559,148

Tree seedlings distributed to replace old cocoa trees

# 1,318

Density of trees on farms  
(trees per hectare)



# Choice and Transparency

## Why it matters

Today's consumer is looking for the right snacking experiences to satisfy their evolving needs—from indulgence to better-for-you snacks. At Hershey, we're committed to providing the choices that meet the expanding range of needs and to be transparent about what we put inside our products and why.

## How we do it

### Choice

Consumers' snacking habits have changed. Instead of eating three meals a day, more consumers want to snack throughout the day. And when they reach for a snack, they have different expectations depending on when and why they are snacking. Sometimes it's for a fun or indulgent treat. And sometimes, it's more functional, such as a bridge between meals. That's why Hershey offers a wide range of product choices, from smaller, portion-controlled offerings and products that are 200-calories or less, to bigger, more indulgent treats to better-for-you snack options. Hershey strives to make it easy to meet a variety of consumer snacking needs through choice.

During 2018, we began offering more 200-calorie (or less) options, including for our Reese's Outrageous Candy Bar.

### Transparency

People care about the food they eat. They want to know what's inside—where the products come from, what they are made of and how they are made. We believe that's a good thing, so we're committed to openness and transparency.

In addition to providing nutrition and ingredient information on product labels and our website, we are using the power of technology to put detailed ingredient information right at their fingertips. We helped develop an industry-wide technology for

U.S. products called **SmartLabel™**. With a simple QR code scan on the product package, you are taken to Hershey's SmartLabel™ site and a wide range of product information including nutritional information, ingredients and their definitions, and any allergen, gluten-free and GMO ingredients information. Currently 90 percent of the Hershey portfolio has a scannable SmartLabel™.



# Keeping Your Food Safe

## Why it matters

Robust food safety is non-negotiable at Hershey, and we devote significant resources to constantly improve our standards. Our consumers can trust every Hershey product, knowing that it is made to the highest production standards in the industry.

## How we do it

Our food safety, quality and compliance requirements are defined by our Product Excellence Program (PEP). This program incorporates industry standards set out by the Global Food Safety Initiative (GFSI) and often exceeds minimum standards. We have obtained GFSI certification in all 15 (100 percent) of our wholly owned facilities.

Our PEP is also designed to identify and prevent food safety risks in our supply chain, supported by audits from government agencies, third-party firms and our in-house quality-assurance staff.

In 2018, our Quality and Regulatory Compliance team updated our Food Safety program to address the requirements of FDA's final rule on intentional adulteration, which aims to reduce the risks of tampering and other intentional acts designed to inflict wide scale public health harm. The intentional adulteration rule is the last remaining substantive element of the Food Safety Modernization Act, the most consequential update to the U.S. food safety system in 100 years. We have been training cross-functional teams of employees at all facilities and completing the required assessments and changes to meet FDA's July 2019 compliance deadline.

## Always improving

We launched an award-winning Food Safety Culture training module for all employees at the director level and above and plan to roll out training to other relevant departments. We also participated in the GFSI Technical Working Group that published "[A Culture of Food Safety](#)." This position paper defines food safety culture and aims to help food industry professionals around the world establish and maintain a culture of food safety.

To support food allergic and food sensitive consumers, Hershey participated in the Food Allergy and Anaphylaxis Connection Team (FAACT) Industry Day to share knowledge and ideas about protecting consumers from allergens. Following from this, and in recognition of growing concerns around sesame among food allergic consumers in the U.S., we committed to add sesame to Hershey's priority allergen list for the U.S.



# Shared PLANET



## Expanding Our Approach

Hershey's beloved brands rely on ingredients grown from all over the world. The increasing threat of climate change and other natural resource depletion issues impacts the snacks our consumers love, the farmers we rely on, and the livelihoods of local communities and future generations. Hershey is committed to preserving our ecosystems and natural resources because it's good for the long-term sustainability of the business and the right thing to do for the planet.

For 125 years, Hershey has been a steward of the environment; our approach to environmental preservation evolves with advancements in science, technology and best practices. Because of this, we released our first-ever enterprise-wide environmental policy, committed to setting **Science Based Targets (SBTs)** and joined the **United Nations Global Compact**. We continue our efforts to end deforestation, reduce our carbon and water footprint, eliminate waste, redesign packaging, and innovate to address challenges and future agricultural risks posed by climate change.

## Progress highlights

# 155,000

Trees planted across four states in the U.S. with the Arbor Day Foundation



# 2,559,148

Seedlings and 126,521 shade trees distributed in West Africa

# 15

Hershey sites are zero waste to landfill, as compared to 13 sites in 2017



# How We Impact Our Shared Planet

## Why it matters

Protecting our planet and preserving resources is about more than managing business risks. We all depend on the resources our environment provides, and we want to help ensure that there is enough for everyone who needs them—today and tomorrow.

## How we do it

Our business relies on raw ingredients and how we source them significantly affects the sustainability of our supply chain. This is in part because of land being cleared to grow agriculture and how the farms we work with manage their ecosystems. Farming supports thousands of small farmers and their families, but as the market for our products becomes bigger, there is greater potential for more forests to be cleared to grow more crops. This drives up the carbon footprint of Hershey products and negatively impacts communities and ecosystems.

To counter these impacts, we formalized our approach and aligned our processes with global best practices and the latest research when we developed our new **Environmental Policy**. To further understand our environmental footprint, we have committed to set meaningful and ambitious greenhouse gas emission reduction goals in line with science-based targets, which will help us significantly cut the emissions produced by our work. More specifically for cocoa, our **Cocoa For Good** strategy commits us to zero deforestation in our cocoa communities.

However, many of our impacts come from our manufacturing and distribution activities and, to a lesser extent, our office operations. That's why a significant part of our approach focuses on how we can reduce our footprint by being more resource efficient in our own operations. In 2016, Hershey officially announced our 25 by 25 goals, which commit us to reducing greenhouse gas emissions, water use and waste by 25 percent and packaging by 25 million pounds by 2025.

Making progress in these areas is often a matter of improving the equipment and resources we work with and finding ways to enhance our manufacturing processes. The nature of working in a dynamic, customer and demand-focused industry means that meeting our targets and maintaining specific improvements can be challenging. We made some important changes in 2018 that we believe will have a sustainable impact on our future operations, including the addition of a new Environmental Policy, creating our carbon inventory and becoming a United Nations Global Compact participant.



