



HERSHEY



*Sharing Goodness for*

25

YEARS



# MAKING MOMENTS OF GOODNESS

Welcome to our 2019 Sustainability Report.

This year we celebrated 125 years of making more moments of goodness, the purpose that inspires Hershey to provide quality brands that people love.

Behind these moments of goodness is a deep sense of pride in our long-standing values of integrity, excellence, togetherness and making a difference. These values underpin our belief that operating responsibly, ethically and sustainably is imperative to fulfilling our purpose. As we care for our people and progress on our commitments to our communities where we source, manufacture and distribute our products, we're ensuring consumers can feel even better about the special moments made with our brands.

As we reflect on the past 125 years and plan for the next, The Hershey Company is proudly driven by our founder's legacy and by our company's purpose. We believe this combination is the recipe for success. There are many more moments to be made!



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# THE BIG PICTURE

## Built By Purpose

From the moment Milton Hershey founded our company and sought to make chocolate—previously a luxury good—accessible to the masses, we worked to make more moments of goodness in people's lives.

Over a century later, we're invited into people's moments of goodness every day. We're there for holiday gatherings and campfires; for break-ups and make-ups; for road trips and school trips. It's a pretty special place to be. Operating sustainably is what wraps each moment in something we can all feel good about.

# A MESSAGE FROM MICHELE BUCK



2019 was a special year for The Hershey Company. As we celebrated our 125th anniversary, we had the opportunity to explore our rich heritage and the legacy of our founder, who instilled in our business core values that connect us to one another and to the world. The energy within Hershey was tangible as you experienced the connectedness, passion, positivity and the deep pride and appreciation we have for each other and this special company.

As I write this note, the world is experiencing an unparalleled and rapidly evolving global pandemic. In this unprecedented time, our people and our business remain grounded in our purpose to make more moments of goodness. This grounding has allowed us to

focus on what is most important—the health and safety of our colleagues, family and friends and our commitment to continue making those moments of goodness in people’s lives even when physical connection is limited.

Our company is wrapped in a deep legacy of caring for our people and communities. But it is no longer enough to consider what our company is able to do for the world. Now we must answer: what does the world need from Hershey?

We continuously meet with a variety of stakeholders—consumers, retailers, investors, governments and NGOs—all asking how we, and other companies, are

making a positive impact on society’s most pressing issues. This Sustainability Report seeks to address those questions.

**“It is no longer enough to consider what our company is able to do for the world. Now we must answer: what does the world need from Hershey?”**

Our products rely on a global supply chain and agricultural ingredients. Climate change poses a significant, increasing pressure on these resources and the communities where we source them. This is why we committed to the Science Based Targets Initiative in January 2019 and are well on track for the January 2021 deadline to announce our target.

We continue to make good progress within our Cocoa For Good strategy, but we know there is a long way to go to resolve some of the most pressing issues facing cocoa-growing communities, including child labor. In 2019, we began publishing on our website the findings from our Child Labor Monitoring and Remediation Systems (CLMRS) work. We will continue this practice as we expand CLMRS to cover 100 percent of our cocoa supply chain in Ghana and Côte d’Ivoire in the coming years.

Last year, we published our first comprehensive human rights policy that outlines our commitment to respect human rights throughout our value chain. We’ve also begun deploying a new human rights training program to help ensure everyone across our organization understands our values and how they personally can

impact human rights across our business.

The Hershey Company has more than 125 years of experience managing through tough, fast-moving and unprecedented moments—two World Wars, economic depressions and recessions, and other momentous events. Each time, we planned. We took action. We learned and adapted.

And we kept our focus on making the best decisions for our employees, our partners, our stockholders, our communities and the consumers we serve.

Today, we draw on that same spirit to keep our company resilient through new challenges that are disrupting economies and societies. I remain confident in the strength and resiliency of our business over the long-term, and in our remarkable leaders and employees who are executing our strategies, reacting to current changes and capitalizing on the opportunities this change presents.

We love making the brands that become part of people’s moments big and small. Going forward, it’s this purpose that inspires us to win so that we can continue to make more moments of goodness.

**Michele Buck**  
Chairman, President and CEO,  
The Hershey Company

# 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 that of 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.



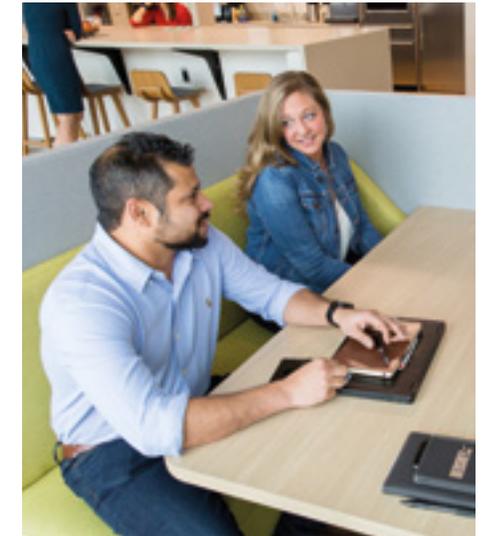
### COMBATING CLIMATE CHANGE

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 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, NGOs, and even our employees 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.

# OUR SUSTAINABILITY STRATEGY



## SHARED BUSINESS

### We're Focused On

- Sustainable sourcing
- Respecting human rights
- Choice and transparency

### SDGs Supported



## SHARED PLANET

- Reductions in greenhouse gases (GHGs), total waste, packaging waste and water use
- Addressing climate change across our value chain



## OUR REMARKABLE PEOPLE

- Championing diversity and inclusion
- Developing great talent
- Building careers



## CHILDREN AND YOUTH

- Helping children succeed
- Improving access to nutrition for children
- Building meaningful connections



## SHARED COMMUNITIES

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



To find out more about Hershey's work as it relates to the SDGs, [visit our SDG Index](#)

# OUR 2019 GOODNESS HIGHLIGHTS

**\$7.98**  
billion in sales

**\$610 million**  
in dividends paid to shareholders

**80+**  
brands

**15**  
manufacturing facilities globally

**\$8,347,912**  
of community product donations

**68,988**  
children being monitored under our Child Labor Monitoring and Remediation System

**90%**  
certified sustainable cocoa\*

**775,386**  
kids directly benefiting from Heartwarming Project investments

**56M**  
sachets of ViVi distributed since 2016

**50%**  
diverse board members

**411,802**  
hours of employee learning and development

**47%**  
of facilities sending zero waste to landfill

**1,936,167**  
trees planted for reforestation in West Africa, the U.S. and Mexico

## Where We are Headed

- Finalizing science-based targets to reduce GHG emissions
- Expanding certification for our key ingredients
- Investing \$500 million to improve farmer livelihoods in our cocoa-growing communities by 2030
- Embedding robust human rights programs across our value chain
- Growing diversity and inclusion through focused initiatives that develop and energize our people

\*As of January 2020, Hershey achieved 100% certified sustainable cocoa.

# GOVERNANCE & APPROACH

Operating with integrity is one of our core values and a key driver for how we build trust with our consumers. We invest significant time, resources and expertise in developing and maintaining processes and policies that keep us competitive, prepared and financially resilient. We continuously explore evolving best-practices and assess what we can implement to further strengthen our approach.



# BEING A RESPONSIBLE & ETHICAL BUSINESS

## WHY IT MATTERS

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

## HOW WE DO IT

Our **Code of Conduct** guides our approach to ethical issues and our commitment to complying with relevant local and international regulations and policies. The Code details Hershey’s approach to anti-corruption, antitrust and whistleblower protection and is published in 10 languages. All our directors and employees receive annual training on the Code and verify that they’ve read and agree with the principles it outlines.

## OUR BOARD

The Board of Directors oversees 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 that conduct in-depth reviews of significant issues: Audit, Governance, Compensation and Executive Organization, Finance and Risk Management, and Executive.

The Board oversees environmental, social and governance (ESG) at Hershey and the ESG team briefs the full Board of Directors at least annually, or more frequently as needed.

As of December 2019, the Board had 12 directors, each over the age of 50 and each with significant professional experience. Diverse directors made up 50 percent of our board, including five women.

For more information on our Board, committees and approach to executive compensation, please see our **Proxy Statement**.



## GOVERNING SUSTAINABILITY

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

### GLOBAL SUSTAINABILITY TEAM

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

### SUSTAINABILITY STEERING COMMITTEE

Composed of vice presidents from across key business functions who routinely meet 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 who conduct semi-annual reviews of the Shared Goodness Promise sustainability strategy, data, progress and the emerging sustainability challenges and opportunities.

### BOARD OF DIRECTORS

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

# MATERIAL ISSUES

We conduct a materiality assessment every few years to ensure that Hershey focuses on the issues where we have the greatest impact and works to effectively engage with these issues to make a difference. Our last materiality assessment was done in 2018.

## OUR MATERIALITY PROCESS

We align our materiality methodology with the Global Reporting Initiative (GRI) Standards. This includes interviewing or sending questionnaires to internal and external stakeholders, including Hershey managers across different functions (legal, ethics & compliance, supply chain, sustainability, government relations, communications, packaging, nutrition and environmental health & safety), investors, NGOs, think tanks, suppliers and industry associations.

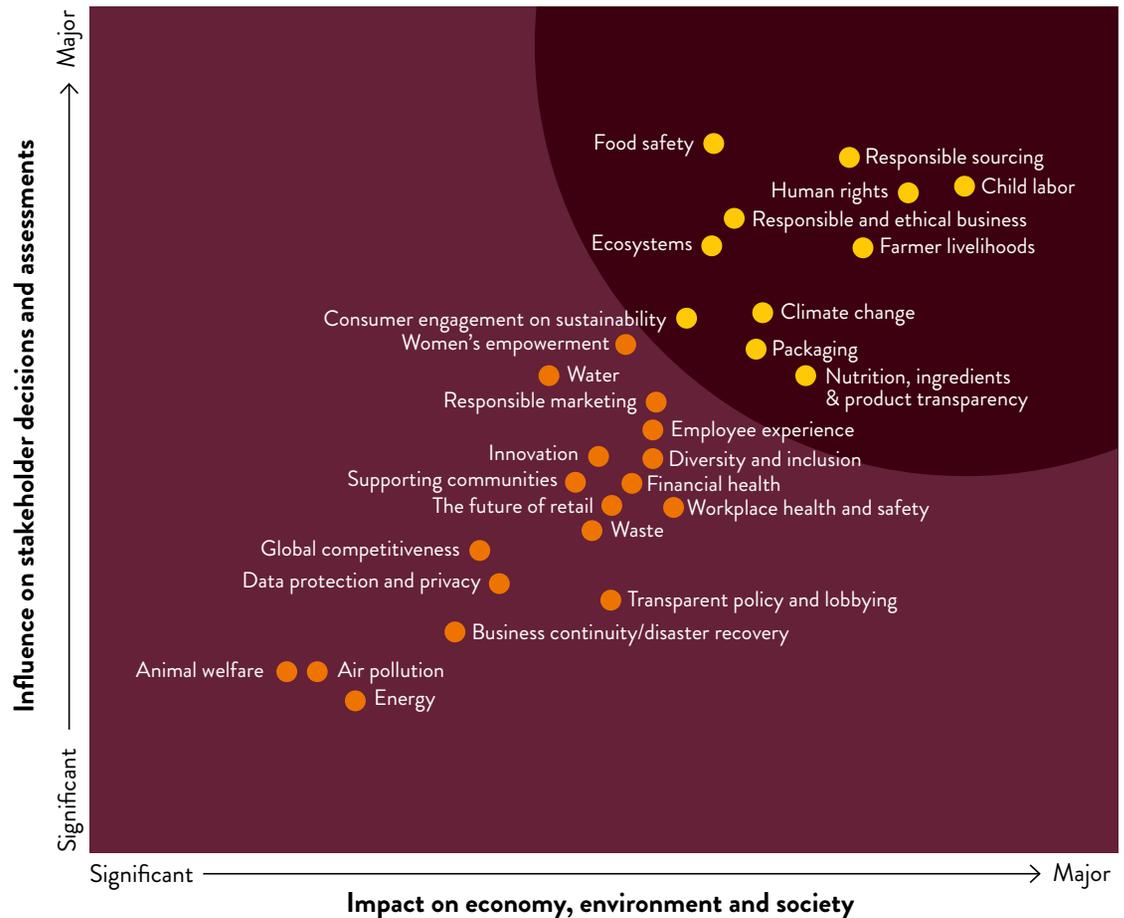
We also conducted an employee materiality survey. More than 1,200 randomly selected employees rated their top 10 most material issues and how Hershey was performing against them.

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

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

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



**Key**

- Material
- Important

# STAYING SECURE, TRANSPARENT & RESILIENT

## DATA PROTECTION & 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.

## LOBBYING & TRANSPARENT POLICY

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

Company funds are used to periodically 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. We also publish a **report of advocacy expenditures** on the Investors section of our website annually.

## BUSINESS CONTINUITY & DISASTER RECOVERY

As a large organization with a global supply chain and multiple manufacturing operations, it’s vital for Hershey to be prepared for the unexpected. We use a comprehensive, adaptive approach through planning and integration of Enterprise Risk Management, Crisis Management, and Business Continuity to ensure we can respond effectively to crises and minimize downtime from disruptions.

