

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

Throughout 2021, we were there to create comfort and joy at home and forge connections among those who were socially distant. From snacks at family movie night to baking homemade favorites; from summertime s'mores in the backyard to showing appreciation for essential workers; we were honored to be invited into these important moments and many more.

We love that through our commitments and programs, we wrap each of these special moments in sustainability, creating a tomorrow that's even better than today.

# sharing More Goodness



# A Message From Michele Buck

**For the last two years, Hershey, along with the rest of the world, has operated under extraordinary circumstances as we navigated the COVID-19 pandemic, supply chain disruptions, changing consumer behavior and global political turmoil.**

This report marks the evolution of our sustainability strategy to a more cohesive model of environmental, social and governance (ESG) commitments that reflect integration of our ESG priorities into our business operations. And never before has this been so important.

In 2021, we delivered a record year in terms of business performance and made significant strides across some of our most important ESG priorities — cocoa sustainability, responsibly sourcing our ingredients, diversity, equity and inclusion (DEI) and our environmental agenda. As we faced challenges and pursued opportunities, it was the commitment we had to one another, and the tremendous agility and flexibility that propelled us forward. Our purpose, to make more moments of goodness, and our values of togetherness, integrity, making a difference and excellence continue to be foundational to who we are, and anchor us as we look forward to the work ahead. Hershey

employees continue to focus on how we can make a positive impact within our business, our communities and around the world.

We've strengthened our efforts within cocoa communities, our top priority across ESG. Our pledge to invest half a billion dollars in these communities by 2030 is translating to meaningful results on the ground, helping to keep children in school, helping to diversify and increase incomes, giving farmers the support to build thriving businesses and protecting the forests around cocoa farms.

This work is complemented by our growing efforts to protect human rights across our value chain. We have been refining both our due diligence work and our transparency in this area, holding ourselves accountable to the people who work within our supply chain, and reporting our progress and challenges in-line with leading disclosure frameworks.

We remain committed to make Hershey a more diverse, equitable and inclusive workplace through our Pathways Project. We've advanced several ambitious DEI goals both within our own workforce and culture and across our supply chain through our Supplier Diversity Program, as well as in our communities. For example, we've expanded our work with diverse-owned talent search firms with 41% of our total candidate search volume sourced through these firms, a 35% increase over our planned goal. In addition, we added 23 Historically Black Colleges and Universities (HBCUs) and Hispanic-Serving Institutions (HSIs) to our roster of universities and schools where we recruit.

In March 2021, we announced a new science-based greenhouse gas reduction goal to cut our absolute Scope 1 and Scope 2 emissions by 50% and our absolute Scope 3 emissions by 25% by 2030, against a 2018 baseline. We've made significant progress and are almost halfway to achieving our goals as a result of focused and innovative efforts by our teams.

Through all of the change brought on by the pandemic, evolving consumer behavior and the continued conversations on race and equity, I find myself once again honored to work alongside such dedicated, innovative and caring people.

Our ESG priorities, while ambitious are achievable, and we remain focused on the important work of embedding these priorities within our short and long-term business strategies. I have great confidence in our ability to create positive change for our business, our communities and our world, and I look forward to another year of progress, evolution and making a difference for our many stakeholders and partners.



**Michele Buck**

Chairman, President and CEO,  
The Hershey Company

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# Spotlight 2021

We want to drive positive and lasting change around the world. Using our expertise and strong partnerships, we're responding to global challenges with local care.

## Supporting Our Communities Through COVID-19

The global pandemic continued to impact communities around the world throughout 2021. When the Delta variant threatened in-person learning in fall 2021, we revived our mask distribution program. We dispatched over 575,000 masks to nonprofits and students across dozens of school districts. When the pandemic devastated India, our local team acted rapidly by distributing 500 oxygen concentrators to hospitals across the country. In addition, we made a \$50,000 commitment with nongovernmental organizations (NGOs) GiveIndia and Milaap to assist hospitals with procuring ventilators, oxygen concentrators and cylinders. Our Hershey Brazil team donated \$169,000 for pandemic relief, which was used to provide food baskets, hospital materials and equipment. In the U.S., we organized multiple on-site vaccine clinics for employees and their dependents (aged five and over) who wanted to get vaccinated or receive a booster shot. We also continued our flexible working conditions so that corporate employees could keep working from home and via a hybrid in-office work environment. We focused on the health and safety of all our employees working in-person by continuing to provide proper personal protective equipment (PPE), COVID-19 antigen home tests and physically distanced workspaces.

 More information about Hershey's actions providing pandemic support in 2021 may be found throughout the [2021 ESG Report](#).



### Becoming Stronger Together

Investing in our people is always a worthwhile investment. From building more inclusive workplaces to supporting employee wellness, we are continuously finding more ways to better support the Hershey workforce of today and tomorrow. Through our Pathways Project we committed to achieving a college recruiting portfolio that is at least 50% diverse. To help us meet this target, we added 23 Historically Black Colleges and Universities (HBCUs) and Hispanic-serving Institutions (HSIs) to our roster of schools we recruit from. We are also incredibly proud to have been named as the World's Top Female Friendly Company by Forbes for the inaugural ranking. We continue to offer SmartFlex benefits programs that enable employees to achieve a better work/life balance and our programs to provide resources that support physical and mental health.



[For more information, see page 67.](#)

### Making a Bigger Commitment to Combat Climate Change

Addressing climate change and meeting the goals of the Paris Agreement demands change in how our world works and the way we use resources. To play our part, we announced science-based greenhouse gas (GHG) reduction goals in March 2021. The goal commits us to cutting our absolute Scope 1 and Scope 2 emissions by 50% and our absolute Scope 3 emissions by 25% by 2030, against a 2018 baseline. We're already taking action to meet our goal, including signing power purchase agreements (PPAs) that will enable the construction of three new utility-scale solar farms. We also made substantial progress toward our Scope 1 and 2 emissions targets through improvements in energy efficiency. To reduce value chain emissions (Scope 3), we committed to eliminate commodity-driven deforestation from our ingredient supply chains by 2030 and are investing in sustainable packaging solutions.