# A Turning Point for Our Targets

## Why it matters

Our approach to environmental management has been guided by our environmental, health & safety (EHS) policy, our responsible sourcing policies and our 25 by 25 goals.

## How we do it

We launched a comprehensive Environmental Policy that aligns with our proud legacy of going a step further to make our communities better. This new code creates a clear focus for our growing stewardship ambitions. The policy—along with the tools and resources we will access as a new **United Nation Global Compact** participant—creates a strong foundation so we can comprehensively analyze our environmental performance and enable us to move towards science-based targets.

The **Science Based Targets initiative** (SBTi) is a global effort that champions the latest in climate science to set science-based targets as an effective way to help companies transition to a low-carbon economy. Hershey's updated Environmental Policy, commitment to these targets and related programming to be developed will improve our ability to measure, monitor and reduce our global impact in line with the 1.5°C target.

Why is Hershey adopting science based targets now? For us, it's about making science-based decisions with the right data to have the greatest positive environmental impact. It's not just looking at our owned operations but about accounting for the total greenhouse gas emissions throughout our full value chain.

Going forward, we will be completing our full carbon inventory in anticipation of announcing our science-based targets in 2021. In the meantime, we will continue to work towards our current 25 by 25 goals.



# Our 25 by 25 Progress

## Why it matters

While we are in the process of developing our science-based targets, we continue to make progress towards a reduced operating footprint.

## How we do it

Hershey facilities are expected to find reductions and improve efficiencies to drive progress on our energy, water, waste and packaging goals. Our plant in Malaysia, which experiences frequent rainfall, harvests rainwater and condensation to cut its municipal water use. Our El Salto and Monterrey, Mexico, plants reduced waste by turning 2,464 tons of sludge and peanut skins into vermicompost fertilizer to use for landscaping.

## Emissions

We frequently upgrade or optimize our facilities to improve their efficiency. In 2018, two of our facilities received key efficiency certifications. We completed construction of our new office in Bentonville, Arkansas, and have submitted documentation to the U.S. Green Building Council (USGBC) applying for LEED certification up to a Silver rating. Our plant in Malaysia was recognized, achieving a Gold rating from the Green Building Initiative. We also cut our gasoline use for logistics by four percent.

In 2018, we had a 1.2 percent decrease in greenhouse gas emissions compared to our 2015 baseline. We decreased direct Scope 2 greenhouse gas emissions in metric tons per thousand pounds of products produced by 10 percent compared to 2015 baseline. For Scope 1 emissions, we remained flat with the 2015 baseline.

## Water

Our products are not water intensive in themselves, but our operations require a steady supply of high-quality water for manufacturing. We had a 46.8 percent decrease in our water usage in 2018 from our 2015 baseline. The decrease is due to water metering in our Reese plant which allowed us to measure the actual amount of water consumed by the facility; prior to water metering, we assumed all water taken in was consumed. This has skewed the actual percentage decrease in water consumption. In 2019, we will readjust our 2015 water consumption baseline to account for water metering at the Reese plant.

We remain vigilant to how we dispose of used water. During 2018, we built a new wastewater treatment plant in Hershey, Pennsylvania, which started accepting wastewater streams from our West Hershey plant in January 2019. It also has been designed to accept wastewater streams from other facilities in the area, such as our Reese plant and our Tech Center. The site will also provide additional energy benefits for Hershey by blending bio gas from its processes with natural gas for combined heat and power (CHP) generation. This will power the treatment plant and reduce dependency on electricity.

In 2018, we were nominated by the Illinois Environmental Protection Agency (EPA) for our wastewater treatment and competed against two nationally known companies for the Illinois Association of Water Pollution Control Operators Plant of the Year Award. We were named the winner at a ceremony in April 2018 and recognized for our leading wastewater processes.



Image:  
New Wastewater Treatment  
Plant in Hershey, PA

## Our 25 by 25 Progress continued

### Waste

Hershey's goal is to send zero waste to landfill. In 2018, two additional sites reaching this goal have brought us to 15 facilities in total. Our plants consistently exceed an 87 percent recycling rate. However, we had a 23.6 percent increase in our waste, inclusive of recycling, for the year.

We are still working towards our overall waste reduction goal and some of our plants are finding innovative solutions. Our operation in Brazil converts waste to energy, while our El Salto and Monterrey plants achieved a 96 percent rate for on-site recycling in 2018. El Salto also outperformed their goal of 13.49 tons of recyclable and non-recyclable waste for every 1,000 pounds of product produced. In 2018, we achieved 11.68 tons of waste.

### Packaging

We consider the sustainability benefits of our different pack types and processes. By the close of 2018, we were well ahead of our timeframe to meet our 2025 target. We have saved 19 million pounds of packaging, cumulatively since the 2015 baseline, putting us at approximately 75 percent of our goal.

## Our 25 by 25 Progress



**Greenhouse Gas**  
reduce by 25%

1.2% reduction in GHG emissions versus 2015 achieved



**Water**  
reduce by 25%

46.8% reduction in water consumption versus 2015 achieved\*



**Waste**  
reduce by 25%

23.6% increase in waste generated versus 2015



**Packaging**  
reduce by 25 million pounds

19 million pounds packaging reduced versus 2015 achieved

\* In 2019, we will readjust our baseline to account for water metering at the Reese plant.

Image: Solar Panels on our Bentonville, Arkansas, office

# Taking Action Together

**We extend our environmental efforts beyond our facilities and get involved in local issues that matter to our colleagues and communities. We work with our employees and partner with academics, the public and the civil sector to address environmental challenges.**

## Innovation through collaboration

Our technology division's Enterprise Data Science (EDS) team has been collaborating with graduate students at Carnegie Mellon University (CMU) on semester-long "capstone" projects since January 2017 to find solutions to complex, real-world problems.

During Spring 2018, the capstone team was challenged to create a first-of-its-kind method to centralize, record, monitor, analyze and visualize global utility consumption at all Hershey's facilities to predict electricity and gas use. The results and recommendations of this work were provided to decision-makers at our facility, including methods to optimize consumption through technical, process and training interventions.

We support these valuable external partnerships for the innovations they lead to and for the opportunity to make Hershey an innovative workplace for tomorrow's top talent to consider.