In any crisis, people’s safety is our first priority. Our CEO is the leader of the Company Crisis Management Team (CCMT) with overall accountability for crisis planning, response and recovery. Our CCMT is charged with handling a range of incidents, and each site has a local team with clear decision rights and escalation thresholds.

Every three years the Global Security Team uses the Crisis Management process to assess our manufacturing and sales facilities as well as our distribution centers and co-manufacturing partners, checking the preparedness of their physical security, processes and communications. These are performed in conjunction with local stakeholders—such as fire departments and police services—to map the highest risks, including fire, natural disasters, power outages and others.

Additionally, the Global Security team works with and trains local crisis management teams to conduct risk-based, tabletop exercises to identify and remedy any gaps.

We have also worked to improve the security of our IT systems. In 2017, we invested \$28 million to implement a four-year Data Center Migration program, which will include a complete transformation of our data center footprint with two new, bicoastal data centers.



STRONGER TOGETHER

# BUSINESS

## A Recipe for Excellence and Integrity

Hershey's vision is to become an innovative snacking powerhouse, providing consumers with a portfolio of iconic brands spanning from sweet to savory. As we pursue our vision, we will never change our commitment to live our values of excellence and integrity—always working to the highest standards of product safety and championing consumer trust and transparency.

Our operations span continents and our supply chain includes large scale manufacturing as well as small family farms. This global reach gives us an opportunity to change thousands of lives for the better. From working to eliminate child labor and fostering economic resilience in cocoa communities to driving environmentally sound agriculture practices and protecting human rights in a complex supply chain, we're crafting safe, delicious products consumers can love—and trust.

## Progress highlights

**90%**

of cocoa was certified and sustainably sourced in 2019, and 100% as of January 2020

**#7**

in Morning Consult's Most Trusted Brands Consumer Survey

**100%**

of our wholly owned facilities are Global Food Safety Initiative (GFSI) certified



# QUALITY INGREDIENTS, PRODUCT NUTRITION & TRANSPARENCY

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



## Sweet



## Savory



# No Compromise on Food Safety

Robust food safety is non-negotiable to us, and we are proud that consumers trust our products. Hershey has some of the highest food safety production standards in the industry. We go beyond compliance with national and international standards, and every part of our manufacturing process is subject to rigorous oversight and auditing.

We maintain a Product Excellence Program (PEP), which is informed by the Quality Management System for Food Safety, Regulatory Compliance and Product Quality procedures. PEP is focused on identifying, reducing and eliminating risk throughout all stages of product production including product design, the supply chain and distribution.

Our Quality and Regulatory Compliance (QRC) team continually reviews and evaluates emerging regulations and industry practices to ensure PEP is meeting the latest requirements and thinking. PEP's elements currently meet or exceed current Global Food Safety Initiative (GFSI) standards and keep Hershey compliant with global food safety regulations. All Hershey owned manufacturing facilities are GFSI certified, which is an independent verification of the strength of our food safety and quality systems. In addition, we require 100 percent of our manufacturing facility employees to undergo food safety and quality training annually.

## DRIVING FOOD SAFETY BEYOND HERSHEY

Hershey sources 100 percent of ingredients from suppliers approved through the Hershey Supplier Quality Management Program, which is defined and executed in compliance with applicable GFSI and regulatory requirements. Hershey has also been working with suppliers to help them achieve certification under a recognized GFSI Standard and has made great progress toward the goal of sourcing 100 percent of our ingredients from GFSI-certified suppliers, with 87 percent of our suppliers globally having achieved certification. In addition, throughout 2019, leaders working in our supply chain completed a three-part interactive Food Safety Awareness program.

We also focus on food safety education within the community. In May 2019, members of the QRC team led Turn it Teal initiatives in support of the National Food Allergy Awareness Week. This included public education events and lighting-up company and town landmarks in teal, the official color of food allergy awareness. Approximately 1,500 members of the public joined in education events and activities.



2019

# 100%

of Hershey wholly owned facilities are GFSI certified

Globally, 87% of our suppliers are GFSI certified (note: this is based on the number of suppliers not volume)



# Offering Innovation, Choice & Transparency

Today’s consumers are seeking healthier options and wanting greater transparency about what is in the food they are eating. As a consumer-focused company, we seek to meet these changing preferences with choice and transparency.

Through our work with SmartLabel™, we offer consumers greater transparency through a convenient digital platform that enables access to ingredient information on 90 percent of our U.S. products.

We continue to grow our snacking spectrum and have evolved from being solely a confectionery-based company to also offering brands focused on fueling healthier lifestyles, like SkinnyPop, One Bars and Oatmega. In addition, we’re

# 22%

increase in sales growth for sugar-free chocolate

taking some of our most iconic brands, and creating new options that offer choice to consumers looking to control sugar, fat and portion sizes. For example, our iconic Reese’s Peanut Butter Cups now also come in thins and sugar-free versions.

To further this work, we maintain a Food Claims Review Council in the U.S. that acts as a collaborative, cross-functional team of regulatory, nutrition and legal partners.

The Council provides guidance with regard to product claims, labeling, marketing and advertising early in the innovation process to ensure products are compliant and address consumer needs. In providing guidance, the Council touches upon a wide variety of topics including nutrition, ingredients, sustainability, responsible sourcing and product certifications.

As we work towards our vision to become an innovative snacking powerhouse, our work on innovation, choice and transparency helps us meet our consumers’ standards and take part in every snacking occasion.

## 2019 PROGRESS

Percentage of our portfolio with a live SmartLabel™ landing page with detailed product, ingredient and allergen information (excluding multi-product assortments and Krave Jerky)



\*The drop in SmartLabel™ compliant products is due to recent acquisitions



# MARKETING RESPONSIBLY

## WHY IT MATTERS

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

## HOW WE DO IT

Hershey's marketing efforts are guided by principles that stress responsible practices, particularly in relation to children. Hershey is a member of the U.S. Children's Food and Beverage Advertising Initiative (CFBAI), which is a voluntary self-regulation program created to improve the landscape of food advertising directed to children under the age of 12. Under our individual CFBAI pledge, we commit to not engage in advertising primarily directed at children under 12. For measured media, like television, radio and print, that means we do not purchase advertising on programming for which 30 percent or more of the annual audience on average is composed of children under 12.

For unmeasured media, we use a multifaceted analysis to determine whether the media is child-directed, including factors such as an assessment of the target audience and the overall impression of the advertising or site's content. We are also committed to not using third-

party licensed characters in advertising primarily directed to children under 12. Hershey submits an annual self-assessment to CFBAI that provides detailed information on its compliance procedures, ads distributed in children's media and advertising plans. In Canada, we have signed a pledge with the Canadian CFBAI that commits us to similar standards and

principles we are held to in the U.S.

By agreement, we allow selected third parties to display our well known brands on a variety of high-quality food and non-food items to be sold in various outlets throughout the world. We are also proud of the positive role our products play in raising funds for a wide range of

organizations and programs, including elementary and secondary schools. That said, we do not advertise our products to children in elementary schools and we do not license our brands for use on educational material or materials intended for use primarily in elementary schools.



# 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 the origins of several of those resources.

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

# RESPONSIBLE SOURCING

## WHY IT MATTERS

Every year, Hershey buys thousands of tons of cocoa, sugar, dairy, nuts and other ingredients and raw materials from all over the world. Each presents unique sourcing challenges, since environmental, social and labor practices vary by region. Regardless, we strive everyday to safeguard human rights and use our scale to implement sound agricultural practices and protect the people and ecosystems behind the ingredients that make our iconic, delicious snacks.

## HOW WE DO IT

All suppliers are expected to abide by our [Supplier Code of Conduct](#). We also maintain several commodity-specific requirements for suppliers including our:

- [Sustainable Sugar Sourcing Policy](#)
- [Responsible Palm Oil Sourcing Policy](#)
- [Pulp and Paper Sourcing Policy](#)
- [Farm Animal Welfare Position](#)

In early 2019, we published our [Human Rights Policy](#), after conducting an in-depth assessment of our most salient human rights issues. We also launched our [Environmental Policy in 2019](#). Both policies guide Hershey’s activities within our supply chain and throughout our direct operations.

In the past year, we also updated our Supplier Code of Conduct to incorporate our new human rights and environmental policies. This involved engaging multiple external stakeholders including suppliers, peer companies, [Verité](#) (a leading human rights nonprofit) and other NGOs and associations focused on labor rights and human rights.

We work with credible sustainability certification organizations from [UTZ](#), [Rainforest Alliance](#), [Fair Trade USA](#), [Bonsucro](#) and the [Roundtable on Responsible Palm Oil](#) (RSPO) to make sure environmental and social conditions along our supply chain meet a high standard. Hershey uses independent sustainability standards because they inform best practice in our industry and are trusted by consumers and other external stakeholders.



## RESPONSIBLE SOURCING COMMITMENTS AND PROGRESS 2019

<b>Cage-Free Eggs</b>	By 2020, source 100% certified cage-free eggs for the U.S. and Canadian* markets from cage-free farms that are in accordance with the American Humane Certified program	75%	Target 100%
<b>Cocoa**</b>	By 2020, source 100% certified and sustainable cocoa through: <ul style="list-style-type: none"> <li>• Fair Trade USA</li> <li>• Rainforest Alliance (UTZ)</li> <li>• Suppliers’ standards meeting the international ISO/CEN criteria</li> </ul>	90%	Target 100%
<b>Coconut</b>	By 2020, source 100% certified coconut through Fair Trade USA	75%	Target 100%
<b>Palm</b>	By 2020, achieve 100% RSPO-certified mass balance palm oil and 100% traceability	100% RSPO	99.8% traceable to the mill
		50%	traceable to the plantation
			Target 100%
<b>Pulp and Paper</b>	By 2020, source 100% virgin fiber pulp and paper products in the U.S. and Canada from third party-certified suppliers (Forest Stewardship Council, Programme for the Endorsement of Forest Certification or Sustainable Forestry Initiative)	100%	Target 100%
<b>Sugar</b>	By 2020, source 100% certified and sustainable sugar	65%	Target 100%

\*During our 2019 financial year, Hershey committed beyond our existing U.S. and Canada goal by adopting a commitment to source 100% cage-free eggs globally by 2025.

\*\*Goal achieved as of January 2020.

# EMBEDDING HUMAN RIGHTS

## WHY IT MATTERS

Hershey was founded on the principle of doing well by doing good. For more than 125 years, we have operated our business understanding that we are integral members of the communities where we live and work. The remarkable and diverse people employed by Hershey and the individuals who work along our value chain are some of our most important resources. Guided by an approach that identifies, assesses and prioritizes the most significant human rights risks in our value chain, we use our direct business relationships and leverage to enable all to exercise and enjoy their fundamental human rights.

## HOW WE DO IT

In early 2019, we released our first enterprise-wide [Human Rights Policy](#). It is publicly available in six languages on our [website](#) and was launched to employees by our CEO at a company-wide town hall. The policy follows the guidance of the United Nations Guiding Principles on Business and Human Rights (UNGPs) and was developed with input from diverse stakeholder groups including Hershey employees, labor organizations, investors, governments, and nonprofit and civil society actors.

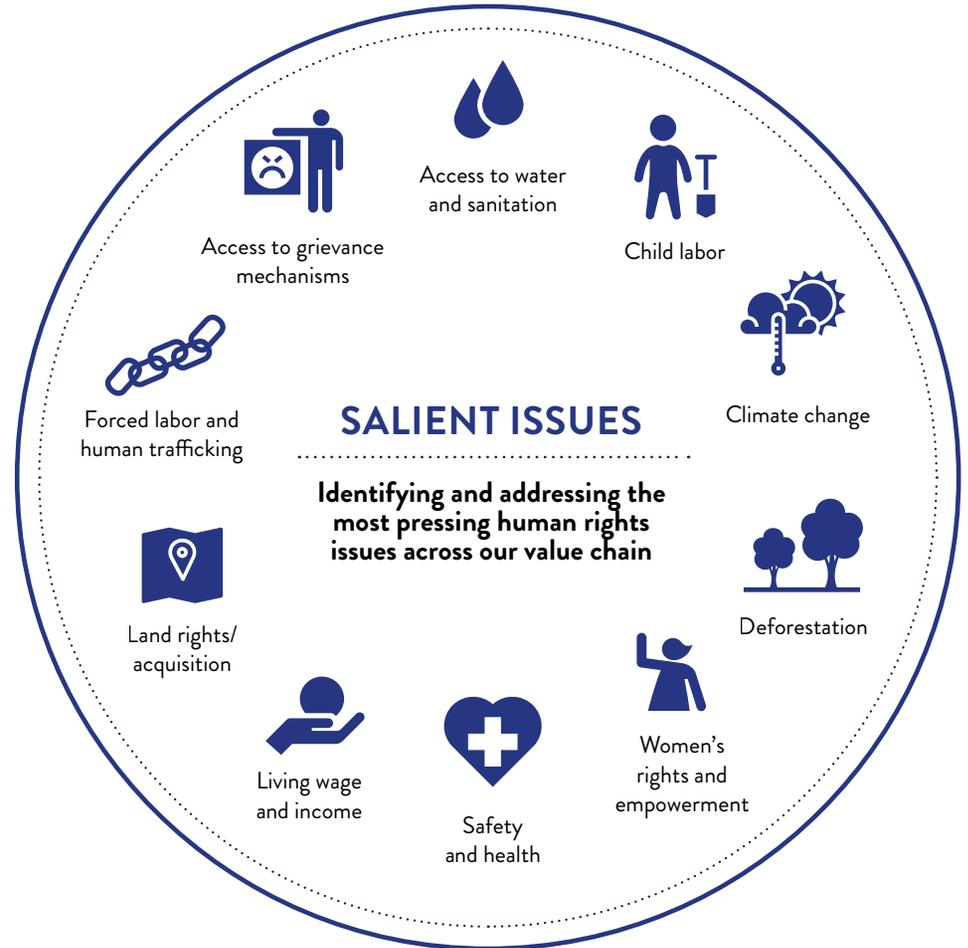
During 2019, we also integrated human rights into our learning and development program and new employee orientation. This process included creating an e-learning module that covers the UNGPs, Hershey’s salient human rights issues, high-level considerations for human rights and purchasing practices, and guidance on being an internal champion for human rights. This training is mandatory for all

global procurement professionals across Hershey and is strongly encouraged for leaders in functions like manufacturing, legal and human resources, as well as certain commercial functions.