[For more information, see page 49.](#)



### Working to Eliminate Child Labor in Cocoa

Our investment in cocoa communities is continuing to help improve lives in West Africa. To monitor, prevent and remediate instances of child labor, we remain committed to 100% sourcing visibility by 2025 for farmers in Côte d'Ivoire and Ghana, and continue to ensure 100% of the cocoa volume we source in these countries is covered by a Child Labor Monitoring and Remediation System (CLMRS) by 2025. In 2021, Hershey supported CLMRS covered nearly 103,000 children, and we expect to increase that to approximately 125,000 children by 2025. In addition, through our Energize Learning school feeding program, Hershey is distributing ViVi, a highly nutritious peanut-based therapeutic food, to 45,000 children daily in Côte d'Ivoire and Ghana.



[For more information, see page 24.](#)



# Our ESG Priorities

**We are using our ESG priorities and robust understanding of our most material issues to inform and shape our business strategy.**

Our aim is to deeply embed sustainability and responsibility into the fabric of our organization through our policies, strategies and processes. From resilient cocoa communities and sustainably produced snacks to a legacy of kindness in our communities, we have also aligned what matters most to us to the [Sustainable Development Goals \(SDGs\)](#) we can help advance.



## Cocoa

Supporting the communities and environments behind our most essential ingredient.

- Improve farmer incomes and livelihoods.
- Eliminate child labor and improve children's nutrition.
- Protect the environment.

## Responsible Sourcing and Human Rights

- Using robust due diligence and leading standards to protect people across our value chain.
- Ensure ingredients are sourced responsibly.
  - Ensure our suppliers meet our sourcing requirements.

## Environment

Constantly enhancing our operations to meet high-impact climate, waste and packaging goals.

- Address climate change through science-based GHG emissions targets.
- Reduce the impact of plastics and packaging.

## Our People

Creating more ways for more people to be themselves and thrive.

- Accelerate inclusion.
- Amplify Hershey people and culture.

## Youth

Giving youth the tools to create compassionate, successful and connected futures.

- Help children succeed through education, nutrition and social-emotional well-being.

## Community

Fostering a culture that cares – and actively makes a difference where we live and work.

- Improve lives across the communities where we live and work.

Through our ESG priorities we support the following SDGs:



# Progress Against Our Priority Goals

## Goals

### COCOA

**Target year**  
(as of Dec. 31, 2021)

100% independently verified cocoa	2020	<b>Achieved</b> 100%
100% sourcing visibility of Hershey's cocoa volume in Côte d'Ivoire and Ghana	2025	<b>On Track</b> 68%
100% of farmers producing Hershey's cocoa volume in Côte d'Ivoire and Ghana are polygon mapped by our suppliers to improve traceability and monitor deforestation <sup>1</sup>	2025	<b>On Track</b> 46%
100% of farmers producing Hershey's cocoa volume in Côte d'Ivoire and Ghana are covered by Child Labor Monitoring and Remediation Systems (CLMRS) to prevent, monitor and remediate child labor <sup>2</sup>	2025	<b>On Track</b> 62%

## Goals

### ENVIRONMENT

**Target year**  
(as of Dec. 31, 2021)

50% absolute reduction in Scope 1 and 2 GHG emissions against a 2018 baseline <sup>4</sup>	2030	<b>On Track</b> 48%
25% absolute reduction in Scope 3 GHG emissions against a 2018 baseline	2030	<b>On Track</b> 18%
100% of plastic packaging to be recyclable, reusable or compostable	2030	<b>On Track</b>  In 2021, we began initial recyclability research and machine ability trials. In 2022, we are focused on converting flexible packaging to recyclable structures.
25 million pounds of packaging to be eliminated <sup>5</sup>	2030	<b>On Track</b> 9.5M

## Goals

### RESPONSIBLE SOURCING AND HUMAN RIGHTS

**Target year**  
(as of Dec. 31, 2021)



100% of priority ingredients and materials to be responsibly and sustainably sourced (by volume) <sup>3</sup>	2025	<b>On Track</b> 78%
85% of in scope supplier sites meet Hershey's Responsible Sourcing Supplier Program requirements	2025	<b>On Track</b> 25%

## Goals

### OUR PEOPLE

**Target year**  
(as of Dec. 31, 2021)



Achieve pay equity for similar job categories across our global salaried employees	2025	<b>On Track</b>  In 2020, we achieved 1-to-1 aggregate gender pay equity for salaried employees in the U.S. (excluding recent acquisitions) and in 2021, we achieved 1-to-1 aggregate POC pay equity for salaried employees in the U.S. (excluding recent acquisitions). We seek to maintain existing achievements and continuous improvement on pay equity for similar job categories throughout our organization.
47–50% women representation across all employees globally and 30–40% people of color (POC) representation across U.S. employees <sup>6</sup>	2025	<b>Achieved</b> 47.7% women globally <b>On Track</b> 24.6% POC in the U.S.
50% hazard reduction for job functions with ergonomic risks through process improvements	2025	<b>On Track</b> 17%

<sup>1</sup> Beginning in 2021, to be considered polygon mapped, all farm plots managed by the farmer must be mapped, as defined by the World Cocoa Foundation. Previously, a farmer was considered polygon mapped if at least one plot of land was mapped.

<sup>2</sup> This refers to households covered by CLMRS.

<sup>3</sup> This result represents the percentage by volume of Hershey's five priority ingredients, which met our definition of responsibly and sustainably sourced in 2021. This definition varies by ingredient and is subject to change as Hershey's responsible sourcing programs evolve. More information may be found in the Responsible Sourcing Ingredient Commitments and Progress table on page 47.

<sup>4</sup> Hershey's GHG emissions reduction goal for 2030 is based on Scope 1 and Scope 2 (market-based).

<sup>5</sup> The initial goal was achieved five years ahead of schedule in 2020. We have since expanded our commitment to eliminate an additional 25 million pounds of packaging by 2030.

<sup>6</sup> POC refers to Black, African American, Hispanic/Latino, Asian/Asian Pacific Islander, Hawaiian Pacific Islander and those who identify as two or more races.