# 3,500

Trees planted in Jalisco, Mexico

## Supporting reforestation beyond cocoa

In 2018, Hershey Mexico collaborated with the National Forestry Commission of Mexico for "Agenda 2030" as part of the United Nations Conference of the Parties (COP) 21. The program addresses deforestation in Mexico with the aim of zero deforestation by 2030. Our participation was an addition to our internal program which has committed us to fighting deforestation in Mexico since 2009. During 2018, we planted 3,500 trees in San Miguel Cuyutlán, Jalisco, bringing the total trees planted by Hershey Mexico to 72,500 since 2009.

In the U.S., Hershey partners with the Arbor Day Foundation to celebrate Arbor Day by reforesting sections of national parks. In 2018, approximately 151,000 trees were planted in the Chesapeake Bay Watershed, Flight 93 National Park Memorial and in Mississippi and Arkansas.

## A culture of sustainability

The Brightkey employees that manage Hershey's mailroom suggested deregistering employees from unwanted mailing lists to reduce mail waste. Green totes were placed in various copy centers and mail drops for employees to deposit unwanted mail. The mailroom sorts the unwanted items and contacts publishers to remove our employees from their mail lists. Through December, we collected an average of 226 pounds of unwanted mail per week and have contacted 597 publications for 3,723 individual cancellations. All collected mail is recycled.

# 226 lbs

Reduction in junk mail per week



# Shared COMMUNITIES

## Helping Our People and Communities Thrive

Milton Hershey did more than create a “company town” with homes for his workers—he also built education, arts and culture, and recreation facilities to enable the community to flourish. That spirit lives on in the town of Hershey, Pennsylvania, today and everywhere we operate.

Wherever we work, we create more than jobs—we support communities by helping children and families thrive, promoting education and economic opportunity, and by enabling people to come together through community programs and events that foster inclusion and pride of place.

### Progress highlights

# 10,700,000

lives enhanced investment  
in community nonprofits

# 133,600

employee volunteer hours

# \$10,973,764

total cash donations

# \$9,663,160

total product donations



# Taking Action in Our Communities

## Sharing goodness is what our employees do best

Our team of Hershey employee champions for **Children’s Miracle Network (CMN)** hosted a 5K race and golf tournament and built a chocolate house at Chocolate World to raise support for CMN. Through these events and our corporate match, we raised more than \$490,000, which enabled CMN to purchase pediatric medical equipment, playroom toys and educational materials. Hershey hosted a Miracle Party for CMN’s miracle kids and their families in April, and regularly sends employee volunteers to local CMN hospitals to lead children’s activities with patients.

Twenty-five U.S. sales team members took part in the Young Survival Coalition’s Tour de Pink West three-day bike ride along the California coast to support young women affected by breast cancer. The team raised more than \$115,000 for YSC, leveraging our employee matching gifts program.

Mark Henderson, an R&D team member, and wife Nicole Henderson, Reese’s plant manager, led a team of 35 walkers to raise funds for juvenile diabetes. Their team, “Dumbledore’s Army for Davis” (named after their son, Davis, and his love of *Harry Potter*) has raised more than \$60,000 for JDRF since 2013.

Employee Van Baum co-chaired her local Relay for Life event for American Cancer Society, volunteering her time, energy and expertise to make the event a success. The 24-hour walk exceeded its goal, raising more than \$161,000, and “Miss Kiss” made an appearance to keep walkers’ spirits high.



Our annual Season of Giving workplace giving campaign—and Hershey’s company match—raised \$1.9 million for our charity partners. This year our U.S. employees raised funds for: United Way, Feeding America, Children’s Miracle Network Hospitals, Hershey Company Employees 1st Fund, American Foundation for Suicide Prevention (Employee Crowdsource Winner – Tie) and JDRF (Employee Crowdsource Challenge Winner – Tie)

In Canada, Season of Giving beneficiaries included United Way, Canadian Cancer Society, Sick Kids Foundation and Food Banks Canada.



## Taking Action in Our Communities continued



# 39,500

To celebrate World Environment Day and raise funds to support the **Alianza Anticáncer Infantil**, colleagues in Monterrey, Mexico, collected approximately 39,500 plastic caps littered on the ground. The caps were sold to a local recycling center and the money raised was donated to help provide medical treatment for young children with cancer. Employee volunteers also planted trees at a kindergarten near the Hershey plant.

Our team in São Roque, Brazil wanted to help the homeless community in their city. They decided to support local sock manufacturer Meias do Bem's campaign to turn used and damaged socks into blankets for the homeless. Volunteers gathered donations from their colleagues, some of whom had spread the word in their own communities, at their kids' schools and their local churches. In the end, approximately 7,000 socks were collected to bring warmth and comfort to the city's most vulnerable citizens.

Also in Brazil, we continued our collaboration with the NGO Gerando Falcões Institute and partnered with Barry Callebaut and Consulado da Mulher to graduate 28 Choco Masters students—100 percent of the first two classes—in the program's first year. Choco Masters teaches confectionery and management classes to potential entrepreneurs from poor communities in São Paulo. At the end of 2018, 48 students were enrolled in the program. The program plans to track the number of students who open their own business or successfully integrate into the labor market following graduation.





# Good to GIVE BACK WEEK 2018

**Our annual Good to Give Back Week offers Hershey employees a chance to volunteer in their communities for causes they care about. This year's highlights include:**

## U.S.

- Packing 285,120 meals with Rise Against Hunger for families facing hunger in El Salvador. 800 employees and 80 MHS students participated.
- Saving the lives of 84 patients by hosting an employee blood drive with the American Red Cross.
- Building hiking and mountain bike trails with the Susquehanna Area Mountain Bike Association.
- Packing meals, stocking shelves and helping out at food banks across the country through our affiliation with Feeding America.

- Creating literacy kits for elementary school kids with United Way Capital Region.
- Leading games and activities at Aaron's Acres summer camp for children with special needs.
- Making decorations at the Latino Hispanic American Community Center for use at their annual fundraising gala.
- Assembling survival kits for people experiencing homelessness with Rogue Retreat in Ashland, Oregon.