To further inform our human rights actions and approach to human rights due diligence, we also partnered with Verité on a methodology to identify and assess current and future human rights risks across our key ingredients’ and materials’ value chains and geographic footprint. Using a set of indicators from more than 12 external data sources—including U.S. Departments of State and Labor reports, the UN Multidimensional Poverty Index, UN Migrant stock data, the International Trade Union Confederation (ITUC) Global Rights Index and the UN Gender Inequality Index—we identified risks and opportunities to guide programming over the next few years. As a result of this partnership, we now have a replicable framework for conducting human rights due diligence across our facilities and supplier base.

Read more about our work with Verité [here](#).

Finally, we recognize that addressing human rights issues requires partnership and coordination. Our partnerships with nonprofit organizations and pre-competitive industry collaborations play a critical role in informing our strategies. In 2019, we co-led an AIM-PROGRESS working group focused on identifying strategies for training buyers and procurement professionals on human rights topics. A more comprehensive list of our human rights partnerships and efforts is available [here](#).



## WATCHING ISSUES



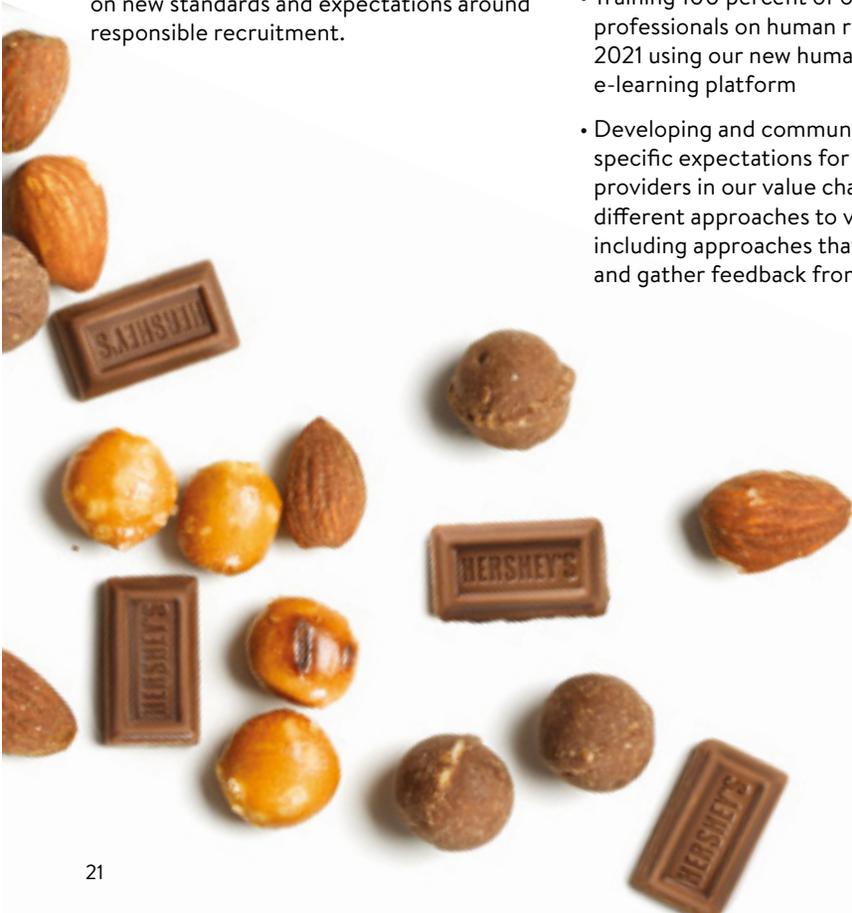
## OUR PROGRESS

Using the human rights due diligence tool we developed with Verité, we evaluated all of our Tier 1 raw material and packaging suppliers as well as our co-manufacturers, co-packers and licensees. We then developed a prioritized list for further supplier due diligence as part of our newly-revised Responsible Sourcing Tier 1 Supplier program. We also mapped and collected data on all our direct labor service providers globally to begin work on new standards and expectations around responsible recruitment.

## WHAT'S NEXT

During 2020, we will continue to engage with key stakeholders to elevate our work to promote human rights across Hershey's entire value chain. This will include:

- Launching our newly-revised Responsible Sourcing Tier 1 Supplier program, including communicating our new Supplier Code of Conduct and implementing our new social compliance and human rights due diligence program
- Training 100 percent of our procurement professionals on human rights by 2021 using our new human rights e-learning platform
- Developing and communicating more specific expectations for labor service providers in our value chain and piloting different approaches to verification, including approaches that directly engage and gather feedback from workers.



## PROMOTING DIVERSITY WITHIN OUR SUPPLY CHAIN



Hershey actively supports an inclusive marketplace through our supplier diversity program that creates business opportunities for qualified and diversely-owned enterprises. Besides enabling us to represent and better understand our consumers, diverse supply chains drive innovation and fresh thinking and reflect our diverse employee base, cementing their pride and sense of engagement in working for our company.

To promote and educate on supplier diversity across our business, we operate a Supplier Diversity Roundtable with representatives from each procurement area, as well as our Manufacturing Alliances. We also have access to a searchable supplier database to help identify diverse suppliers.

Additionally, our procurement contracts request that our suppliers utilize diverse suppliers and report their diverse spend attributable to Hershey. To ensure compliance, we track quarterly the internal reporting of diverse spend of both Tier 1 suppliers (those directly supplying us with goods and services) and Tier 2 suppliers (those who supply our Tier 1 suppliers).

Currently, we track spending with minority, women, veteran, LGBTQ and disability-owned businesses. Hershey annually reports this performance through our [DiversityInc](#) submission.

In 2019, we developed a new Supplier Diversity Strategy, which we will be launching in 2020, paving the way for further growth and development in addition to internal and external engagements.





## Partnering for Sugar Sustainability

Since 2016, Hershey has partnered with our supplier American Sugar Refining and Belize's Sugar Industry Research and Development Institute to continue our Learn to Grow program for Belize's sugarcane farmers. The program uses a field farmer model to help farmers learn about and implement sustainable growing practices. During the past three years, more than 1,600 farmers have participated in the program and benefited from increased yields while lowering their environmental impact. We've been so pleased with the results that in November 2019 we launched a Learn to Grow sugar program in Mexico.

We've also been expanding our approach to responsible sugar in other ways. We continue to purchase Bonsucro Certified Mass Balance sugar in the U.S., Canada and Brazil, as well as a small volume of Fair Trade USA sugar. In addition, we ensure that all the facilities we source sugar from in the U.S. have an up-to-date ethical trade audit from SEDEX, a leading nonprofit focused on improving ethical performance in corporate supply chains.

# PARTNERING FOR BETTER PALM OIL

## WHY IT MATTERS

Hershey recognizes that palm oil has impacts on forests, biodiversity and producer communities that make it a challenge to grow and source responsibly. While we buy a relatively small amount of palm oil, we are committed to the highest standards in responsible and sustainable palm oil sourcing. This is why, in 2014, Hershey committed to sourcing 100 percent responsibly grown palm oil that protects forests and peatlands and is free from labor exploitation. We want to help embed the highest standards in palm oil production, enabling the industry to fight environmental degradation and provide safe, fair and dignified work to thousands.

## HOW WE DO IT

To deliver our [Supplier Code of Conduct](#) and our commitment to No Deforestation, Peat and Exploitation (NDPE) in our [Responsible Palm Oil Sourcing Policy](#), Hershey engages with partners such as [Earthworm Foundation](#) to work toward a fully-traceable palm oil supply chain and invest in transformation projects in key sourcing areas.

To increase transparency on NDPE issues found within our supply chain, we developed a public grievance [procedure](#) and [log](#). This formally discloses how we engage our suppliers so that they can push for meaningful and decisive

correction plans that address root causes. If the palm oil companies fail to comply with specified human rights and environmental standards, we will instruct our suppliers to discontinue working with them. Through Earthworm Foundation's Engagement for Policy Implementation tool, we continue to deepen engagement with suppliers to better understand and support commitments and progress toward achieving an NDPE palm oil supply chain.

## OUR PROGRESS

In 2019, we remained committed to purchasing 100 percent RSPO, mass-balance palm oil. For all palm oil and palm kernel oil purchased in 2019, we maintained 99.8 percent traceability to the mill year over year and increased traceability to the plantation to 47.4 percent.

We improved our plantation traceability in 2019 by increasing engagement with our suppliers to report on their traceability data and reallocating business to suppliers that are more committed to traceability and reporting progress. In 2020, we continue to work on increasing traceability to plantations.

Hershey is a proud supporter of Earthworm Foundation's Areas for Priority Transformation (APT) project in the [Aceh Tamiang](#) and [Southern Aceh](#) regions of Indonesia, areas of rich biodiversity near



to the Leuser Ecosystem and the Rawa Singkil Wildlife Reserve. APT endeavors to cultivate long-term collaboration between the industry, local NGOs and government to develop transformation activities in the region, which has since seen a 60 percent reduction in deforestation between 2016 and 2019.

## WHAT'S NEXT

In 2020, Hershey will join the APT Steering Committee and co-fund several other Earthworm Foundation-led projects in key sourcing regions including East Riau, Indonesia and in Malaysia to strengthen our palm oil supply chain.

**For more information please visit our [palm oil facts page](#).**



# COCOA FOR GOOD

In 2012, Hershey committed to sourcing 100 percent certified and sustainable cocoa by 2020, which we achieved at the start of the year. In 2018, we further strengthened our cocoa sustainability efforts with our Cocoa For Good program that holistically addresses systemic social and environmental issues in our cocoa supply chain.

Child labor, poor nutrition and deforestation are all symptoms of poverty. Through Cocoa For Good, Hershey aims to disrupt the cycle of poverty while also addressing each of these symptoms directly. The program works to increase the profitability of cocoa farming as well as diversify incomes at the household level, educate families on the value of savings, empower communities, foster women's leadership and improve the quality of nutrition and access to education.

Cocoa For Good is backed by Hershey's commitment to invest \$500 million by 2030. In 2019, 21 percent of our global cocoa needs were sourced from specific farmer groups where Hershey invests in Cocoa For Good programming.

## At a Glance—Cocoa for Good Explained

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



### PURPOSE

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



### PRINCIPLES

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



### PRACTICES

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

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



### PARTNERS

We work with partners and support initiatives that correspond to our impact areas.

In 2019 our partners included:

- **Nourishing Children:** Global Alliance for Improved Nutrition (GAIN), Hellen Keller Foundation, International Cocoa Initiative (ICI), Project Peanut Butter, The Sustainable Trade Initiative (IDH) and Transforming Education in Cocoa Communities (TRECC)
- **Empowering Youth:** Aflatoun and Inades, CARE International, CocoaAction, ICI and TRECC
- **Prospering Communities:** Bill & Melinda Gates Foundation, CARE, CocoaAction, ICI and USAID
- **Preserving Ecosystems:** Cocoa & Forests Initiative (CFI), Impactum, Nature Conversation Resource Centre, Pur Projet and USAID



# WORKING WITH COCOA COMMUNITIES TO END CHILD LABOR

## WHAT IS CHILD LABOR?

Hershey uses the [International Labour Organization](#) (ILO) definition:



**Child labor is often defined as work that deprives children of their childhood, their potential and their dignity, and is harmful to physical and mental development.**

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

The worst forms of child labor put children at the greatest risk and are the highest priority for elimination.

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

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

As of 2019, Hershey's Child Labor Monitoring and Remediation Systems (CLMRS) found no evidence of forced labor in Hershey's cocoa supply chain.

Hershey does not tolerate child labor within our supply chain and is working to eliminate it from occurring within cocoa communities. We also recognize that in our cocoa-growing communities child labor is driven by poverty and is an incredibly complex issue. In many communities, child-friendly work on the farm or in the household is an important part of young people's learning and development. However, a lack of stable income and education opportunities in rural areas often leads to children putting in long hours at home and on family farms, which is often the family's sole source of income. This, in turn, puts children at risk of performing inappropriate or hazardous farm work.