**Goals****YOUTH**

**Target year** (as of Dec. 31, 2021)

**50 million** children globally supported through education, nutrition, and social and emotional well-being<sup>1</sup>

2025

**On Track****15.4M**

**100,000** children take Heartwarming actions and impact their communities<sup>2</sup>

2025

**Achieved****128,800 children****Goal****COMMUNITY**

**Target year** (as of Dec. 31, 2021)

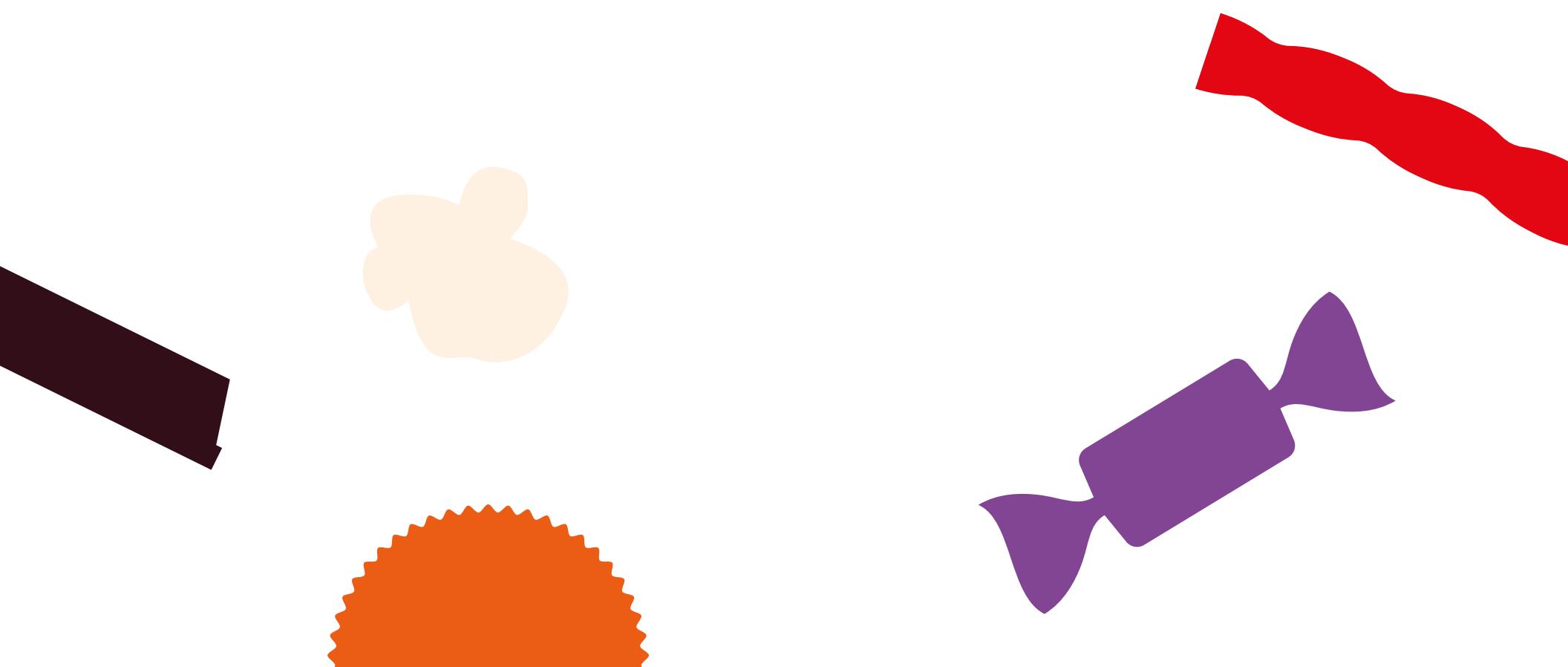
2025

**On Track****\$43M**

<sup>1</sup> More than 15.4 million children were supported, cumulatively from January 1, 2020 to December 31, 2021.

<sup>2</sup> More than 128,800 children took action and impacted their communities, cumulatively from January 1, 2020 to December 31, 2021.

<sup>3</sup> Hershey donated \$43 million in cash and products cumulatively from January 1, 2020 to December 31, 2021.



# Awards and Recognition

## Global



- DiversityInc 2021:**
- Top Companies for ESG
  - Top Companies for Latino Executives
  - Top Companies for LGBTQ Employees
  - Top Companies for Executive Diversity Councils
  - Top Companies for Philanthropy