## International

- Hosting a festival at Lar Mãe da Providência in São Roque, Brazil—a center for children, adults and elderly people.
- Packing meal packs for Dubai's Sharing Fridges event to distribute food to families experiencing hunger.
- Labeling more than 4,000 products for the Hospital Civil de Guadalajara, Mexico, which were used to raise funds for medical equipment and services.

# 4,107

Volunteer hours

# 1,222

Employees took part in at least one activity

# 30

Unique volunteer events



# Taking Care of Our Own

**2018 marked the launch of The Hershey Company Employees 1st Fund, an employee relief fund that provides grants to individual employees facing disaster or hardship situations.**

Since its launch in June, the fund has given grants up to \$5,000 to dozens of employees coping with natural disasters or unforeseen financial hardship. The Hershey Company Employees 1st Fund is administered by The Baton Rouge Area Foundation. Employees and friends of the company have been enthusiastic about supporting the fund, hosting a benefit golf tournament for employees, by employees, which raised more than \$25,000 for the fund in its first year.

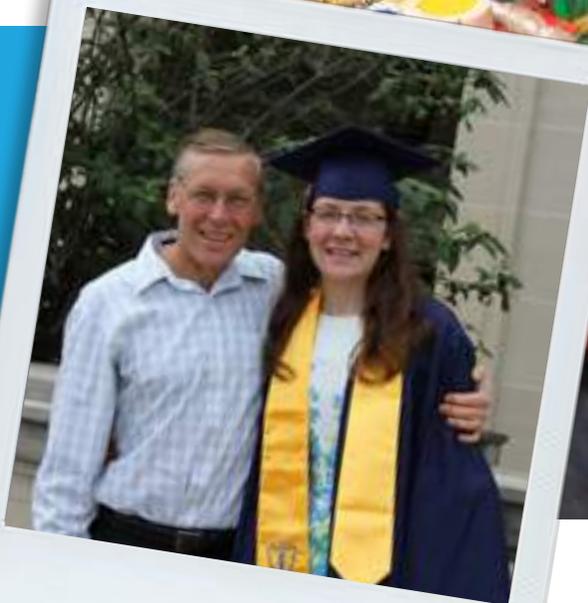


employees **1st**

## Hershey Company Scholars Program

In 2018, we also continued The Hershey Company Scholars Program, which awarded 71 four-year scholarships to children of Hershey employees pursuing post-secondary education. The program is administered by Scholarship America. This year's Hershey Scholars award recipients were located in the U.S., Canada, Brazil, Mexico and India.

Image:  
Employee, Hans Geyer with daughter, Brooke Geyer, scholarship recipient



# Investing in Our Neighbors

Wherever we work, we look to our employees and communities to highlight the issues that matter most, allowing us to tailor our support to local needs. As part of our commitment to helping our communities thrive, we asked some of our U.S. manufacturing communities to identify issues where Hershey could make a difference.

Employees in Ashland, Oregon, identified homelessness as a key issue in their community. Hershey made a \$25,000 investment in Rogue Retreat, a local homeless services organization, to support an innovative transitional housing program using “Tiny Homes,” generally considered as a home less than 500 square feet in size. The donation supported the expansion of Hope Village, adding 16 new tiny homes and a new community center for residents.

In Robinson, Illinois, our employees saw a lack of community recreation space, which is important for attracting and retaining a talented workforce in the area. We made a \$100,000 donation to Crawford County’s Recreation Center capital campaign to help develop the athletic and recreation facilities the community needs.

In Stuarts Draft, Virginia, we recognized the need for a more inclusive employee pipeline to support manufacturing needs in the region. In response, we made a \$25,000 grant to Woodrow Wilson Rehabilitation Center for their Manufacturing Technology Training Program for students with disabilities, strengthening the region’s manufacturing workforce.

Our Y&S Candies plant in Lancaster, Pennsylvania, identified providing basic needs such as food, clothing, shelter and transportation to families facing poverty as a key issue area in their community. In response, we made a \$25,000 grant to the Food Hub of Lancaster County to support services at the county’s largest food assistance, clothing bank and homeless shelter.

## Hometown PRIDE

**We will always have a strong connection to our hometown of Hershey, Pennsylvania—and are committed to ensuring it remains a great place to live and work. In 2018, we made two leadership investments in the future of Hershey:**

### **Hershey Community Center**

We pledged \$1 million to construct a new Hershey community center. It will host youth afterschool programs, activities for seniors and civic programs.

### **Penn State Milton S. Hershey Children’s Hospital Expansion**

We pledged \$1 million to support the addition of three new floors to the Penn State Children’s Hospital, the only Level One trauma center for children between Philadelphia and Pittsburgh.

# Our REMARKABLE PEOPLE



## Engaging Our Remarkable People

For 125 years, we've worked to make moments of goodness for our consumers and with all the people we work with day to day. A big part of our culture is the togetherness that makes our brands and brings them to market. That's why we aim to provide a place where remarkable people can be themselves and fulfill their potential.

Here at Hershey, we're champions of diversity and inclusion, with peer-leading gender representation at the executive level and a workforce that is committed to bringing together different experiences and perspectives to drive our business forward.

The result is strong employee engagement and employees who are not only proud to work for Hershey but are continuously evolving and growing to meet the demands of a dynamic marketplace. In 2018, Hershey employees helped co-create new ways of working that built on existing strengths but focused on moving faster and expanding the freedom to operate. Most importantly, from the halls of our headquarters to the manufacturing floor, our company is alive with a positive energy that everyone can feel. And that's the force that helps us achieve our goals.

## Progress highlights



**#33**  
Hershey earns Top 50 placement for the first time



**#6**



**#9**



# The Hershey Employee Experience

## Why it matters

We have always known that one of our most important assets—and what helps make Hershey, Hershey—is our remarkable people. We believe that the best ideas come from our employees who bring diverse backgrounds and experiences to our company. That's why we provide a workplace that develops, supports and motivates people and gives them the flexibility and space to truly be remarkable.

## How we do it

Our **policies** are devised to nurture an inspiring and enabling workplace that is fair and safe with an open and respectful culture. We support flexible work to allow employees to balance commitments to their families and communities. Additionally, all full-time employees are eligible for medical, dental and vision coverage, life insurance, disability benefits and a 401(k), with a generous company match.