At Hershey, we strongly believe children should not be deprived of their childhoods due to economic circumstances. This belief drives our approach toward eliminating child labor within cocoa communities.

## HOW HERSHEY SUPPORTS THE PREVENTION, IDENTIFICATION AND REMEDIATION OF CHILD LABOR

In 2018 and 2019, we introduced CLMRS through our suppliers on Cocoa For Good farms and in their local communities in Côte d'Ivoire and Ghana.

CLMRS is the leading method of detection and remediation of child labor among children ages 5 to 17 years old and was developed through the International Cocoa Initiative (ICI). It leverages both supply chain

structures and community-based groups to identify child labor and to monitor and remediate when cases are found.

Reporting results is a critical component of building local capacity to deliver a robust CLMRS program. Under CLMRS, both members of local farmer groups and our suppliers' staff become facilitators that receive training and build skills to detect and report instances of child labor. At the same time, a community-level child protection committee is equipped to do the same. As trusted community members, both these groups are in the best position to raise community awareness, identify cases of child labor and implement the most appropriate child safeguarding practices to remediate those cases.



CLMRS remediation varies depending on the kind of labor children are found to be doing. In 2018–2019, CLMRS reviewed and assessed 68,988 children who were living in cocoa-growing communities. Of the children assessed by the monitoring system, 6.7 percent were found to be doing inappropriate work on family farms and were supported by our CLMRS programs.

Most instances of inappropriate child labor involve tasks such as carrying heavy loads like firewood or water, coming into contact with agrochemicals or clearing away bushes.

As we work to eliminate child labor, we support remediation initiatives that address entire families. In many instances, something as simple as providing family farms with a wheelbarrow (434 provided in 2019), clean cook stoves (276 provided) or better tools, like the **Pelle Bongo** knife to ease cocoa pod breaking (665 provided), can have a positive impact. By improving the farmer’s ease and efficiency of completing tasks around the farm, the need for children to lend a hand with more hazardous tasks is reduced.

68,988

5–17-year-olds currently being monitored by CLMRS

29,744

farmers and 330 supplier personnel trained on child labor issues

Any child involved in hazardous activity is identified and information about his/her situation recorded in a centralized database

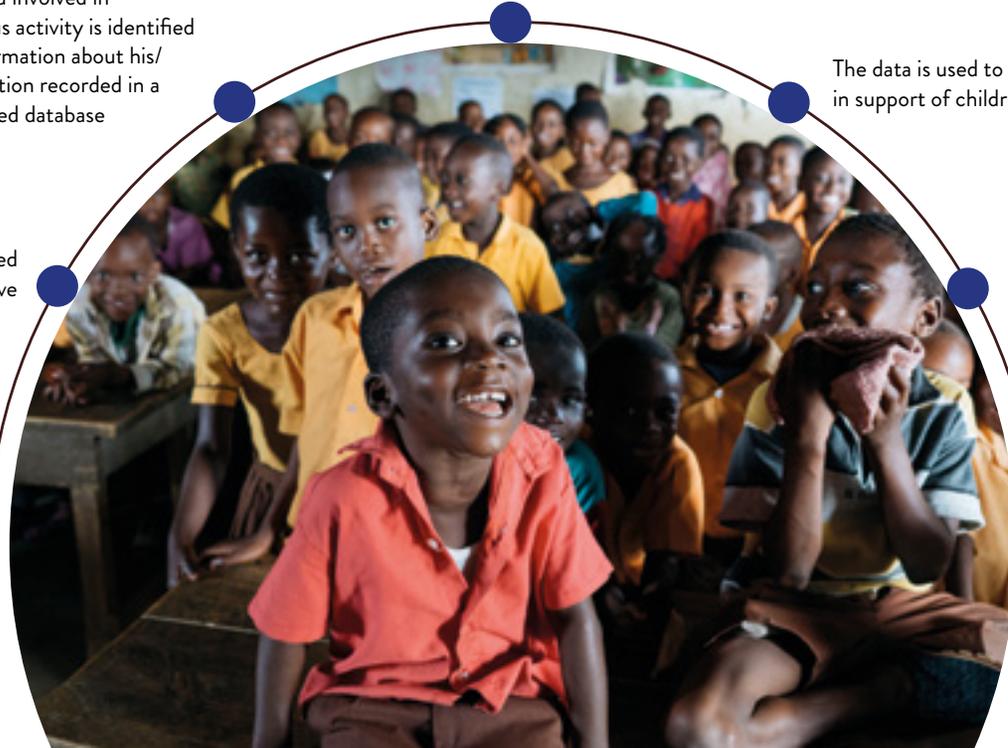
The report is verified

The data is used to design actions in support of children identified

Community facilitators visit every farm assigned to their cooperative

Children and their families receive remediation support from supply chain facilitators and the ICI

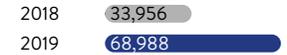
How CLMRS is helping kids be kids



2019 PROGRESS

Detection and Reporting\*

Children monitored\*



Children identified doing inappropriate work and in process of remediation\*



Children identified in forced labor



\*We are continuing to expand our CLMRS program to cover a greater portion of our supply chain year-over-year. The current increases in children monitored and children identified doing inappropriate work is reflective of the continued growth of the program.

Capacity Building

Monitoring & Remediation Agents and Community Liaisons (PAID)



Community Child Protection Committee members or Equivalent (VOLUNTEER)



**CREATING ACCESS TO EDUCATION**

Investing in education is another key part of our holistic strategy and has been proven to lower the risk of child labor<sup>3</sup>. In 2019, Hershey launched two new fully equipped schools in Côte d'Ivoire in partnership with local cocoa cooperatives, the national cocoa authority and the Ministry of Education. The schools each have a capacity of 250 students, housing for six teachers, solar panels, latrines, a kitchen and a well with potable water that is available to the larger community. We continue to invest in school infrastructure improvements to support the quality of education and School Management Committees to manage schools properly.

Through the **TRECC** initiative, we also continue to offer bridge classes, designed to support students in catching up on missed schooling before re-enrolling. In addition, we support families in obtaining birth certificates for school enrollments. Families often are not aware that children need a birth certificate to graduate from primary school and move into secondary schooling. At the same time, parents do not always know that the certificates are free at birth. This creates challenges for their children later in life.

**PREVENTION IS OUR PRIORITY\***

*Using education to keep kids out of child labor*



**1,296**

birth certificates obtained to enable access to school

**73**

classrooms renovated

**9,126**

school kits provided

**84,284**

children enrolled in primary schools that benefited from quality education interventions

\*2019 data



Image Courtesy of Fair Trade USA

<sup>3</sup> NORC report, to be released mid-2020

## EMPOWERING YOUTH

To break the cycle of poverty, today's youth in cocoa communities need to be equipped with tools and knowledge to become self-sufficient community leaders of the future. However, the majority of youth (15 to 30-year-olds) in Côte d'Ivoire's cocoa communities today have received limited or no education.

Many do not have a job or prospects for a stable income. Hershey's Cocoa For Good strategy is supporting programs that teach core life skills and provide resources to help more young people successfully transition into a thriving adulthood. For instance, we partnered with TRECC to pilot a youth life skills and financial literacy curriculum. Participants benefited from weekly training sessions and visits with microfinance institutions, cooperatives and other actors along the cocoa supply chain. In addition, the program helped set up 10 savings groups to support youth in saving more and investing in their own income-generating activities.

Furthermore, we want today's youth to be economically resilient in the future. We believe introducing young adults in cocoa growing communities to income diversifying opportunities will be key to helping these individuals live more financially secure lives. In 2019, we held training sessions for 439 young adults (37 percent women) with chocolatier Les Douceurs de Suzanne to teach how to transform cocoa into chocolate and other products so that farmers may sell finished goods as well as cocoa beans.

Another initiative is the development of market gardens. This work is now perceived as a real source of income and 31 gardens (including tomatoes, eggplants, spices, okra and cucumbers) have been set up as collective and individual income-generating activities.

## WHAT'S NEXT

Hershey will continue to work closely with stakeholders across the cocoa industry and the governments of Côte d'Ivoire and Ghana to streamline efforts and focus on high-risk areas. We believe that through these partnerships, we can have a catalytic effect that drives deep systemic change.



# Nourishing Children to Build Bright Futures

Many children in Ghana and Côte d'Ivoire go to school with empty stomachs. Many more suffer from nutrition-related illnesses such as anemia. The World Bank (2016) [reports](#) that anemia prevalence among children under five in Ghana is 67 percent. Not only does anemia rob children of energy, it also causes absenteeism from school, poor academic performance, stunted growth and low weight. At worst, it can be fatal. UNICEF reported that anemia is responsible for approximately 78,000 deaths annually of children under five years old in Côte d'Ivoire.

We produced more than

# 56 million

sachets of ViVi

## PROVIDING SCHOOL FOOD PROGRAMS WITH ViVi

Cocoa For Good promotes proper nutrition and school feeding programs to energize learning. Since 2015, we have been distributing ViVi—a peanut-based fortified snack—to school children in Ghana daily. ViVi was developed by Hershey and our partner Project Peanut Butter and provides children with 30 percent of their daily nutritional intake requirements.

Between 2014 and 2019, we produced more than 56 million sachets of ViVi, which have been distributed to over 265,000 children in Ghana. Research<sup>1</sup> shows this has resulted in an increase in both school enrollment and regular attendance as well as improved academic performance. It has also reduced the prevalence of anemia in those receiving ViVi by 11–81 percent<sup>1</sup>.



Image Courtesy of Fair Trade USA

# 100 percent

of peanuts used in ViVi were locally sourced and roasted, benefiting local farmers

Since the inception of the factory, 30 jobs have been created. We have also been working with our partners to improve the peanut value chain in Northern Ghana to increase the amount of locally-sourced peanuts in ViVi and further strengthen the local economy. In 2019, 100 percent of peanuts used were locally sourced and roasted.

Due to ViVi's success in Ghana, we will be expanding the program to Côte d'Ivoire. In 2018, we began building a factory in San-Pedro, Côte d'Ivoire, to produce and distribute ViVi to 25,000 school children in the country. The launch and product distribution are planned for mid-2020.

## PROMOTING HEALTHY CHOICES AT SCHOOL AND AT HOME

Feeding children well at school is only one piece of the puzzle. To help kids develop to their full potential, they need access to safe, healthy choices at home too.

During the year, 11,050 community members were trained on health and nutrition practices and 21,194 farmers received guidance on crop diversification for new foods that will both support better nutrition for their families and provide additional sources of income.

## 2019 PROGRESS

Children receiving ViVi on a daily basis



Total ViVi schools in Ghana



Total ViVi sachets distributed



Total community members trained on nutrition and health



<sup>1</sup> Steiner-Aseidu, M (Prof) & Saalia F.B. (Prof) (2016–2018) A Pilot Study to Determine the Efficacy of Consuming Highly Fortified Groundnut Nutritional Supplement on the Nutritional Status of School Children, University of Ghana

# Prospering Communities—Growing Resilient Farmer Livelihoods

Cocoa is frequently the sole source of income to those who grow it. Furthermore, cocoa farmers are often the economic lynchpins of their communities. However, as a commodity, the price of cocoa can be volatile, creating an unstable livelihood for those who rely on it. This is further compounded by climate change, which makes growing seasons less predictable.

Access to diverse income sources, economic literacy and resources to grow savings are needed for these communities and families to truly thrive, build resilience to market and climate shocks and break the cycle of poverty.

We provide the resources—such as farm development plans, community development opportunities and business skills training—to enable more farmers to transition out of poverty and more communities to prosper.

## DIVERSIFYING AND STRENGTHENING ECONOMIC OPPORTUNITIES

To help diversify economic opportunities, we support cocoa community members in developing alternative means of generating income, including vegetable farming and snail rearing. In addition, we support non-farming income streams such as soap making and cassava processing. In 2019, 7,852 farmers (48 percent female), were trained in alternative income-generating opportunities.

Women participating in these activities self-reported a 70.5 percent increase in income\*.

Furthermore, there are economic gains to be made for farmers by improving the yields of their current farm operations. Farm rehabilitation and intensification practices are needed to rejuvenate cocoa production due to aging trees and diseases. Through Cocoa For Good, farmers have access to higher-yielding cocoa varieties and training in the pruning of shade and cocoa trees, fertilization, maintenance of irrigation and control of weeds and disease. Farmers in the Cocoa For Good program have shown a 3–24 percent increase in yields over the past three years\*.



### Farmers supported directly through Cocoa For Good to improve the quality and yields of their cocoa



### Community members trained in additional livelihoods



### Total farmers trained on crop diversification



\*CocoaAction Surveys (2016-2018)

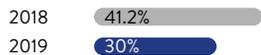
### COMMUNITY-LED DEVELOPMENT

We support community-led development in partnership with CocoaAction—a World Cocoa Foundation program that aligns key initiatives and reporting among the world’s biggest cocoa and chocolate companies. Communities participate in needs assessments and those selected are helped to set up community action committees to develop their own plans and receive implementation support over a two-year period. In 2019, we expanded our CocoaAction development strategy from 94 to 120 communities. We also trained farmer organizations and communities on gender sensitivity, helping community governance structures reach 30 percent female representation.

#### Community action plans\*



#### Female participation in community governance structures



Another of our programs provides farm development plans and coaching so growers can rehabilitate and intensify their farms and build climate resilience. This work helps farmers attain skills, engage networks and cooperatives, access services 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.