## U.S.



## Canada



## Brazil



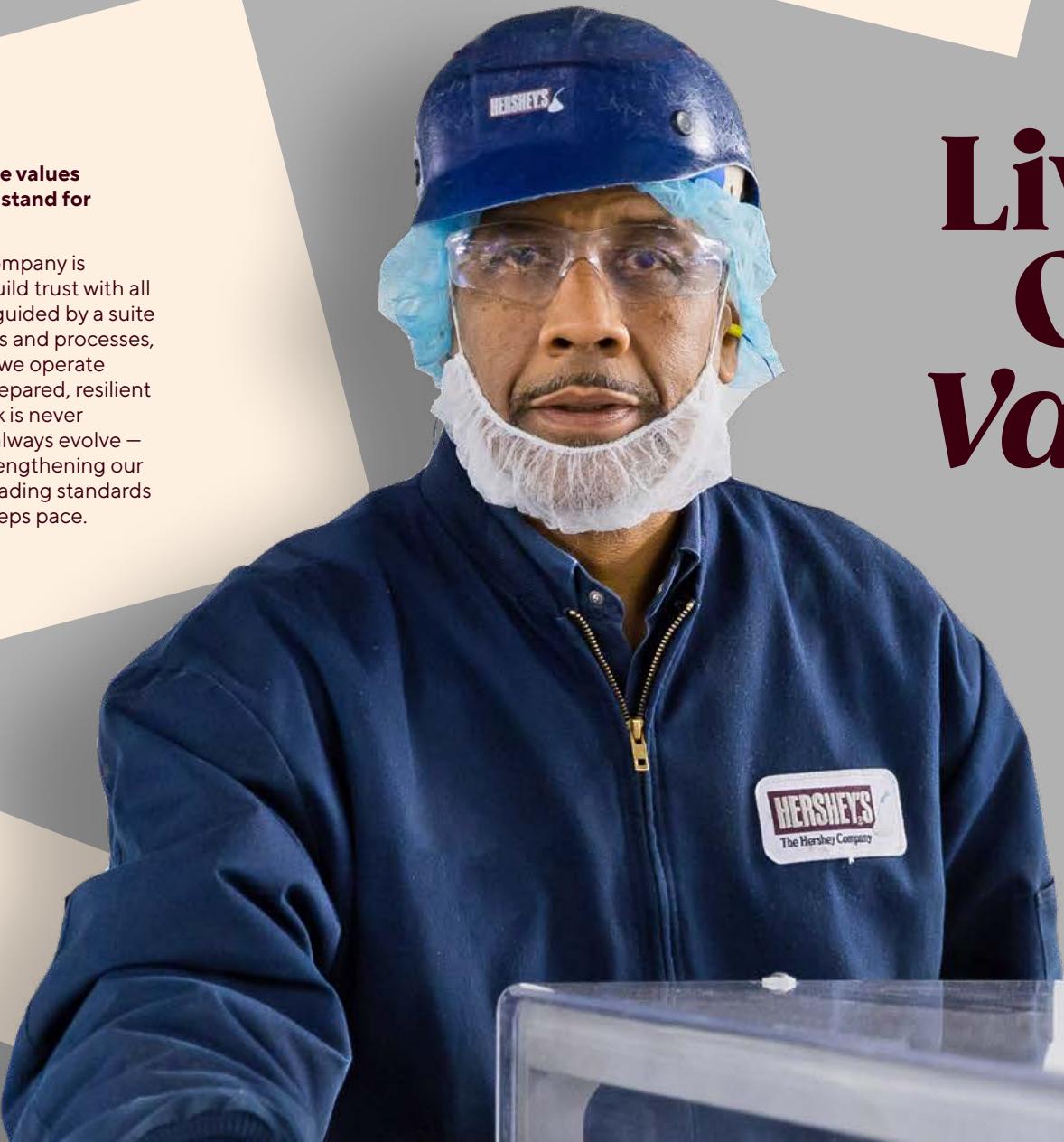
## Asia



**Integrity is one of our core values and is central to what we stand for as a company.**

Operating as an ethical company is fundamental to how we build trust with all our stakeholders. We are guided by a suite of carefully crafted policies and processes, developed to ensure that we operate responsibly and remain prepared, resilient and competitive. This work is never finished – best practices always evolve – and we are continually strengthening our approach and adopting leading standards to ensure that Hershey keeps pace.

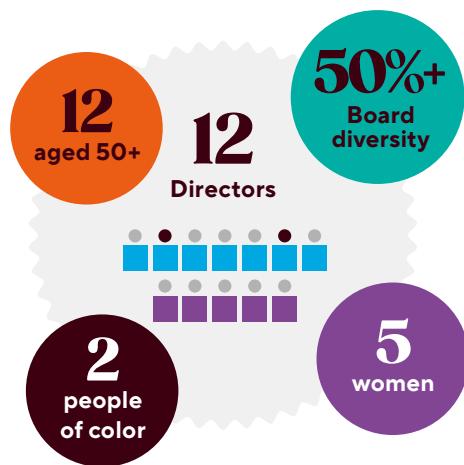
# Living Our Values



# Corporate Governance

**Hershey prioritizes working with integrity and being transparent in all we do. Committed to living our values, we have developed robust policies and procedures to act responsibly across our operations and supply chain. We regularly review our processes to align with the changing regulatory landscape.**

## Our Board<sup>1</sup>



In 2021, our Corporate Governance Guidelines were updated to clarify the Board's role in overseeing all ESG matters, including our ESG strategies, priorities, progress, risks and opportunities. All Board committee charters were enhanced to include oversight of each committee's relevant ESG responsibilities and reporting requirements.

While various ESG-related matters have been included in our ERM process since at least 2018, we expanded our enterprise risk portfolio to reflect ESG as a standalone risk beginning in 2021. We further expanded our portfolio in 2022 to include human capital as well as climate and environment as enterprise-level risks along with ESG.

For more information on our Board committees, ESG oversight and responsibilities and approach to executive compensation, see our [2022 Proxy Statement](#).

## Governing ESG at Hershey

Our ESG and sustainability governance model includes a multi-level operating structure to ensure we are aligned on the most important issues facing the company and allocating resources to drive progress within our Shared Goodness Promise. Accountability for managing ESG and sustainability resides with the Vice President of Global Sustainability and Corporate Communications, who reports to our Chief Supply Chain Officer.

The Board of Directors oversees our strategies, including our holistic ESG strategy – our Shared Goodness Promise, all significant decisions and business performance. This includes 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 the management of succession planning and compensation policies. The Board committees conduct in-depth reviews of significant issues to help manage these responsibilities.

## Board of Directors

The full Board oversees our ESG strategies and priorities, along with the most important emerging ESG trends, risks and opportunities. ESG-related oversight responsibilities are divided among the Board's committees, with oversight for ESG governance residing with the Governance Committee. Management and ESG leaders typically provide deep dives on ESG issues for the full Board at least once a year, with relevant committee updates occurring frequently throughout the year.

### Executive Committee

Our CEO and her direct reports conduct at least quarterly reviews of our Shared Goodness Promise strategy, data and progress against our commitments and targets, as well as emerging ESG and sustainability challenges and opportunities.

### ESG Advisory Committee

Established in 2021, this group of executive team members and senior leaders meets bimonthly to review ESG strategic direction and delivery, governance and proposed ESG-related investments. The committee reviews and provides input on key decisions related to our global ESG and sustainability programs, including review of enhanced disclosures and policy changes.

### Disclosure Committee

In 2021, Hershey expanded its Disclosure Committee to include the Vice President of Global Sustainability and Corporate Communications to ensure consistent disclosures across the company's financial and ESG reporting.

### Sustainability Steering Committee

Composed of key business leaders and ESG subject matter experts, this cross-functional group meets bimonthly to evaluate ESG strategy effectiveness and interdependencies, provides input on investments to support ESG program deliverables and reviews progress toward goals and key performance indicators (KPIs) relevant to our global ESG and sustainability programs.

### Global Sustainability Team

Led by our Vice President of Global Sustainability and Corporate Communications, this team is composed of ESG experts and leaders from across the business who manage the strategy, implementation and reporting of our global ESG and sustainability initiatives. The Global Sustainability team communicates regularly with external stakeholders who provide valuable perspectives on our program decisions and focus.