We work continuously to maintain and improve the health and safety of all employees, contractors and visitors. Our efforts cover our manufacturing processes and our office operations and are extended through our **Employee Code of Conduct** and our **Supplier Code of Conduct**.

## Our progress

### Owning how we work

We have enhanced and formalized a culture that allows employees to move faster, create differentiation for the business and take responsibility for change. Employees play an active role in defining clear and simple priorities that impact their roles and their teams, enabling them to find the most efficient—and impactful—ways to use their talent to grow Hershey.

### Enhancing our pay practices

We use contemporary pay practices. We have an established process to review our pay practices for U.S. salaried employees. Twice a year we remind managers that they may request a review of an individual's pay, based on performance. Changes to pay can be made at any time. We also no longer ask employee candidates what they earn.

**“Hershey is a place people want to work because of its belief in giving people rewarding job opportunities with fair and equitable pay and developing individuals from the start and throughout their professional career.”**

**Michele Buck**

President and CEO, The Hershey Company



Founding partner with National Organization on Disability in National NOD Inclusion Compact



100% rating on Human Rights Campaign Corporate Equality Index



*Wellness*  
**THROUGH  
FLEXIBLE  
WORK**

Hershey champions wellness by maintaining flexible work environments using SmartFlex, our suite of policies designed to improve productivity, boost job satisfaction and increase employee engagement. SmartFlex allows employees to create their own balance between work and personal life by, for example, offering stress management techniques and flexible tech that supports working remotely. The suite also includes relevant policies, for example, for parental leave.

# Diversity Makes the Difference

## Why it matters

Our remarkable people are at the heart of everything we do. It's this diverse, inclusive and engaged team that makes Hershey special and that takes great pride in making more moments of goodness.

Diversity and inclusion are key to driving the richer collaboration we need to help our business grow. As our business evolves, bringing more employee voices and perspectives to the conversation is what supports our continued success.

## How we do it

To better mirror our consumers, we continue to expand our candidate pools to include more diverse, qualified applicants. We continue to develop future leaders—and our efforts are paying off. Since 2012, we've increased:

- The number of diverse (African American; Asian; Hispanic; American Indian; two or more ethnicities) professionals by 46 percent.
- Our percentage of diverse leaders by 22 percent.
- The amount of African American and Hispanic employees in our professional workforce by 14 percent and 11 percent, respectively.
- The number of female professionals by 26 percent and our female leaders rose by 22 percent.

# 1st

Ever ranking on  
DiversityInc Top  
Companies 2018

# 46%

Increased the number  
of diverse professionals  
since 2012

# 5

Women on the Board  
of Directors



## Tipping THE GENDER SCALE

More women are entering the workforce and making up a greater percentage of employees than the generations before them. They're also attaining higher levels of education and are closing the gender pay gap.

Across Hershey's U.S. salaried workforce, on an aggregate basis, women earn \$0.99 for every \$1.00 men earn. This is in contrast to U.S. women who, on average, earn \$0.85 for every \$1.00 a man makes.

During 2018, Hershey was one of only two Fortune 500 companies with a female CEO and CFO. Women also led many of our largest commercial business units and major innovation roles at the company, including our Chief Growth Officer, VP of Commercial Planning and VP of Global Innovation. This makes Hershey a proud leader for female representation at the executive level among Fortune 500 companies, where only five percent of CEOs are women.

# Some of Our Remarkable People

**“What I love about the Women’s Business Resource Group is that it’s cross functional and allows many different parts of the organization to come together and learn from each other. We have a variety of mentoring teams that care for the career and personal development of women in Hershey, and it’s all from other women. I find that empowerment and genuine care is something that’s very special about Hershey.**

I’m especially proud of the mentoring circle because some of our managers started it on their own. Their passion and energy for seeking development and mentoring opportunities for themselves was something they translated into a benefit for everyone else.

Throughout my career at Hershey, the chance to have a supportive team and collaboration has been exciting. I’ve been part of programs that have been incredibly impactful for me and have enabled me to meet women that I now consider part of my network that help me navigate my career under amazing women leaders.”

**Kristen Riggs**  
Vice President of Commercial Planning and former co-Lead of the Women’s Business Resource Group (2017–2018)



**“I co-lead a group of more than 120 Hershey employees who are Latino or have an interest in Latino culture. Our group works in three main pillars: community engagement, career development and supporting business growth.**

Throughout the year, we have a variety of networking events and learning opportunities for our members. We also work on initiatives to give back to the local Latino community and organizations that promote education and development of leadership skills for children. At Hershey, I personally feel valued and free to bring my whole being to the workplace. When I moved from Hershey Mexico to the U.S., I was given the support that my family and I needed. In the last few years, I found great friends, mentors and colleagues who helped me to develop my career and be successful in my role.”

**Erika Nava**  
Senior Account Manager, Manufacturing Alliances and co-Lead for the Latino Business Resource Group

## Some of Our Remarkable People continued



**“The African American Business Resource Group (AABRG) brings together people who are looking to grow their careers, expand their network, and who boldly lean into their distinct skillsets and perspectives to drive the business forward.**

This past year, the AABRG focused on connectivity with leadership, its members and the community outside of Hershey. We have held podcasts and fireside chats with leadership across the organization, we've encouraged our members to step into their own leadership style, giving them responsibility and accountability for projects and events, and conducted food drives for the Harrisburg community.

Community is woven into the fabric of the AABRG and The Hershey Company. That's why I created monthly “We Chat Wednesday” lunches to encourage meaningful moments to regularly connect our passionate, engaged members. With these lunches, we open the door for opportunities to network and learn from others within the Hershey community.”

**Ashlee Carlisle**

Media Audience Strategy & Activation, co-Lead of the African American Business Group

**“As a gay man and leader in the business, I focus on being available and accessible as a mentor or a sounding board for more junior LGBTQ employees as they're navigating their careers. I also ensure that we have a substantial and active ally network of people that are fully supportive of the LGBTQ cause and are willing to be visible in that support.**

For employees questioning whether to be out at the workplace, this shows a tremendously supportive culture that goes beyond the policies. They can feel safe and they will be supported through that process.

From the executive level, there is a real belief that true diversity is good for business. The leadership team gets it. The broader culture of Hershey has a real level of empathy and compassion. It's just a part of Hershey's DNA – people really care about you as a person. If you look different or have different beliefs, they will not just be accepted, they will really be celebrated. Whoever it is you are, you can be that and more.”