#### Farm development plans



#### Farmers receiving individual coaching



#### Cocoa farmers trained in business skills



\*Community action plans include some non-CocoaAction communities.



## Diversifying Crops to Improve Nutrition and Incomes

Cocoa For Good assists farmers in cocoa communities to diversify their incomes and become more economically resilient by giving them resources to grow different crops. Between 2014–2019, we partnered with the World Cocoa Foundation to launch the Cocoa Livelihoods Program, which is aimed at increasing smallholder households’ productivity of cocoa and food crops in West and Central Africa.

Our partnership has reached nearly 24,000 farmers in Ghana, with a focus on:

- Increasing field capacity to train farmers on nutrition and a variety of food crops, including vegetables, chili, ginger, rice and others
- Strengthening cocoa productivity activities such as increasing yields, providing tailored farmer coaching and enabling access to credit and quality seedlings
- Expanding support for female farmers through income-generating activities

Our research shows that our trainings have led to increased quality of life and 30 percent more income for participating farmers.





## Supporting Women in Achieving Economic Independence

Village Savings and Loan Associations (VSLAs) are a simple, accessible way to help individuals—especially women—and communities learn about saving, borrowing and investing responsibly in their own businesses.

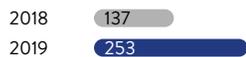
In partnership with our supplier Blommer Chocolate, Hershey now directly supports 114 VSLAs with 3,323 members, 89 percent of whom are women. In addition, we have witnessed a copycat effect that has spontaneously generated an additional 21 VSLAs in the community with 677 members (84 percent women). For us, nothing signifies true impact more than when others want to take our initiatives forward on their own. To help support their success, these spontaneous groups have also received some mentoring from our team.

In each of the VSLAs, approximately 30 participants are grouped together. They meet on a weekly basis and save together. They are also provided with cashboxes and savings

books as well as coaching to ensure money is handled properly. The group’s members are likely to be either completely unbanked or would be unable to qualify for a loan through traditional financial providers. In VSLAs, loans are based on trust among group members. The groups also create a small solidarity fund that is dispensed either for collective problems (such as repairing a village water pump) or individual emergencies such as a member giving birth.

By the end of 2019, these 114 VSLAs had saved \$278,884, including interest, since the inception of the VSLA program in 2018. Approximately 80 percent of the savings have been loaned to members. The loans have been used mainly to pay school fees and for starting and or advancing individual and collective businesses, giving more women the chance to share their ideas and drive new opportunities for themselves and their families.

### Number of VSLAs set up



### Total VSLA members



### Total savings and interest accrued (as of December 31, 2019)



# Preserving Ecosystems With Sustainable Agriculture

In cocoa growing regions in West Africa, deforestation and the loss of biodiversity due to encroachment into protected areas is a manifestation of a complex set of root causes: poverty, the absence of land titles, a lack of clarity on land tenure arrangements, no knowledge of sustainable farming practices and poor law enforcement.

Furthermore, due to the loss of biodiversity in the growing ecosystem, farms are more at risk of shocks from extreme weather events. For cocoa, the stress on forest ecosystems has never been greater. To combat this risk, Hershey has committed to zero deforestation and is increasing agroforestry and shade-grown cocoa practices within our supply chain.

Hershey is a founding member of the [Cocoa & Forests Initiative \(CFI\)](#), which was launched in 2017 to focus on cocoa communities in Ghana and Côte

d'Ivoire. CFI is a framework for industry, governments and NGOs to work together to take action and protect the delicate ecosystems where cocoa is produced. Hershey has made significant progress toward attaining key results with CFI. Some highlights include:

- In 2019, we publicly shared our CFI Action Plans (2018–2022).
- Between 2018–2019, Hershey has mapped 91 percent of the farms we directly source from in Côte d'Ivoire and 86 percent in Ghana and increased the distribution of shade trees (approximately 240 percent).
- In 2019, we expanded our partnership with USAID through Supporting Deforestation-Free Cocoa in Ghana, which promotes affordable land documentation, landscape management and rehabilitation.



**Total farmers mapped (none are in natural parks and reserves)**



**Total farm area mapped (in hectares)**



## 7.4 million

cocoa trees/921,000 shade trees distributed between 2013 and 2019

**Community nurseries established**



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



**Total multi-purpose trees distributed**



**Land titles acquired with Hershey's assistance**



## Q *Enabling Landscape and Community-led Natural Resource Management*

Launched in January 2019, the Kakum Cocoa Agroforestry Landscape Program in Ghana is an exciting new partnership between Hershey, the Nature Conservation Research Centre, Ghana's Forestry Commission, the Ghana Cocoa Board and our supplier, Ecom Agrotrade Ltd. The purpose of the program is to transform the cocoa-forest landscape into a more sustainable cocoa agroforestry system.

The program has trained more than 250 community leaders to sustainably manage their cocoa farming and lands that surround the Kakum National Park—an area equivalent to 20 times the size of Manhattan. This has been done through the creation of by-laws, management plans and monitoring systems that protect the forest and its biodiversity, while improving farming practices and incomes.

One-third of trainees were women and there are now 31 Community Resource Management Committees set up across four larger areas covering over 20,000 hectares.

We also provided Climate Smart Agricultural training to 50 percent of farmers in Hershey's supply chain and distributed shade trees to all farmers in the program. In October 2019, Hershey received an award in recognition of our efforts and leadership toward Ghana's REDD+ implementation of the Ghana Cocoa Forest REDD+ Program for our work in Kakum.

2019

Total cocoa agroforestry area developed (in hectares)

# 11,134

2019

Total communities with a natural resource management plan

# 38

# PLANET

## Crafting With Care

Most of the ingredients we use to make our beloved brands come from the earth and are grown all over the world. Climate change, natural resource scarcity and extreme weather all pose risks to the snacks our consumers love, as well as the farmers and local communities we rely on. Hershey is committed to preserving ecosystems, reducing our impact on the climate and conserving natural resources. Not only is it the right thing to do, it's also critical for the long-term sustainability of our business.

## Progress highlights

# 23.6M

pounds packaging reduced since 2015

# 86%

average recycling rate at our manufacturing plants

# 13%

reduction in the GHG intensity of our products since 2015

12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	15 LIFE ON LAND	17 PARTNERSHIPS FOR THE GOALS

# MANAGING OUR IMPACT ON CLIMATE CHANGE

A resilient and healthy planet is critical for the ingredients and commodities we rely on to make our products. It is also necessary for maintaining thriving communities where we live, work and operate. Climate change increasingly poses a threat all along our value chain—from the farmers who grow our ingredients, to our employees who make our products and our consumers who are delighted by our delicious treats and snacks. Ultimately, we believe that our work on climate change should not be just about what Hershey can do for the world but should also consider what the world needs from Hershey.

Throughout our history, Hershey has set goals focused on reducing our environmental impacts. Wherever possible, we seek for our goals to be data driven and aligned with the latest science. In January 2019, Hershey committed to the Science Based Targets Initiative to set a science-based greenhouse gas (GHG) emissions reduction goal by 2021.

Having the right data is essential to understanding our impact on the environment and for making informed decisions on mitigating that impact. In 2017, we began to audit our Scope 1 and Scope 2 GHG emissions on a quarterly basis to have a deeper understanding of our operations. In 2019, we also began measuring our Scope 3 emissions—those generated outside of our direct business activities—to precisely assess our impact and highlight where we could make meaningful changes. Most of Hershey’s emissions come from our value chain, not our own facilities, and this is primarily due to sourcing agricultural ingredients.

We are on track to announce our science-based target in early 2021. Meeting that future goal will require many individuals and teams across Hershey to incorporate sustainability considerations into their work. Hershey will also be collaborating with peers to pre-competitively work on reducing emissions in our supply chain and at the farm level.

While we work to develop our science-based goal, Hershey continues to pursue our 25 by 25 commitments that were set in 2015 for 2025.



## Our 25 by 25 Progress



### Greenhouse gases

#### Reduce by 25%

1.7% reduction in absolute GHG emissions and a 13% reduction in GHG intensity achieved\*



### Water

#### Reduce by 25%

3.3% reduction in water consumption achieved\*\*



### Waste

#### Reduce by 25%

30% increase in waste generated



### Packaging

#### Reduce by 25 million pounds

23.6 million pounds reduction in packaging achieved (94% of the way to our goal)

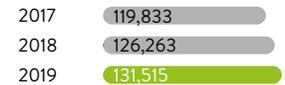
\* GHG, waste and water data excludes our plants in India and Malaysia as well as our Amplify and One Brands.

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

All goals measured against a 2015 baseline.

## 2019 PROGRESS

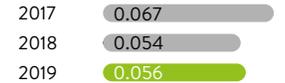
### Direct (Scope 1) GHG emissions (metric tons CO<sub>2</sub>e)



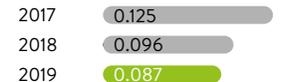
### Indirect (Scope 2) GHG emissions (metric tons CO<sub>2</sub>e)



### Direct (Scope 1) GHG emissions (metric tons CO<sub>2</sub>e per thousand pounds of product produced)



### Indirect (Scope 2) GHG emissions (metric tons CO<sub>2</sub>e per thousand pounds of product produced)



## A New Standard for Environmental Health & Safety

### WHY IT MATTERS

To meet our current and future targets, we need facilities that have sustainability concerns embedded into the way they operate. We also need systems that allow us to closely monitor performance so that we can accurately gauge our impact and see where we are on track and where we can improve.

### HOW WE DO IT

Hershey facilities are located all over the world and are designed and maintained to meet our leading quality and performance standards. During 2019, we raised the bar for the environmental performance of our manufacturing facilities and implemented our new Environmental Health & Safety (EH&S) management system.

The system has been modeled on the leading ISO 14001 and 45001 standards and we intend to have it rolled out to all our facilities by the end of 2022. We're especially proud of the fact that, in several cases, this new Hershey standard commits us to a more environmentally-robust approach than relevant regional or national legislation. In addition, standardizing practices make it easier to ensure legal compliance, regardless of location, and unites our people under one way of thinking about EH&S throughout Hershey.

### OUR PROGRESS

Development began in early 2019 and we have already finalized implementation plans for our plants in Mexico, Malaysia, Brazil and two of our U.S. plants. Under the system, each of our sites will identify their environmental impacts, including their emissions, spills, wastewater treatment and wastewater discharges, among other metrics. There is also a training component to help embed awareness at every level of each facility. In some cases, there have also been additional investments at sites to enable better monitoring—for example, new water meters at our Monterrey plant.

### WHAT'S NEXT

With implementation plans finalized, we are now focusing all our efforts on compliance. Initially, this will take place in 33 percent of our plants and we will expand to cover 53 percent of our plants in the next phase starting 2022.



# Protecting Our Water Supply

## WHY IT MATTERS

Water is the basis for all life, and secure access to healthy, clean water is a basic human right. As a responsible neighbor in the communities where we work, it's vital that we ensure our operations don't adversely impact the supply or quality of this precious resource.

## HOW WE DO IT

Our products are not water intensive in themselves, but our operations require a steady supply of high-quality water for manufacturing.

We continue to grow our awareness of water issues and future risks around this issue. We rely on stakeholder feedback, industry groups and tools such as the World Resources Institute's Aqueduct to gather information on future water risk affecting our offices and manufacturing plants. We have installed water meters where we have seen metering problems arise and we continue to monitor water usage by facility. We also request our suppliers to report on their water use, risks and management.

All our plants are guided by our 25 by 25 commitment to reduce water usage by 25 percent by 2025. Our plants in Monterrey and El Salto, Mexico are in water-stressed areas and, as such, have dedicated water management teams that are exploring how to use water more efficiently. Both plants are implementing a water management plan.

Some sites are adding internal meters so that they can better measure water usage

and identify where they are using more water than necessary—especially around cleaning. For example, in our Monterrey factory, the washer for the chocolate molds was found to be using several tons of water inefficiently. The facility installed meters, which led to efficiency measures and a 15 percent reduction in water in the chocolate mold washing processes.

Last year, we also installed water meters in our Reese plant which allowed us to more accurately measure the actual amount of water consumed by the facility. Prior to water metering, we were using water withdrawal as a proxy for water use. This led to a significant decline in our 2018 water consumption and skewed the actual percentage decrease towards our 25 by 25 commitment. Therefore, this year, we readjusted our 2015 water consumption baseline to account for water metering at the Reese plant and adjusted all other years of data accordingly.

During 2019, our facilities in Brazil modernized and automated their wastewater treatment plant. The plant was able to achieve a 44 percent reduction in the amount of chemicals used in the treatment process.

Thus far, Hershey has been able to reduce its total water use by 23.7 million gallons, supporting a 3.3 percent decrease in water use since 2015 and a 14 percent improvement in the water intensity of our products as part of our 25 by 25 commitments.



## 2019 PROGRESS\*

### Total water use (million gallons)



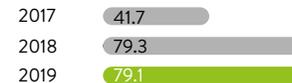
### Total water discharge (million gallons)



### Percentage of water withdrawal from ground



### Percentage of purchased water



### Water use (gallons per thousand pounds of product produced)



\*All data from 2017, 2018 and 2019 has now been revised and restated to include Hershey's operations in Brazil. This data excludes Hershey operations in India and Malaysia, as well as Amplify and One brands. Water figures for total water use and water use per product produced now represent a re-baselining for the Reese manufacturing plant.