## Our Policies

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

We also maintain several policies that control how we responsibly source key ingredients and the standards and behaviors we expect from our suppliers. Other ESG policies relate to environmental management, human rights, food safety and other key concerns for our company. Our policies are publicly available on our [website](#).

All contributions are disbursed pursuant to our internal contribution guidelines and in accordance with applicable election laws. All PAC contributions are bipartisan and given equally to both major political parties at the federal and state levels.

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

## Lobbying and Transparent Policy

Consistent with our Code, 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 who demonstrate a commitment to the growth and prosperity of our business, the communities in which our employees live, and whose values and goals align with The Hershey Company's vision and Code of Conduct.



# Materiality

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

## Assessment Process

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

The resulting findings identified a total of 33 issues, which cover impacts to our people, the planet and our business; with 11 being the most material:

- Business operations and supply chain resilience
- Child labor
- Climate change
- Deforestation
- Farmer livelihoods
- Food safety
- Forced labor
- Human rights
- Packaging and plastics
- Responsible and ethical business
- Responsible sourcing

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

For a full list of definitions for each of our material topics, see pages 35 – 38 in our [2020 GRI Report](#).

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

## Stakeholder Engagement

Our relationships and ongoing dialogue with stakeholders are an important part of our Board's ESG commitment. We engage in continuous dialogue throughout the year with NGOs, customers, investors, government officials and other stakeholders to discuss our ESG performance. Additionally, feedback from our employees is sourced via our Business Resource Groups (BRGs), Green Teams, surveys and ad hoc through direct engagement with the company's Global Sustainability team. We remain committed to fostering transparent dialogue with stakeholders as our ESG programs evolve.



# Our Snacks Portfolio

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

 **Sweet**



  
NEW IN 2021  
**LILY'S Sweets**



  
NEW IN 2021  
**DOT'S HOMESTYLE PRETZEL snacks**

 **Salty**

# Nutrition, Innovation, Choice and Transparency

## Hershey was built on making great-tasting snacks accessible.

In the more than 125 years we've been in business, tastes have changed. We started by making chocolate available to all. Today, consumers have a variety of snacking needs, including some who are seeking balanced, permissible snacking options.

We're stepping up with a full spectrum of snacking opportunities by offering more better-for-you (BFY) options that help those who love our brands enjoy snacks they love while still meeting their health and wellness goals.

We'll always provide classic Hershey treats for moments of indulgence like our HERSEY'S bars and REESE'S Peanut Butter Cups, but we're also focusing on creating products that meet a range of consumers' needs and snacking occasions throughout the day, including popcorn, puffs and pretzels (3Ps).

As part of our focus on 3Ps, we added the fastest growing pretzel brand in the U.S. to The Hershey Company when we finalized our acquisitions of Dot's Pretzels, LLC ("Dot's") and Pretzels Inc. ("Pretzels") in December 2021. Together, Dot's and Pretzels manufacture and distribute filled, gluten-free and seasoned pretzels and other salty snack food products to retailers and distributors in the U.S.

For consumers who want to cut their sugar intake, we expanded the zero sugar product offerings in 2021, and also acquired Lily's Sweets, LLC ("Lily's"), a maker of no sugar added snacking options, including dark and milk chocolate style bars, baking chips, peanut butter cups and other confection products. In addition, our investment in Bonumose will help us champion the use of innovative sugars in our snacks.

Beyond offering snacks with smaller portion sizes, such as Thins, our research inspired us to make new moments with the up to 40 million U.S. adults who are looking for chocolate products that are organic, plant-based or made with independently verified cocoa. To meet these preferences, we launched organic REESE'S Peanut Butter Cups, organic HERSEY'S bars and are exploring plant-based versions of our HERSEY'S brand products.

Beyond innovation in formulations, we are focused on improving transparency in ways that support consumer awareness and choice. We maintain a Food Claims Review Council in the U.S. that acts as a collaborative, cross-functional team of regulatory, nutrition and legal partners. The Council provides guidance on product claims, labeling, marketing and advertising early in the innovation process to ensure products are compliant and address consumer needs.

In addition, we helped develop an industry-wide technology for U.S. products called SmartLabel™. With a simple scan of a QR code on the product package, consumers are taken to the Hershey SmartLabel™ page and provided with a wide range of product information including information on nutrition, ingredients and their definitions, allergens and whether the product is gluten-free.



# Excellence in Food Safety

## Hershey maintains some of the highest food safety production standards in the industry.

We go beyond compliance with national and international standards, and every part of our manufacturing process is subject to rigorous auditing and oversight.

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

Our Quality and Regulatory Compliance team continually reviews and evaluates emerging regulations and industry practices to ensure PEP is meeting the latest requirements and best practices. PEP's elements meet or exceed current Global Food Safety Initiative (GFSI) standards. In addition, all Hershey-owned manufacturing facilities are GFSI certified, which is an independent verification of the strength of our food safety and quality systems.<sup>1</sup> But our success is more than our programs — people are at the core.

All Hershey products are designed and produced under a hazard analysis and risk-based preventive controls (HARPC) approach, which is part of the U.S. Food Safety Modernization Act.

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

### Food Safety in Our Value Chain — and Beyond

Hershey sources 100% 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% of our ingredients from GFSI-certified suppliers. As of the end of 2021, 93.8% of our suppliers globally have achieved certification, covering 99.8% of our sourced ingredients by spend.

In 2021, we became a member of the Alliance to Stop Foodborne Illness (STOP), a national nonprofit that brings together food industry companies, industry members and the Food and Drug Administration. The Alliance is collaboratively designing and implementing innovative and tailored programs to integrate motivational elements of personal stories into food safety culture and training programs. In addition, the Alliance is building broader education and awareness by engaging small and medium companies across the supply chain.



For a summary of our goals and KPIs on this topic, see [page 19](#).



# Marketing Responsibly

**We are committed to responsibly marketing our products. Our strong values guide our behavior in all aspects of our brand-building work and consumer communications.**

We respect that caregivers 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 for children under the age of 12.

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

For unmeasured media, like websites, video-sharing platforms or social media services, we use a multi-factor analysis to determine whether the media is child-directed, including audience composition data (where available), the nature of the site's content and platform content identifier tools. We also do not use third-party licensed characters for child-directed advertising.