**Nishant Kumar**

Senior Director Enterprise Strategy & Business Model Innovation and co-Lead for Prism LGBTQIA+ Business Resource Group



# Health and Safety – Always Job One

## Why it matters

We are committed to upholding the health, safety and wellness of all employees, contractors and stakeholders at Hershey through training, resources and responsible management of our facilities.

## How we do it

Our new environmental, health and safety (EHS) strategy has three components: build strong core programs and processes, improve our safety culture, and secure our future through wellness and sustainability programs. We review our strategy annually and revise it based on progress and gaps identified through internal audits, surveys and investigations. The development, rollout and assessment of implementation status are performed by the EHS Lean Pillar team, which is part of Hershey Lean process.

## Our progress

Malaysia's Department of Occupational Safety and Health (DOSH) invited our Malaysia facility to participate in the nationwide Systematic Occupational Health Enhancement Level Program, which promotes occupational safety and health around chemicals, noise and ergonomics. Our Malaysia facility identified 15 projects to implement, including machine renovations to eliminate chemical exposure, reduce noise and decrease repetitive motion. DOSH awarded the facility with the highest rank for improvements in Chemical and Noise management; the highest rank for Ergonomics improvements is expected in 2019. During DOSH's Workplace Accident Free Week, Malaysia's EHS technicians produced a video featuring plant workers. It stresses responsibility and personal accountability for safety of oneself and colleagues by reporting unsafe conditions and behaviors.

Our Mexican facilities in Monterrey and El Salto underwent voluntary inspection to demonstrate performances that go above-and-beyond EHS regulatory requirements as part of the *Programa de Autogestión de Seguridad y Salud en el Trabajo*. Mexico's Secretary of Labor and Social Security awarded Monterrey with the highest safety ranking and El Salto with the second-highest safety ranking.

Our Brazil plant initiated and Malaysia plant adopted the "Safety Golden Rules" program, focused on 12 preventative procedures. Meetings in both plants begin with Safety Golden Rules no matter who is involved. Monthly, one Golden Rule is highlighted to reinforce training and dialogue among employees.

## Our EHS INFORMATION MANAGEMENT SYSTEM

In March 2018, Hershey rolled out our Global SAP-EHS Information Management System as part of the company's Enterprise Resource Planning (ERP) project. This new system gives us the ability to capture and manage safety and health related information with a globally harmonized process.

Our new system covers incident reporting and tracking, chemical review and approval, occupational health and risk assessments. The system is live in the U.S., Mexico, Canada and Malaysia; available in three languages; and has more than 700 trained Hershey users. Our EHS-related data capture and management processes are now standardized across our sites. The system contributes to our broader EHS goal of improving core programs and processes and standardizing processes across the company.

*Our*  
**APPROACH  
AND PERFORMANCE**

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# Governing for Sustainability

## Managing sustainability at Hershey

Operating with integrity is one of our most valuable assets and a key driver for how we build trust with our consumers. In 2018, we formalized a sustainability governance model that includes a multi-level operating structure to ensure we are aligned on the most important issues facing the company, with the right resources to drive progress within our Shared Goodness Promise. Accountability for managing sustainability across the enterprise sits with the Vice President of Corporate Communications and Sustainability.



### GLOBAL SUSTAINABILITY TEAM

Led by the Senior Director of Global Sustainability and Social Impact, this team is made up 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 communications with external stakeholders who provide valuable perspectives and insights into our program decisions and focus.

### SUSTAINABILITY STEERING COMMITTEE

Made up of Vice Presidents from across key business functions who meet periodically throughout the year to review progress, discuss challenges and opportunities and approve key decisions related to our global sustainability programs.

### EXECUTIVE COMMITTEE

Includes our CEO and her direct reports, conducts biannual reviews of the Shared Goodness Promise sustainability strategy, data, progress and the emerging sustainability challenges and opportunities.

### BOARD OF DIRECTORS

Annually briefed on our Shared Goodness Promise progress and made aware of the most important emerging sustainability trends, risks and opportunities.

# Being a Responsible and Ethical Business

## Why it matters

Hershey prioritizes its responsibility to promote and uphold ethical business conduct and provide transparency. Through our commitment to living our values, we have developed robust policies and procedures to act responsibly and ethically across our operations and supply chain. We continuously review our approach to align with the changing regulatory landscape.

## How we do it

Our approach to ethical issues and our commitment to complying with relevant local and international policies and regulations is covered by our **Code of Conduct** (the Code). The Code details Hershey's approach to anti-corruption, antitrust and whistleblower protection and is published in 10 languages. All of our directors and employees undergo training and verify that they've read and agree with the principles outlined in the Code.

During the first quarter of 2019, we also launched our new **Human Rights** and **Environmental Policies**.

## Gender composition of the Board



## Our Board

The Board of Directors is responsible for overseeing our strategies (including our Shared Goodness Promise Strategy), 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 to enable in-depth reviews of the important issues. They are: Audit, Governance, Compensation and Executive Organization, Finance and Risk Management, and Executive.

Each committee (other than the Executive Committee) is formed entirely of independent directors.

As of December 2018, the Board had 11 directors, each over the age of 50 and each with significant professional experience. The Board includes five women, creating a gender composition of 45 percent women and 55 percent men.

At the Board of Directors review in December 2017, environmental sustainability was highlighted as a focus area for the company. As a result, the Board oversaw a holistic environmental policy review and discussed strategies to deal with the challenges faced by our 25 by 25 targets. This focus led to the new Environmental Policy launched in the first quarter of 2019.





### Executive compensation

We pay for performance and structure compensation to incentivize, attract and retain key executives, to align the interests of our executive officers and our stockholders and to drive stockholder value over the long term. We offer competitive compensation based on the market.

### Transparent policy and lobbying

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). Monies are raised through the PAC, which is made up of voluntary employee contributions, is used to support elected officials—regardless of political affiliation—who have demonstrated a willingness to consider Hershey’s perspective. All contributions are disbursed pursuant to our internal contribution guidelines and in accordance with applicable election laws. Company funds are used to support or advocate for issues, legislation or referenda of importance to Hershey and our stockholders. These funds, classified under the U.S. Internal Revenue Code as non-deductible lobbying expenditures, are paid primarily to industry trade associations, lobbying entities and our internal government relations personnel.