# Working Towards Zero Waste to Landfill

## WHY IT MATTERS

More than a century ago, our founder Milton Hershey established our company's first recycling center to reuse manufacturing waste. He embedded the practice of reusing waste and recycling building materials whenever possible right from the beginning. This led to creative solutions that benefited the whole Hershey community, like using the heat from factory turbines to heat public buildings or making cocoa butter soap with leftover materials. We've maintained that spirit of efficiency and work hard to continuously reduce, reuse and recycle our waste in creative ways that have benefits outside our walls.

## HOW WE DO IT

We have a current goal to reduce waste by 25 percent (from 2015 levels) by 2025.

We take a multifaceted approach to diverting our waste from landfills and one important component is recycling. In 2019, our plants had an average recycling rate of 86 percent.

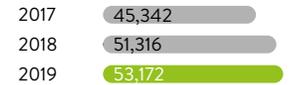
Better waste sorting is another component. By improving the waste separation process in the plant and recycling areas—especially for plastic and Tetra Pak waste—our El Salto plant helped achieve a 23 percent reduction in waste sent to landfill. This was supported

by training given to all new and existing employees to help them identify recyclable and non-recyclable waste.

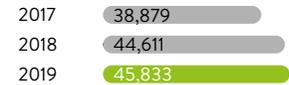


## 2019 PROGRESS\*

### Waste generated (metric tons) (includes recycling)



### Waste recycled (metric tons)



### Total hazardous waste (metric tons)



\*All data from 2017, 2018 and 2019 has now been revised and restated to include Hershey's operations in Brazil (and Malaysia only for hazardous waste). This data excludes Hershey operations in India and Malaysia (apart from hazardous waste), as well as Amplify and One brands.



In Brazil, our waste to energy program has contributed to a host of environmental benefits, including:

**1,141**

tons of trash avoided since 2015

**274**

MWh generated from waste diverted from landfill

**1,040**

trees saved through trash reduction

# Exploring Sustainable Packaging

## WHY IT MATTERS

Hershey is dedicated to delivering safe, high-quality products to our consumers and packaging is a key component to that consumer promise. However, we recognize packaging waste is a mounting global issue that is increasingly on the minds of our customers and consumers. We're actively looking into how we can package our products more sustainably. Exploring sustainable packaging options requires a holistic approach that balances consumer needs, quality and safety, manufacturing and distribution implications. In assessing solutions, we are cautious to ensure we are not solving one problem only to create another. While we pursue more sustainable options our priority is to make sure that our packaging continues to support bringing high-quality and safe consumable products to market.

# 80% recyclable

product packaging, by weight

## HOW WE DO IT

Hershey continues to work towards its 25 by 25 commitments to reduce packaging by 25 million pounds compared to 2015. In 2019, Hershey formed an enterprise-wide taskforce focused on the goal of sustainable packaging. Going forward, this group will drive a measured and impactful way for Hershey to improve packaging sustainability, with a goal of embedding sustainability in all packaging decisions.

## OUR PROGRESS

Presently, 80 percent of our product packaging by weight is recyclable. We have also saved 23,612,000 pounds of packaging cumulatively since 2015, putting us at approximately 94 percent of our 2025 goal. This progress was driven by re-designing existing packaging for sustainability improvements such as light-weighting and eliminating materials. For example, Hershey pioneered display-ready packaging, which allowed store display cases to be sent in a one-piece design and eliminated the need for cover packaging.



## Planting Tomorrow's Forests

### WHY IT MATTERS

Forests are critical parts of our natural ecosystem, serving as important reservoirs of GHGs that would otherwise contribute to climate change. Forests also provide habitats for key plant and animal species, and contribute countless other ecosystem services, such as preventing soil erosion, that play a big role in our daily lives and global economy.

Deforestation presents the greatest risk within our cocoa, palm oil, and pulp and paper supply chains. More details on our efforts to combat deforestation related to palm oil and cocoa sourcing can be found in the Business section on pages 24 and 34, respectively.

Similar to our work with our ingredients, we believe having traceability within our pulp and paper supply chain will be a critical element to monitoring and preventing deforestation. In December 2019, we published our list of [suppliers and mill groups that supplied pulp and paper](#) to Hershey's U.S. and Canadian operations during the period of November 2018 to October 2019. This list will be updated annually.

Looking ahead, in 2020, we plan to update our pulp and paper policy to include our global operations beyond the U.S. and Canada.



### 2019 PROGRESS

#### Trees planted and tree seedlings distributed

2018	2,685,669
2019	1,936,167



# PEOPLE

## Engaging Our Remarkable People

In 2019, we celebrated 125 years as a purpose-driven company. Not many businesses last for over a century and even fewer can say that creating more moments of goodness for people has defined every working day. We could not have done this without the remarkable people who get our products into stores and who walk through the doors of our offices and manufacturing plants every day. They are our partners in making our purpose a reality and it is this spirit of togetherness and positivity that delivers the brands consumers love. The value we create for our consumers is most visible through the quality of our people—people empowered with the freedom to operate, move fast and think big. Together, and backed by our 125 year legacy, we are a fresh and modern consumer-focused company that lives our values and purpose every day.

## Progress highlights

# 2nd

consecutive year on DiversityInc's Top 50 Companies for Diversity

# #11

on DiversityInc's Top 15 Companies for Executive Women

# 100%

rating on HRC Corporate Equality Index for the 5th year in a row



# THE HERSHEY EMPLOYEE EXPERIENCE

## WHY IT MATTERS

From the moment Milton Hershey constructed a town for his employees, caring for our remarkable peoples' quality of life has simply been baked into what Hershey does. We believe that the best ideas come from our employees who bring diversity and diverse experiences to our company. That's why we provide a workplace that develops, supports and motivates people. Creating a happy and compelling place to work requires flexibility, imagination and an enduring commitment to high employment standards.

## HOW WE DO IT

Our policies and practices are devised to nurture an inspiring and enabling workplace with an open and respectful culture. We also maintain multiple support and engagement initiatives to create a modern, inclusive workplace that energizes our people and makes Hershey an employer of choice.

# 83.2%

employee engagement

In recent years, Hershey has co-created a culture of development with the enthusiastic support of our employees. Through individual development plans, learning opportunities, feedback and coaching, employees build careers here. In fact, six out of our nine Executive Committee members were promoted from within Hershey.

We have also focused on initiating more leader-led dialogues through town halls and other engagement initiatives to make sure every person within the company understands our strategy and objectives. This has sparked inclusive conversations across business units.

Our 2019 efforts resulted in a highly engaged workforce, a strong belief among employees that we value employee safety, and the co-creation and roll-out of new Leader Standards. These Standards seek to help Hershey managers grow from good leaders to great leaders who can inspire the energy and potential of all our employees. These combined initiatives have been fundamental to our recruitment efforts in 2019.

## MANY VOICES, ONE HERSHEY

Engaged, collaborative employees offer viewpoints that fuel our business. That's why listening to and acting on the perspectives of our employees matters.



Our decision-making is informed at every step by our employees. Our annual "Many Voices, One Hershey" (MVOH) survey reaches out to Hershey people around the world to hear their thoughts on the company's direction and their place in it.

Since 2017, Hershey leaders have followed a 1-2-3 approach for post-survey action planning. After every survey, they identify one priority, take two actions to improve it and discuss the progress three times throughout the year. This has resulted in changes to our decision-making processes and significantly improved survey scores over time.

We also regularly use surveys throughout the year to engage our employees and get a pulse on their feelings on company strategy, initiatives and leadership. We then use these insights in focus groups that help us gain a more thorough perspective on key issues for employees.

In 2019, we focused on providing clarity of vision and alignment to our strategic business initiatives. We did this by increasing communication and team dialogue at town halls, leader forums and team meetings. MVOH results relating to clarity of vision and support for our organization's direction improved over the past year by 4.7 percent. Our peer leading scores in this category rose significantly for salaried employees, with **85.6 percent responding favorably**, a 7.9 percent rise from 2018. Scores also improved by 1.5 percent for manufacturing employees, with a total of 71.9 percent favorably.

Our enterprise engagement is at 83.2 percent, which is three points above our employee engagement consultant's overall benchmark and represents an improvement from last year's score of 83.0 percent. The top three words selected by our employees to describe Hershey's culture were "innovative", "teamwork" and "diverse".



## CARING FOR OUR EMPLOYEES

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

- Medical coverage
- Dental and vision
- Life insurance
- Disability benefits
- 401(k) with generous company match\*
- Retirement planning
- Paid parental leave including adoption benefits
- Ergonomic workspaces (standing desk, ergonomic tech—mice and keyboards)
- Unique volunteering opportunities, including at Milton Hershey School
- Flexible working solutions
- Private rooms designed for lactation, quiet reflection, prayer or wellness rest breaks
- State of the art fitness center at our Hershey, Pennsylvania campus (also open to Hershey retirees)\*
- Employee Stock Purchase Plans
- Employee relief fund that provides grants to individual employees facing disaster or hardships

- Hershey Company Scholars Program—scholarships to children of Hershey employees pursuing post-secondary education
- Product discounts and candy giveaways around the major holidays
- Charitable giving match (more details on page 57)
- Pet insurance
- Vendor discounts

\* Also available to qualifying part-time employees. As of December 31, 2019, part-time employees represented approximately 10 percent of our total workforce.

## FLEXIBLE WORKING

Work is what you do, not where you are. We introduced SmartFlex in 2016 as part of Hershey's evolution into a more agile place to work. SmartFlex is a suite of policies that allows individuals to create their own balance between work and personal life. It is designed to improve productivity, boost job satisfaction and increase employee engagement.

Since the inception of SmartFlex, we've seen an increase from 70 to nearly 80 percent of employees agreeing that their managers are more interested in their performance results than where they do the work.

### SMARTFLEX BENEFITS:



#### Parental Leave

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



#### Flex Tech

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



#### Flex Time

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



#### Flex Dress

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



### ENGAGING WITH UNIONS

Hershey has a proud history of manufacturing world-class products, and employees at our manufacturing facilities enjoy competitive wages, benefits and highly-skilled jobs. They also report strong engagement with their work. At some facilities, our manufacturing employees are represented by labor organizations and operate under collective bargaining agreements. These agreements are negotiated in the spirit of collaboration for the benefit of employees and the company. In 2019, approximately 34 percent of our employees worldwide were covered by collective bargaining agreements.

### A PLACE TO LEARN AND GROW

Hershey gives all employees the chance to learn, grow and own their work. Since 2017, we have partnered with leading online content experts and increased internal learning development to expand our catalog of online and classroom courses from 3,000 to over 13,000. This unique combination of world-class resources, real responsibility and authentic experience makes Hershey a place where employees can become leaders in their fields.

### WHAT'S NEXT

While our approach remains consistent, we will continue to place ever greater emphasis on dialogue between leaders and their teams, and on career planning resources.



LEARNING  
WITH Lynda.COM CONTENT

getabstract  
compressed knowledge

During 2019, Hershey employees completed  
**143,340**  
hours  
of training, equaling 8.4  
average hours per employee

# Better Together—Diversity & Inclusion at Hershey

## WHY IT MATTERS

Diversity and inclusion are key to driving the rich collaboration we need to help our business grow. As our consumer base evolves, bringing more employee voices and perspectives to the conversation is what supports our continued success. Up, down and across our company, you will experience diversity in many forms. This diversity is a source of energy and innovation.

.....  
**“BRGs help enable our employees to make more meaningful connections with individuals from different parts of the organization, providing them with new perspectives, diverse networks and leadership developmental opportunities grounded in a commitment to a common goal.”**

.....  
 Emilie Thomas, Co-Lead GenH BRG, 2019



## NETWORKS OF REMARKABLE PEOPLE

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

Each BRG is supported by an Executive Committee sponsor who serves as an advisor, coach and advocate. BRG leaders and members can share their perspectives directly with management through workshops, networking or special project support. By offering leaders the opportunity to engage in an ongoing conversation with employees about what matters to them, the BRGs are meeting our strategic imperative of fostering inclusive dialogue. Insights from our BRGs have directly contributed to workplace initiatives such as SmartFlex and our expanded parental leave policy.



**AFRICAN AMERICAN**  
 HERSHEY BRG

**ASIAN**  
 HERSHEY BRG



**WOMEN**  
 HERSHEY BRG

**ABILITIES FIRST**  
 HERSHEY BRG



**HOW WE DO IT**

Michele Buck, Hershey Chairman, President and CEO, is one of only 33 female CEOs in the Fortune 500. Hershey’s board of directors is also made up of 42 percent women and is 50 percent diverse overall. Michele, as our Board Chair, is personally committed to increasing diversity at the Board level.

In 2019, across all U.S. salaried groups combined, Hershey paid women \$0.99 compared to \$1.00 for men. This is in contrast to the U.S. national average of women earning \$0.82 for every \$1.00 men earn. We also put procedures and practices in place to monitor our progress and continue to make improvements.

**OUR PROGRESS**

We continue to expand our candidate pools to include more diverse, qualified applicants to better mirror our consumers. We focus on developing future leaders—and our efforts are paying off.