We submit data and information annually to the CFBAI demonstrating compliance with our commitments. CFBAI's most recent compliance and progress report, which addresses the performance of Hershey and all other participating companies.

In Canada, we participate in the Canadian Children's Food and Beverage Advertising Initiative (CAI), overseen by Advertising Standards Canada, which commits us to similar standards and principles as the CFBAI in the U.S. CAI's most recent compliance and progress report, which addresses the performance of Hershey and all other participating companies.

In June 2021, the leading food and beverage trade associations in Canada announced a new version of the voluntary code for advertising to children, effective in mid-2023. Hershey will comply with the updated version of the voluntary code when it comes into force.

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, in conformance with our voluntary pledges in the U.S. and Canada, 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.



# Staying Agile Through Change

The pandemic has completely transformed the marketplace. To sustain our business today and thrive in the future, we're using innovation to adapt to a new reality.

## Using Technology to Rapidly Respond to Evolving Consumer Tastes

In October 2021, we opened our newly renovated Global Customer Insights Center (GCIC) at Hershey's Pennsylvania headquarters.

The GCIC is a part of Hershey Insights Centers and now offers virtual and in-person services to bring Hershey's thought leadership on initiatives driven by shopper insights to life.

We have always seen customer collaboration as critical to helping our retail partners unlock growth through our own unique shopper insights, knowledge of industry trends and access to the latest technology shaping today's retail environment.

### The following centers offer distinct capabilities to build on:



#### **1** Global Customer Insights Center (GCIC)

Lab stations inside the GCIC offer interactive content for retail partners to see collaborative strategies brought to life. These environments include pay points, seasonal solutions and in-aisle merchandising strategies with special areas dedicated to food service and global licensing capabilities.

#### **2** Mobile Customer Insights Center (MCIC)

First launched in 2018, the 53-foot expandable tractor-trailer includes a collaborative workspace that seats up to 15 people. It offers customers who cannot travel to Hershey a similar experience to the GCIC at their locations. After nearly two years of inactivity due to pandemic restrictions, the MCIC kicked off a national schedule of customer visits to all channels starting in February 2022.

#### **3** The Hershey Insights Network (HIN)

HIN is a virtual platform for Hershey to remotely engage with its partners. Operating like a live television newsroom, it is equipped with a multi-camera studio and green-screen capabilities to deliver solutions to retail partners who may be unable to travel. The HIN was developed in response to the pandemic but has become a way to further enhance customer collaboration sessions happening inside the GCIC.

## Data Protection and Privacy

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

# Our Progress

## KPIs

<b>FINANCIAL PERFORMANCE</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Countries in which our products are marketed	80	85	85
Number of countries in which our products are manufactured	6	6	6
Manufacturing facilities: wholly owned/joint ventures	15	14	15/1
Consolidated net sales (USD in millions)	\$8,971	\$8,150	\$7,986
Shareholder return	29.6%	5.91%	40.2%
Adjusted diluted earnings per share (USD)	\$7.19	\$6.29	\$5.78
Income taxes paid (USD in millions)	\$275.2	\$215.5	\$238.1
Worldwide payroll (USD in millions)	\$924	\$863	\$834
One year net sales growth	10.1%	2.1%	2.5%
Investment in R&D (USD in millions)	\$40.1	\$37.6	\$37.1
Number of brands	>100	>90	>80
Weight of products sold (metric tons) <sup>1</sup>	1,085,720	1,027,447	907,205

1 The weight of products sold result for 2019 reflects weight of product produced at Hershey-owned facilities, not weight of products sold.

<b>FOOD SAFETY AND NUTRITION</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Revenue from products labeled and/or marketed to promote health and nutrition attributes (USD in millions) <sup>2</sup>	\$644.4	\$520.8	\$432.3

2 These values represent revenue from our snacks portfolio, which includes ready-to-eat popcorn with no artificial ingredients, baked and trans-fat-free snacks, protein bars and other better-for-you snacks.



Cocoa remains a key priority for Hershey. In sourcing cocoa for some of the world's most iconic chocolate brands, Hershey seeks to promote **Shared Goodness** for all stakeholders.

Our Cocoa For Good strategy is designed to address systemic social and environmental challenges in cocoa communities and help create a resilient future. Child labor, poor nutrition and deforestation are all symptoms of poverty. Through Cocoa For Good and our commitment to invest \$500 million in cocoa communities by 2030, Hershey seeks to contribute to disrupting the cycle of poverty in these communities. The portfolio of programs under our Cocoa For Good strategy works to improve 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.



# Responsibly Sourcing Cocoa

A large, central photograph of a young woman with a blue headwrap, smiling warmly at the camera. She is wearing a patterned white and red top and is holding a large, yellowish-brown cocoa pod in her hands, which are positioned in the foreground. The background is a solid blue color with abstract, light-colored organic shapes (triangles, circles) scattered across it.

# Cocoa For Good

We're working to make cocoa-growing communities stronger for generations to come.

To do so, we have a clearly defined strategy that seeks to:

 Improve farmer incomes and livelihoods.

 Eliminate child labor and improve children's nutrition.

 Protect the environment.

## Purpose

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

## Principles

- We listen to farmers and their families and engage with local communities and governments in cocoa origin countries, incorporating their 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 interconnected areas of impact:

### • Nourishing Children

We provide improved nutrition for schoolchildren and training to support home-based food security and children's nutrition.

### • Empowering Youth

We work with communities to combat child labor, improve the quality of education and encourage children to remain in school. We also work to equip youth with life and business skills and resources to break the cycle of poverty in their communities and become tomorrow's leaders.

### • Prospering Communities

We economically empower women and partner with suppliers to provide training and financial support to cocoa farmers and their families to grow their business and diversify and stabilize their household income.

### • Preserving Ecosystems

We advance environmentally responsible agricultural practices and promote agroforestry and shade-grown cocoa. We use polygon mapping to improve traceability, understand how and where cocoa is being grown and monitor deforestation risk using satellite technology.