In accordance with the Lobbying Disclosure Act of 1995, our company files quarterly lobbying reports, which outline the company’s federal-level advocacy work.



**Concern Line is available in 10 languages to employees, business partners and other parties for reporting concerns via phone or the Internet**

### Data protection and privacy

We respect the privacy of our consumers, our customers, our coworkers and others with whom we conduct business, and we handle their personal information with care. “Personal information” is any information that could be used to identify someone, either directly or indirectly, such as a name, employee ID, email address or phone number. There are data privacy laws that prescribe how to responsibly collect, store, use, share, transfer and dispose of personal information, and we are committed to complying with those laws wherever we operate.

### Queries, concerns and complaints

Critical concerns are generally reported through our Human Resources department, the Legal department and/or the Concern Line, a third-party monitored, independent service available 24/7 to employees, business partners and other parties for reporting concerns via phone or the internet. There is also a company-specific web submission platform: [www.HersheysConcern.com](http://www.HersheysConcern.com). All reported concerns are reviewed and managed by the Ethics and Compliance department. Hershey does not tolerate any form of retaliation for reporting concerns in good faith. Any critical concerns are reported to the Ethical Business Practices Committee, which reports directly to the CEO and are also escalated to the Audit Committee.

Issues reported to the Concern Line cover a wide array of topics, including leadership style, general labor practices, employment-related concerns and requests for general advice. In 2018, there were no critical concerns that required reporting to the Ethical Business Practices Committee or the Audit Committee.

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

# Stakeholder Engagement

**From the ingredients we source to the snacks we sell, we know our operations can affect individuals, communities and organizations around the world.**

Hershey believes in regularly and thoughtfully engaging with our consumers, customers, investors, the media and other external stakeholders to stay on top of the issues that matter most to them.

On an operational level, our company culture promotes and enables open engagement with our employees, suppliers and business partners. The following table provides an overview of our key stakeholders, our channels of communication with them and the issues that matter most. Engagement varies and includes both formal and informal channels for communication.

## Employees



### How we engage:

- Two-way dialogue with leaders and their teams
- Annual Many Voices One Hershey survey
- Regular pulse surveys
- Regular senior leadership communication (meetings, video, email and newsletters)
- Quarterly and functional Town Halls
- Business Resource Groups (BRGs)
- Quality Through Engagement (QTE) teams
- Safety Culture survey

### Opportunities:

- Opportunities to positively impact our communities & employee experience
- Learning and skill development
- Building fulfilling careers
- Diverse & inclusive workplace

### Featured outcome:

Created the [Employee 1st Fund](#)

## Consumers



### How we engage:

- Consumer insights research
- Surveys
- The Hershey Company website
- Social media channels
- Consumer Relations department

### Opportunities:

- Product development and marketing
- Informative labeling
- Ethical supply chain
- Food safety
- Choice and transparency in snacking portfolio
- Engagement on sustainability and brands with purpose

### Featured outcomes:

- Enhanced [Snacking Portfolio Diversity](#)
- Launched [The Heartwarming Project](#)

## Investors



### How we engage:

- Investor Relations website
- SEC Filings (10-K, etc.)
- Annual shareholders meeting
- Quarterly earnings calls
- Investment community meetings
- Investor Relations department

### Opportunities:

- Global competitiveness
- Sustainable returns
- Compliance
- Future growth
- Working with integrity
- Financial health

### Featured outcome:

Developed new Human Rights and Environmental policies



## Stakeholder Engagement continued

### Retailers

#### How we engage:

- Account teams
- Regular visits and meetings
- Partnership on Joint Business Planning
- Partnership on Purpose-Driven Initiatives
- Social media engagement

#### Opportunities:

- Product quality and innovation
- Pricing and distribution
- Food safety
- Customer satisfaction
- Transformation of retail and digital commerce
- Purpose-driven partnerships and retail partnerships

#### Featured outcomes:

- Launched Mobile Customer Insights Center
- Developed Digital Commerce Strategy

### Suppliers & business partners

#### How we engage:

- Joint initiatives
- Supplier Code of Conduct
- Membership in industry groups
- Participation in industry conferences
- Procurement department

#### Opportunities:

- Responsible supply chain
- Compliance
- Industry support and development
- Fair remuneration
- Access to markets
- Access to support and resources

#### Featured outcomes:

- Joined Bonsucro
- Updated palm oil suppliers

### NGOs & communities

#### How we engage:

- Partnership on common issues
- Sponsorships
- Employee volunteerism
- Ongoing dialogue
- Membership in industry associations
- Participation in industry meetings and conferences

#### Opportunities:

- Deforestation and biodiversity
- Child labor
- Labor conditions and standards
- Responsible sourcing
- Climate change and environmental impact
- Livelihoods and community impact
- Animal welfare
- Child nutrition and education
- Responsible marketing

#### Featured outcomes:

- Launched holistic new Cocoa For Good strategy
- Committed to zero deforestation
- Launched initiatives to support greater economic diversity and resilience to help cocoa communities prosper

### Government & policymakers

#### How we engage:

- Industry collaborations
- Joint initiatives
- Ongoing dialogue
- Policy engagement and dialogue
- Government Relations department

#### Opportunities:

- Compliance
- Job creation
- Economic development
- Responsible tax
- Political engagement

#### Featured outcome:

- Expanded ViVi to Côte d'Ivoire





# Our Progress

In early 2018, we launched Hershey’s Shared Goodness Promise strategy and Cocoa For Good strategy. Through these efforts, we’re focusing on areas where we can have the biggest positive impact on consumers, communities and the planet.

We’re proud of the difference our work is making and how we’ve performed against some ambitious targets. We will continue to partner with experts and organizations that can grow our impact and look for more opportunities to support sustainable change.