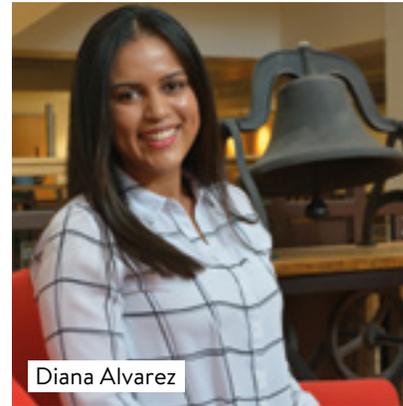
Today, 25 percent of our major accounts are led by women in the U.S. and women made up 45 percent of professional U.S. experienced hires and 53 percent of campus hires in 2019. In addition, we continue to grow the representation of ethnic diversity at Hershey and people of color represented 31% of U.S. hires in 2019. These achievements have led to Hershey being recognized on several critical

**HELPING OUR PEOPLE BE THEIR BEST**

Hailing from the Dominican Republic, Diana Alvarez works as a Senior Analyst for Hershey at our Pennsylvania headquarters. Diana’s Hershey journey started in 2011 when she was hired as a Quality Controller at our Hazleton plant. At the time Diana was supporting her family while also paying off student loans.

She learned about Hershey’s tuition reimbursement benefit, which is open to all full-time employees. Her request was accepted and her tuition debt was paid off. Diana is now pursuing her master’s degree, once again with support from Hershey, and will graduate in December 2020.

To help her work full time, study and care for her son, Diana turned to Hershey’s SmartFlex program, which supports flexible work schedules. When she told her manager she needed to change her start time to accommodate babysitting schedules, the answer was “no problem”, enabling Diana to nurture her potential, realize her ambitions and still be “mom”.



Diana Alvarez

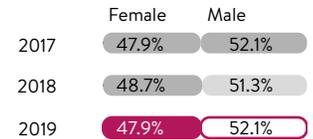
employment indices. In 2019, we ranked 25th on the DiversityInc Top 50 Companies for Diversity List, reaching 7th for Diverse Leadership, 11th for People with Disabilities and 12th for Veterans. We also scored 100 percent on the Human Rights Campaign’s Corporate Equality Index Rating, and earned the National Organization on Disability Seal.

**25%**

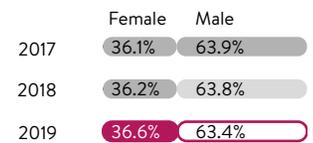
of our major accounts are led by women in the U.S

**2019 PROGRESS**

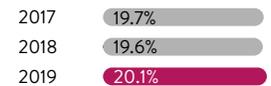
**Gender Diversity (total company)**



**Gender Diversity (management)**



**Racial Diversity (total U.S. workforce)**



# Prioritizing the Safety of Our People

## WHY IT MATTERS

At Hershey, the health and safety of our employees is a key value and remains our top priority. We are also committed to safeguarding the health, safety and wellness of all contractors and guests at Hershey facilities. To ensure this, we invest significantly in training, workplace resources and leading systems and processes to ensure the responsible management of our facilities.

As part of our EH&S improvements (discussed on page 38), we have also been working to standardize our safety processes. Our approach is based on global best practice and seeks to meet or exceed regulations wherever we operate. The new standardization systems will include regular and continuous training for relevant employees in applicable areas.

Our EH&S Lean Pillar team—which now includes a dedicated safety function—oversees the implementation of our new management system, while tracking progress and providing monthly updates to the steering committee.

During the course of 2020, we will be developing a training matrix that lists all safety topics, the frequency of training required, relevant personnel to be trained or to manage training and what resources the training requires, such as online classes or in-person demonstrations.

## LEARNING FROM INCIDENTS

As part of their toolkit, our EH&S teams use an EH&S Dashboard that tracks leading indicators to help us identify potential issues before they can even become incidents.

We internally track and report on any incidents that occur.

We continue to review our strategy annually and revise it based on progress and gaps identified through internal audits, surveys and investigations.

## ACHIEVING ZERO ACCIDENTS—SÃO ROQUE



On January 7, our São Roque Plant team in Brazil celebrated four years without any Lost Workday Cases.

Using a preventive approach and strong safety culture, the plant finished 2019 with best-in-class results. This achievement is due to proactive actions that are followed daily. The plant also makes a point of identifying new opportunities, enabling constant feedback and recognizing the most engaged employees.

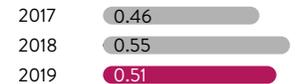


## 2019 PROGRESS

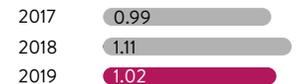
### Total Recordable Incident Rate (TRIR)



### Lost Workday Incident Rate (LWIR)



### Days Away, Restricted, Transferred (DART)



# CHILDREN & YOUTH

## Connecting Kids to Bright Futures

From the moment Milton Hershey founded a school for orphaned boys in 1909, Hershey has continued our founder’s legacy of helping children succeed and reach their full potential. Today, we leverage our reach to increase access to education, nutrition and wellbeing for children around the world through multiple initiatives, 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 (MHS), through our business and through employee engagement programs.

## Highlights

**775,386**

Youth directly benefiting from Heartwarming Project investments

**12,440**

Youth participating in Heartwarming actions

**3,750,000**

meals to children and families via our partnership with Feeding America®



# THE HEARTWARMING PROJECT



## WHY IT MATTERS

Young people between 18 and 22 are far more likely to report feeling lonely than any other generation<sup>1</sup> and teens today report high levels of stress, anxiety and other mental health challenges. However, research has shown that increasing social and emotional competencies such as empathy and inclusion, as well as fostering meaningful connections with peers, adults and their community, can improve youth outcomes and wellbeing<sup>2</sup>. Because of this, Hershey created The Heartwarming Project (HWP) to help kids and teens build these skills and celebrate the power of connection for youth wellbeing.

## HOW WE DO IT

Through HWP, Hershey supports programs for children and teens with Social Emotional Learning based approaches that increase wellbeing and prepare them for success in the workplace. We also work with our partners to highlight the actions young people take to create more inclusive, empathetic communities.

## OUR PROGRESS

In June, we gathered over 80 teens from across the country for our Makers of Good Teen Summit, which focused on the issue of social isolation. Speakers included celebrities who faced isolation and teen leaders for connection and inclusion.

Attendees also developed their own action plans to tackle isolation and foster inclusion where they live.

The summit was a collaboration between Hershey, a team of Gen Z advisors and our HWP national charity collaborators: [WE Charity](#), [Boys & Girls Clubs](#) and Harvard University's [Making Caring Common](#) initiative.

At the Summit, Hershey announced The Heartwarming Project Action Grants program, which provides microgrants to teens to advance connection, empathy and inclusion in their own schools and communities. In 2019, over 500 teens and school groups from across the U.S. applied and nearly 300 received a \$250 microgrant to advance their project.

# 90%

of attendees felt more equipped to take action in their communities

# 91%

of attendees said they are more likely to speak out about isolation and inclusion

# 94%

of attendees said they were interested in getting more involved in these issues

# 91%

of attendees said they are more likely to be inclusive in their actions

<sup>1</sup> <https://www.cigna.com/newsroom/news-releases/2018/new-cigna-study-reveals-loneliness-at-epidemic-levels-in-america>

<sup>2</sup> <https://journals.sagepub.com/doi/10.1177/1745691614568352>

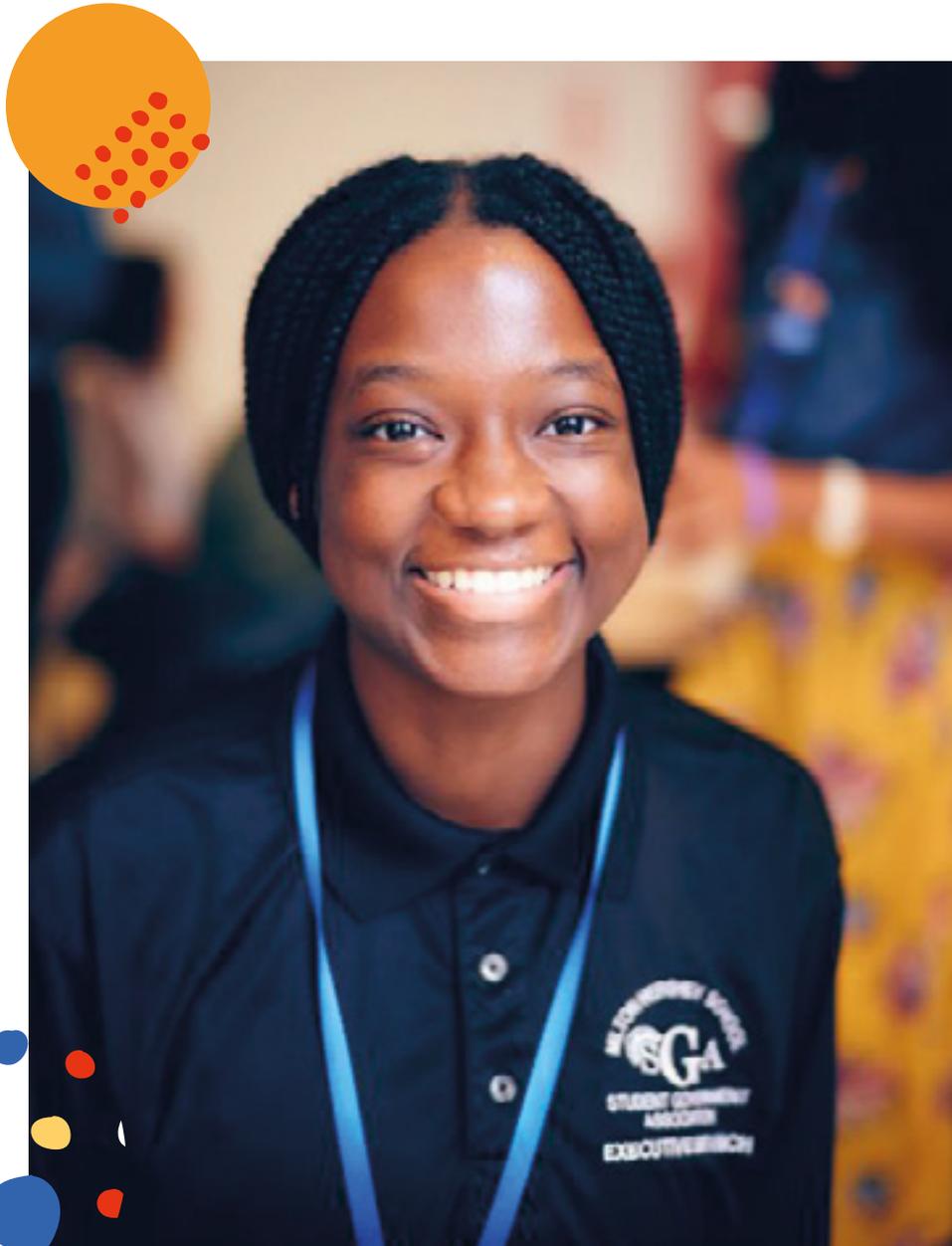
**WHAT'S NEXT**

We look forward to deepening and expanding our partnerships to bring HWP to life in communities across the U.S., while engaging employees in the campaign and serving as a champion for the social-emotional wellbeing of children and teens. We will continue to uplift the voices of young people and support youth action on these issues through gatherings, summits and microgrants.

**TEENS TAKING ACTION**

This year's Heartwarming Project Action Grants winners are growing connection and inclusion where they live through:

- Creating stress relieving student lounges
- Starting kind notes campaigns to spread positivity in their communities
- Hosting cultural exchanges that celebrate diversity
- Founding clubs and campaigns that tackle bullying and school violence and spread empathy



**2019 PROGRESS**

**Youth directly benefiting from HWP investments:**



**Youth taking part in Heartwarming actions**



# NOURISHING YOUNG MINDS

Beginning in 2018, Hershey has collaborated with one of the largest providers of the Midday Meal Scheme in India, Annamrita, along with IIT-Bombay and Sion Hospital. This collaboration is exploring how different foods and snacks could enhance Annamrita's existing school lunches to provide even greater nutrition to school-aged children.

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

In response to the baseline data, the Hershey India Research & Development team then worked to reformulate one of our flagship products *Sofit* soymilk. The new product, *Sofit Plus*, is a vitamin and protein-enhanced version of the original beverage specifically formulated to address the nutrition needs identified in the baseline study. Hershey is now working with Annamrita to distribute the beverage alongside their mid-day meals to approximately 800 children.

## WHAT'S NEXT

Throughout the first half of 2020 Sion Hospital and IIT-Bombay will continue to assess the nutritional and educational impacts, where possible, of *Sofit Plus*.

*"We are excited about the potential of this product, backed by thorough research and development, to help address the low nutrition levels amongst the designated group of children and further help us contribute towards a brighter future for them."*

**Herjit Bhalla, Managing Director,  
Hershey India**



# Keeping Kids Fed

## WHY IT MATTERS

Many kids don't get the nutrition they need during summer vacations when school lunch programs are on a break.