## Partners

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

In 2021, our partners included:

### • Nourishing Children

Helen Keller International, International Cocoa Initiative (ICI), Jacobs Foundation, Project Peanut Butter, Government of Côte d'Ivoire National Nutrition Council, Government of Côte d'Ivoire National Nutrition Programme (PNN), Innovations for Poverty Action (IPA), Government of Ghana Ministry of Gender, Children and Social Protection, Government of Ghana School Feeding Programme.

### • Empowering Youth

Aflatoun, INADES Formation, CARE International, ICI, Jacobs Foundation, Save the Children, Government of Côte d'Ivoire Ministry of Education and Literacy, Otumfuo Osei Tutu II Foundation (Ghana).

### • Prospering Communities

CARE International, Farmerline, ICI, Ipsos, Espoir+, Empow'Her, PDA NGO, &Wider, United States Agency for International Development (USAID), Vert+, World Cocoa Foundation.

### • Preserving Ecosystems

Government of Côte d'Ivoire Rural Land Agency (AFOR), Audace Institut Afrique (AIA), Government of Côte d'Ivoire Ministry of Water Resources and Forests (MINEF), German Agency for International Cooperation (GIZ), Impactum, Meridia, Nature Conservation Resource Center Ghana (NCRC), Ghana Cocoa Board, Government of Ghana Ministry of Lands and Natural Resources, Ghana Forestry Commission, PUR Project, USAID, Unilever, Winrock, World Cocoa Foundation, Sourcingmap.

## Suppliers

Albrecht & Dill Trading Company, Atlantic Cocoa Company, Barry Callebaut, Blommer Chocolate Company, Cargill Cocoa & Chocolate, Ecuakao Processing SA, FCStone, General Cocoa Company, Guan Chong Cocoa, Indresa Productos del Cacao, JB Cocoa, LIFE BV, Olam International, Plot, Tafi SA and United Cocoa Processor, Inc.



# Deeply Committed to Responsibly Sourcing Cocoa

**Hershey's ability to live its purpose of Making More Moments of Goodness is supported by evolving sustainability practices, as well as input from, and impact on, our stakeholders.**

As we deliver on our cocoa commitments, we continue to evolve our ways of working, improve transparency for our key stakeholders and provide consumers with robust assurances about our products. We strive to create transparent and measurable policies that keep Hershey accountable to our goals, allow stakeholders to track our progress and create alignment among our global teams.

In line with our commitment to provide clarity around our specific cocoa sourcing initiatives, we have defined and provided additional context around our key priorities:

## 100% Independently Verified Cocoa

All of our suppliers must agree to the Hershey Supplier Code of Conduct before delivering cocoa to us. To continue to deliver on our commitment of 100% independently verified cocoa, which we achieved in 2020, we collaborate with third-party certifiers, including the Rainforest Alliance and Fair Trade USA, as well as independently verified programs through our suppliers.

**By 2025, we aim to achieve 100% sourcing visibility in Côte d'Ivoire and Ghana by requiring that 100% of farmers producing Hershey's cocoa volume in these countries are:**

- Polygon mapped by our suppliers to improve traceability and monitor deforestation; and
- Covered by Child Labor Monitoring and Remediation Systems (CLMRS) to prevent, monitor and remediate child labor.

Farmer groups and farmers participating in our Cocoa For Good strategy in Côte d'Ivoire and Ghana together supply a significant amount of the cocoa we purchase worldwide. Clear visibility into how and under what conditions the cocoa we source is grown and cultivated enables us to implement programs that focus on helping to improve farmer incomes, eliminate child labor and protect the environment. Understanding the origin of cocoa is essential to ensure that it meets our human rights and environmental requirements.

Responsibly sourcing cocoa and prioritizing our human rights and environmental requirements requires collaboration between the public and private sectors including governments, our suppliers, farmers and manufacturers. Our commitment to improve farmer livelihoods and incomes is unwavering, and we will continue to drive our requirements and evolve as we learn to benefit farmers, their families and their communities.

As of December 2021, we achieved 68% sourcing visibility of our cocoa volume originating from Côte d'Ivoire and Ghana, on track to reaching our 2025 commitment.

While Côte d'Ivoire and Ghana continue to be the countries where the majority of our programming is focused, in 2021 we continued implementing Cocoa For Good in Brazil, Cameroon, Ecuador, Indonesia, Mexico and Nigeria, increasing the number of farmers participating in programs as part of Cocoa For Good worldwide by 24%.

**68%**  
sourcing visibility in  
Côte d'Ivoire and Ghana



# Accountability, Transparency and Due Diligence in Cocoa

## Hershey takes a comprehensive approach to human rights due diligence in cocoa.

This process covers country-of-origin risk assessments and a supplier sustainability assessment – the Hershey Company Sustainability Assessment – that evaluates suppliers' policy commitments and management systems to address topics like child labor, forced labor, grievance mechanisms and living income.

The results of the assessment are incorporated into our overall engagement with suppliers, including performance conversations with a mindset of continuous improvement.

We currently have action plans in place with suppliers for 2021–2023 that cover the majority of our cocoa volume needs. We will continue to review the assessment action plans through our ongoing supplier engagement conversations.

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

### The survey enables us to:

- Better understand and assess our direct suppliers' commitments and actions around responsibly sourcing cocoa.
- Identify potential risks within Hershey's value chain.
- Identify areas for improvement and work with our suppliers on their responsible sourcing journey.



# Working to Eliminate Child Labor

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

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

Not only does child labor pose a potential danger to children, it also plays a role in further entrenching intergenerational poverty in rural communities.

Hershey has developed a multifaceted approach that includes improving community and farmer awareness. We also invest in preventive, supplier-led approaches that monitor farmers to check that child labor is not occurring and providing resources and oversight to help remediate instances of child labor if they are found.

## What Is Child Labor?

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

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

Not all work performed by children, such as helping their parents around the home and assisting in a family business, is classified as child labor. Such activities are sometimes referred to as "light work."

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

**Child labor is 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.*

Hershey is a member of ICI's Forced Labor Sub-Group, working with our peers and technical experts to advance knowledge, skills, and action on preventing, monitoring, identifying and addressing forced labor in cocoa supply chains.

## Identifying and Addressing Child Labor

Our regular review of key risks in the cocoa supply chain (as outlined in our cocoa due diligence process on page 23) continues to highlight the importance of monitoring, preventing and remediating instances of child labor.