SHARED FUTURES	2018	2017	2016
Number of Minds Nourished (cumulative total)	316,837	208,072	
Number of children receiving Vivi	57,700	52,913	50,000
Children reached through The Heartwarming Project partnerships	6,086,000		
Youth directly benefiting from The Heartwarming Project investments	697,522		
Youth taking part in Heartwarming actions	41,116		

## Our Progress continued

 SHARED BUSINESS		2018	2017	2016
FINANCIAL PERFORMANCE	Number of countries in which our products are marketed	90	80	70
	Number of countries in which our products are manufactured	6	7	7
	Manufacturing facilities (wholly owned/joint ventures)	15/1	18/1	18/1
	Consolidated net sales (U.S. \$ million)	7,791	7,515	7,440
	Shareholder return (%)	-2.9%	12.37%	18.7%
	Adjusted diluted earnings per share	5.36	4.69	4.33
	Income taxes paid (U.S. \$ million)	118.8	351.8	425.5
	Worldwide payroll (U.S. \$ million)	755	793.7	752.3
	One year net sales growth	3.7%	1%	0.70%
	Investment in R&D (000s)	38.5	45.85	47.27
Number of brands	>80	>80	>80	
RESPONSIBLE SOURCING	Percent certified and sustainable cocoa in all our chocolate products worldwide	80%	75%	60%
	Farmers supported directly through Cocoa For Good	50,518	54,000	48,300
	Percent certified and sustainable coconut by 2020	50%	50%	
	Percent palm oil purchases traced to the plantation level by 2020	99.8% (Mill) 34% (Plantation)	99.25% (Mill) 14% (Plantation)	97.78% (Mill) 14% (Plantation)

## Our Progress continued

SHARED BUSINESS		2018	2017	2016
CHOICE AND TRANSPARENCY	Percent of our portfolio with a live SmartLabel™ landing page with detailed product, ingredient and allergen information (excluding multi-product assortments and Krave Jerky)	90%	100%	
	Percent of products with easy-to-read front-of-pack calorie labels	100%	100%	
	Number of wholly owned manufacturing and joint-venture operations and contract manufacturing/co-packing that attain food safety certification recognized by the Global Food Safety Initiative	100% of Hershey wholly owned facilities globally 100% of Hershey joint venture facilities globally 87% of Contract Manufacturing and Co-Pack partners globally; 100% in Canada 94% in the United States 75% in the rest of world	88% of The Hershey Company-owned facilities (15 of 17) 1 joint venture 84% of our contract manufacturing facilities globally 100% of our U.S. and Canada co-manufacturing facilities	82% of Hershey Company-owned facilities (14 of 17) 1 joint venture
SHARED PLANET		2018	2017	2016
Total percentage reduction in greenhouse gas emission vs. 2015 baseline in all owned facilities		1.2%	2.7%	2.1%
Total percentage reduction in total water use vs. 2015 base in all manufacturing facilities		46.8%*	1.8%	2.2%
Total percentage reduction in waste generated vs. 2015 base in all manufacturing facilities (excluding stock feed)		+23.6%	+4.1%	Number not reported
Total reduction in lb of packaging material (cumulative total)		19 million	18.5 million	9 million
Direct (Scope 1) GHG emissions (metric tons CO <sub>2</sub> e)		114,928	109,707	110,889
Direct (Scope 1) GHG emissions (metric tons CO <sub>2</sub> e per thousand pounds of product produced)		0.05	0.06	0.06

\* In 2019, we will readjust our baseline to account for water metering at the Reese plant.



## Our Progress continued

 SHARED PLANET	2018	2017	2016
Indirect (Scope 2) GHG emissions (metric tons CO <sub>2</sub> e)	195,886	189,777	190,412
Direct (Scope 2) GHG emissions (metric tons CO <sub>2</sub> e per thousand pounds of product produced)	0.09	0.10	0.10
NO <sub>x</sub> emissions (metric tons)	76.75	76.24	66.61
SO <sub>x</sub> emissions (metric tons)	2.33	1.58	2.4
VOC emissions (metric tons)	203.91	181.59	178.36
CO emissions (metric tons)	70.24	73.26	57.1
Particulate emissions (metric tons)	51.10	46.42	43.29
Total water use (million gallons)	687.80	1,291.98	1,287.24
Total water discharge (million gallons)	527.36	491.67	592.7
Percentage water withdrawal from ground	23.16%	57.7%	51.1%
Percentage purchased water	76.84%	42.3%	48.9%
Water use (gallons per thousand pounds of product produced)	0.35	0.67	0.74
Waste generated (metric tons) (includes recycling)	49,322	43,248	42,899
Total hazardous waste (metric tons)	15.51	12.49	14.16
Trees planted and tree seedlings distributed	2,685,669		



## Our Progress continued

 SHARED COMMUNITIES	2018	2017	2016
Cash donations (U.S. \$ million)	10.9	11.9	10.7
Product donations (U.S. \$ million)	9.7	8.5	6.2
Employee volunteer hours	133,600	130,737	104,000

OUR REMARKABLE PEOPLE	2018	2017	2016
Number of employees worldwide (full-time/part-time)	16,422 (14,927/1,495)	16,910 (15,360/1,550)	17,980 (16,300/1,680)
Union representation (approximate)	35%	32%	31%
Number (percentage) of women on Executive Committee	3 (38%)	5 (50%)	3 (27%)
Number (percentage) of women on Board of Directors	5 (45%)	5 (38%)	2 (18%)
Number (percentage) of racial minorities on Board of Directors	0 (0%)	0 (0%)	1 (9%)
Number (percentage) of Board of Director members over 50 years old	11 (100%)	13 (100%)	11 (100%)
Total Recordable Incident Rate (TRIR)	1.48	1.38	1.47
Days Away, Restricted, Transferred (DART)	1.11	0.99	0.93
Lost Workday Incident Rate (LWIR)	0.55	0.46	0.33
Total fatalities (work-related)	0	0	0



# About this REPORT

**This report is our first to be prepared in accordance with the Global Reporting Initiative (GRI) Standards: Comprehensive option, after previously reporting in accordance with the Core option.**

This is our seventh report that reviews progress made on environment, social and governance issues. It is now referred to as Hershey's Sustainability Report to reflect our evolving strategy and programing.

The report covers the 2018 calendar year, which is also our fiscal year. While we have co-manufacturers and one joint venture, the qualitative data in this report only covers our wholly owned facilities.

We haven't sought any external assurance for this report or for our GRI Index. Our greenhouse gas emissions have been independently certified by the Climate Registry. Environmental data in this report covers all of Hershey's North American operations.

For those stakeholders who want more detail, please see our separate [GRI Index](#).

We welcome any feedback you have on how we report and how we performed.