## FEEDING AMERICA®

To help bridge this gap, Hershey continued its longtime partnership with Feeding America® to provide summer hunger grants that enable local food banks to extend services when school is not in session. Through a competitive grants process, our partnership identified opportunities to support the Chattanooga Area Food Bank and the All Faiths Food Bank in Sarasota, Florida. In Tennessee, our support enabled the food bank to provide almost 2,000 additional families with children the equivalent of more than 99,000 meals—a 16 percent increase over 2018. In Florida, the food bank was able to serve more than 350,000 meals to more than 3,200 children across 11 program sites.

## FOOD BANKS CANADA

We continued our partnership with Food Banks Canada and support for its After the Bell program. This support includes summer meal packs and the Food Explorers program, which teaches kids how to safely prepare nutritious meals for themselves. During the year, Food Explorers expanded its coverage to more than 19 food banks with more than 170 children participating.

## WHAT'S NEXT

We look forward to continuing these successful partnerships and fighting childhood hunger across the U.S. and Canada.



87%

of Food Explorers participants demonstrated an understanding of the meaning of balanced meals and how to understand and read recipes

91%

of participants demonstrated how to read and understand recipes

90%

of participants demonstrated basic skill with kitchen equipment and utensils

93%

of participants demonstrated appropriate hygiene and safe practices when preparing food

## OUR SHARED GOODNESS LEGACY—MILTON HERSHEY SCHOOL

Since 1909, Milton Hershey School (MHS) has offered children from low-income backgrounds in the U.S. a residential, cost-free, quality pre-K through 12th grade education. Now in its 110th year, it is a place where students' potential meets life-changing opportunity thanks to our shared founder, whose entrepreneurial spirit and commitment to helping youth succeed blended to create an early "social enterprise."

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

of volunteer programs that foster connection and community with the students and faculty.

For example, through the Project Fellowship program, teams at Hershey pair up with MHS student homes and participate in a steady cadence of events throughout the year. Project Fellowship offers a safe, fun outlet that gives children from challenging backgrounds something

to look forward to. Hershey employees also cherish the opportunity to be a positive influence in these students' lives.

The Hershey Company and MHS continuously collaborate to bring more authentic learning opportunities to students, including expanding MHS internship opportunities. In addition, seniors taking business classes at MHS can shadow business teams at Hershey to see first-hand the real-world application of what they learn in a classroom. These experiences provide students and alumni with valuable work experiences, professional networks and enduring relationships with mentors.



# COMMUNITIES

## Helping People Thrive

When Milton Hershey built the town of Hershey in Pennsylvania, he wanted more than a place for his employees to live. He wanted to create a place where individuals and families could thrive. His vision guides us today as we strive to keep our communities as places where people love to live and work. We're proud of that legacy and use it to guide our philanthropic and community efforts to this day: supporting community programs and events that educate kids, support livelihoods, and foster inclusion and pride of place.



## Progress highlights

**11,096,613**

lives enhanced via philanthropic investment

**135,805**

employee volunteer hours

**\$20,612,310**

total giving



# VALUES WITH IMPACT: HOW WE MAKE A DIFFERENCE

## WHY IT MATTERS

Our philanthropy and volunteerism efforts reflect how we live out Hershey's value of making a difference, from supporting causes our employees care about to investing in the long-term success of the communities where we live and work.

## HOW WE DO IT

Hershey's Sustainability team manages community philanthropy and volunteerism efforts at our corporate headquarters in Pennsylvania and collaborates closely with team members at each of our plant and office locations around the world. We provide both philanthropic contributions and product donations to nonprofit organizations in areas where we have a presence. We do not maintain a corporate foundation, and instead, we direct a portion of our annual pre-tax profit to community philanthropic endeavors. In 2019, that amount was 1.63 percent. The company's giving guidelines, criteria and application are published on our corporate [website](#), and we use that criteria when assessing requests for both cash grants and product donations.

We work closely with counterparts in each of our plant and office locations across the U.S. and globally to identify

local community needs and craft tailored approaches to provide support. This work includes forging partnerships with local NGOs, providing grants and contributions, and organizing volunteer service activities and employee fundraisers. We encourage all grantees to provide impact reports with both quantitative and qualitative data so we can assess our community impact. We also host annual meetings with NGO partners to evaluate the effectiveness of our partnerships.

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



## 2019 ACHIEVEMENTS

### Cash donations (\$ million)



### Product donations (\$ million)



# A SPIRIT OF VOLUNTEERISM

## WHY IT MATTERS

While donations are one way to support our communities, we also make a difference by volunteering. From using our expertise to build the capacity of food systems entrepreneurs in Africa to providing hands-on support for community nonprofits, we are always reaching out and giving back in the places where we live and work.



## Q *Good to Give Back Week*

Once again, thousands of employees came together to volunteer across their communities during Good to Give Back Week. Our global week of service culminated with a Rise Against Hunger event with over 850 employees packing an entire shipping container full of meals for children and families in need—in under 2.5 hours. Additionally, over thirty teams of employees across the U.S., Canada, United Arab Emirates, Malaysia, Brazil, Mexico and India took part in hands-on volunteerism activities with local nonprofits, logging over 4,000 hours of service. Good to Give Back Week continues to be a favorite employee tradition—one that we are proud to continue and build upon each year.

**4000+**  
**hours**

of employee time spent volunteering with local nonprofits, across the world



**45**  
**lives**

saved from blood donations



**285,000+**  
**meals**

packed for children and families in need





## Sharing Goodness in Malaysia

In 2019, Malaysia experienced dangerous air quality levels as a result of smog and smoke from fires. As a result, schools across the country closed due to health concerns for children, keeping millions of children at home. An urgent request for air quality monitoring equipment for schools went out via Malaysia’s Department of Environment, and the Hershey Malaysia team responded quickly, donating equipment to a local school. The Hershey Malaysia team did not stop there—their CSR Committee forged a partnership to “adopt” the Taman Daya School as part of the Ministry of Education’s School Transformation 2025 initiative, committing to host a series of activities and enrichment programs for students and teachers. The team hosted a meet-and-greet celebration for the school, visited classes to talk about careers and hosted a program for the 145 students on safety, health and hygiene. The team looks forward to continued activities together with faculty and students at the school in 2020.



## Treats for Texas: Take Two

In Fall 2017, the local United Way chapter in Beaumont, Texas, called on Hershey to save Halloween after the devastating Hurricane Harvey made outdoor trick-or-treat celebrations unsafe for children and families. We were more than happy to help by co-hosting celebrations with United Way across the region, and donating candy to affected families. Two years later, in 2019, disaster struck these communities once again when Tropical Storm Imelda flooded the region. Once more, Hershey was called upon to warm Halloween hearts. Our 2019 Treats for Texas celebration hosted more than 1,200 children and families. Hershey’s Houston-based sales team also joined in to pass out candy and nurture holiday spirit.



### 2019 ACHIEVEMENTS

#### Employee volunteer hours



## Imagination Takes Flight

Our Puerto Rico team forged a partnership with the Martin Peña Channel Enlace Project, an environmental and social justice initiative in a low-income community near San Juan. As part of the partnership, 23 Hershey team members gave the After School Program classroom at the Santiago Iglesias Pantin School a makeover based on the theme “Let Your Imagination Fly!” They reprogrammed laptops, desktops and printers, built desks, chairs and bookshelves, set up a reading room area, installed window screens and painted a mural to brighten the afterschool learning space for the Enlace Project.



## Partners in Food Solutions

Since 2015, The Hershey Company has been a member of Partners in Food Solutions (PFS), a nonprofit that connects corporate volunteers with small and growing food companies across Africa with a mission of improving food security by increasing the competitiveness of the food processing sector. Our participation in PFS is unique in that it affords our employees the opportunity to volunteer their technical skills—whether in marketing, engineering, quality management or research and development—to inspire entrepreneurs across the African continent. In addition to being one of the many ways we live our values and purpose, PFS is also a great professional development tool, helping employees gain skills like cultural empathy, frugal innovation and an entrepreneurial mindset.

Since our partnership began, we have:



Supported more than

**55**  
**clients**

across 10 African countries



Donated more than

**3,400**  
**hours**

of volunteer time



Helped support the livelihoods of more than

**370,000**  
**farmers**

# OUR PERFORMANCE

From our Shared Goodness Promise strategy to our 25 by 25 goals, we're proud of the difference we're making.

↑↑ SHARED BUSINESS		2019	2018	2017
FINANCIAL PERFORMANCE	Number of countries in which our products are marketed	85	90	80
	Number of countries in which our products are manufactured	6	6	7
	Manufacturing facilities (wholly owned/joint ventures)	15/1	15/1	18/1
	Consolidated net sales (U.S. \$ million)	7,986	7,791	7,515
	Shareholder return	40.2%	-2.9%	12.37%
	Adjusted diluted earnings per share	5.78	5.36	4.69
	Income taxes paid (U.S. \$ million)	238.1	118.8	351.8
	Worldwide payroll (U.S. \$ million)	834	755	793.7
	One year net sales growth	2.5%	3.7%	1%
	Investment in R&D (000s)	37.1	38.5	45.9
	Number of brands	>80	>80	>80
RESPONSIBLE SOURCING	Certified and sustainable cocoa in all our chocolate products worldwide	90%	80%	75%
	Farmers supported directly through Cocoa For Good	51,009 (12% female)	50,518	54,000
	Palm oil purchases traceable to mills and plantations	99.8% (mill) 50.0% (plantation)	99.8% (mill) 34.0% (plantation)	99.3% (mill) 14.0% (plantation)
CHOICE AND TRANSPARENCY	Portion of portfolio with a live SmartLabel™ landing page with detailed product, ingredient and allergen information (excluding multi-product assortments and Krave Jerky)	90%	90%	100%
	Wholly owned manufacturing sites certified by the Global Food Safety Initiative	100%	100%	88% (15 of 17 sites)

 SHARED PLANET	2019	2018	2017
Direct (Scope 1) GHG emissions (metric tons CO <sub>2</sub> e)	131,515	126,263	119,833
Direct (Scope 1) GHG emissions (metric tons CO <sub>2</sub> e per thousand pounds of product produced)	0.056	0.054	0.067
Indirect (Scope 2) GHG emissions (metric tons CO <sub>2</sub> e)	205,766	225,720	222,727
Indirect (Scope 2) GHG emissions (metric tons CO <sub>2</sub> e per thousand pounds of product produced)	0.087	0.096	0.125
NO <sub>x</sub> emissions (metric tons)	77.8	76.8	76.2
SO <sub>x</sub> emissions (metric tons)	2.4	2.3	1.6
VOC emissions (metric tons)	190.32	203.9	181.6
CO emissions (metric tons)	77.8	70.2	73.3
Particulate emissions (metric tons)	49.1	51.1	46.4
Total water use (million gallons)	699.5	705.8	707.4
Total water discharge (million gallons)	512.3	527.3	504.3
Water withdrawal from ground (portion of total used)	20.9%	20.7%	58.3%
Purchased water (portion of total used)	79.1%	79.3%	41.7%
Water use (gallons per thousand pounds of product produced)	0.3	0.3	0.4
Waste generated, including recycling (metric tons)	53,172	51,316	45,342
Total hazardous waste (metric tons)	19.4	14.4	15.5
Trees planted and tree seedlings distributed	1,936,167	2,685,669	n/a

 OUR REMARKABLE PEOPLE	2019	2018	2017
Number of employees worldwide (full-time/part-time)	16,258 (14,725/1,533)	16,422 (14,927/1,495)	16,910 (15,360/1,550)
Union representation (approximate)	34%	35%	32%
Number of women on Executive Committee	2 (22%)	3 (38%)	5 (50%)
Number of women on Board of Directors	5 (42%)	5 (45%)	5 (38%)
Number of racial minorities on Board of Directors	1 (8%)	0 (0%)	0 (0%)
Percentage of workforce, women	47.9%	48.7%	47.9%
Percentage of management, women	36.6%	36.2%	36.1%
Percentage of workforce, racial/ethnic minorities (U.S. only)	20.1%	19.6%	19.7%
Total Recordable Incident Rate (TRIR)	1.36	1.48	1.38
Days Away, Restricted, Transferred (DART)	1.02	1.11	0.99
Lost Workday Incident Rate (LWIR)	0.51	0.55	0.46
Total fatalities (work-related)	0	0	0

 CHILDREN AND YOUTH	2019	2018	2017
Number of children receiving <i>Vivi</i> on a daily basis	58,300	57,000	52,913
Children reached through The Heartwarming Project partnerships	6,710,696	6,086,000	n/a
Youth directly benefiting from HWP investments	775,386	697,522	n/a
Youth taking part in Heartwarming actions	12,440	4,116	n/a

 SHARED COMMUNITIES	2019	2018	2017
Cash donations (U.S. \$ million)	12.2	10.9	11.9
Product donations (U.S. \$ million)	8.3	9.7	8.5
Employee volunteer hours	135,805	133,600	130,737



# ABOUT THIS REPORT

**This is our first sustainability report to be released alongside a Sustainability Accounting Standards Board (SASB) Index and it is our second report prepared in accordance with the GRI Standards: Comprehensive option, after prior reporting in accordance with the Core option.**

This is our eighth report that reviews progress made on ESG issues. The report covers the 2019 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.

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

For those stakeholders who want more detail, please see our separate indices for [GRI](#), [SASB](#), [UN Global Compact](#) and [Sustainable Development Goals](#).

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