CLMRS, championed by the ICI and proven to be an [effective measure in helping to protect against child labor](#), is the leading method of child labor detection and remediation among children aged 5–17 years old. It is implemented by supply chain partners and community-based groups that identify child labor and monitor and help remediate when cases are found. Supply chain partners are responsible for collecting and reporting on this data.

Hershey began implementing industry aligned best practice CLMRS executed by supply chain and community partners in 2018. Supply chain and community partners identify potential child labor situations and investigate, monitor and remediate when cases are found. For Hershey, "remediated" means that through our supply chain partners a child has received mitigation efforts appropriate to their situation, such as being enrolled in school. As a result, the child no longer participates in activities defined as child labor and is no longer at risk of being enlisted to undertake these activities.

Due to case-by-case differences between child labor situations, remediation can be done at the child, household or community level. Remediation responsiveness, therefore, can range from almost instant (e.g., household awareness training that is conducted when data is collected and/or cases found) to 6–18 months (e.g., renovation of classrooms or school canteens to get kids back to school).

Children identified as victims of child labor receive two or three follow-up visits over several months to establish whether they are out of child labor. Continued monitoring then reveals whether those children stay out of child labor consistently or are identified once more engaging in potentially hazardous activities.



## How CLMRS Is Helping Keep Kids Safe

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

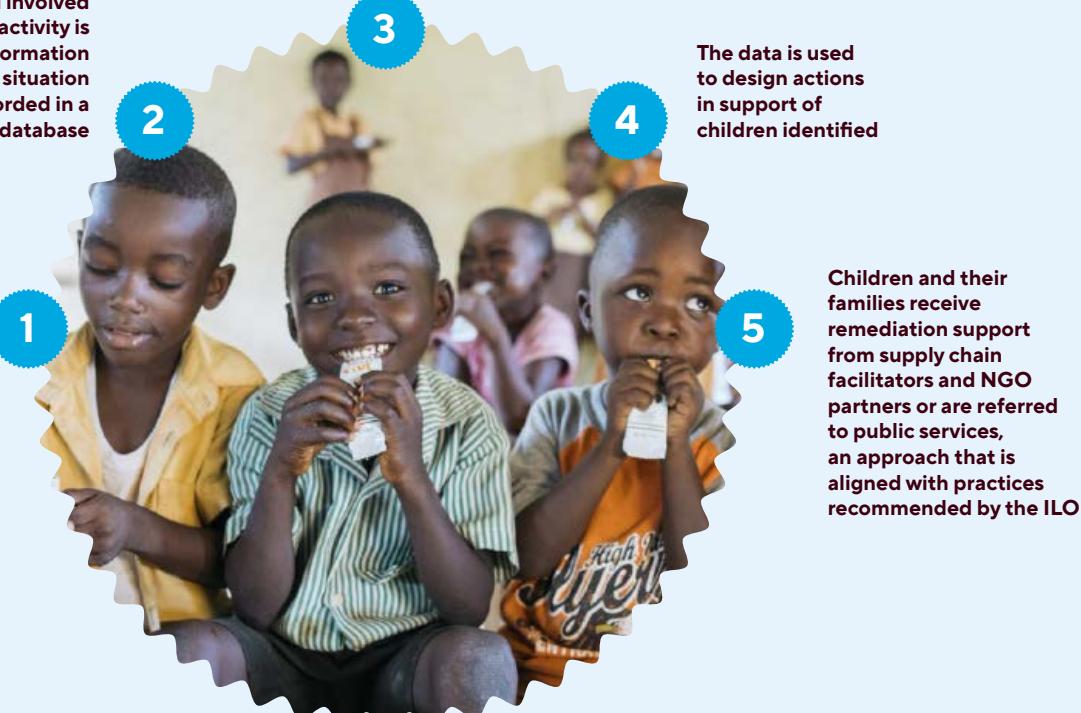
Community facilitators visit every farm assigned to their farmer group



**62%**

of Hershey cocoa volumes are covered by CLMRS

The report is verified



We also support the establishment of community-level child protection committees. Composed of trusted community members, these groups are in the best position to raise awareness, identify cases of child labor and implement the most appropriate practices to remediate those cases. Depending on the type of child labor detected, remediation support is conducted at the child, household or community level.

Successful child labor remediation strategies vary and need to respond to the needs of individual children and their families. They may also be dependent upon the presence of government social welfare agencies to which cases can be referred for additional follow-up by local authorities. By increasing farmers' awareness of what constitutes child labor (such as children carrying heavy loads and being exposed to farm pesticides) and improving farmers' and families' ease and efficiency of completing tasks around the farm, children are less likely to participate in dangerous farm tasks.



To see our key performance metrics from the year, see [page 31](#).

## What's Next

We will continue to invest funds to improve the quality of CLMRS and to expand it with the aim of ensuring that no child is overlooked, and everyone receives the support they need.

Our CLMRS covered 62% of Hershey cocoa volumes, on the way to achieving our goal of 100% by 2025. As of 2021, Hershey's CLMRS found no evidence of forced child labor in our programs in Côte d'Ivoire and Ghana. Almost 2,000 children were either remediated or have aged out of the CLMRS.

# Prevention Is the Priority

## Preventing Child Labor Through Access to Education

As part of our efforts to eliminate child labor, we seek to proactively prevent child labor by removing barriers to children being able to attend school and by encouraging school attendance through our school feeding initiative. We focus significant resources and effort on making it easier for children to access and continue their education, such as by improving education infrastructure, training school-parent management committees, providing school kits filled with important school supplies, distributing vitamin-fortified, peanut-based, ready-to-use therapeutic food to schoolchildren and helping children and youth obtain birth certificates for school enrollment.

In October 2021, we signed a five-year agreement with the Jacobs Foundation, the Government of Côte d'Ivoire Ministry of Education and Literacy, and 14 other chocolate producers and cocoa suppliers to implement the Child Learning and Education Facility (CLEF). This new public-private initiative will contribute to improved foundational literacy and numeracy skills for five million children at primary school level and includes an investment in 2,500 new classrooms.

## Our 2021 Impact

- 45,000 children received daily servings of ViVi, our vitamin-fortified, peanut-based, ready-to-use therapeutic food.
- 12,627 children enrolled in primary schools that benefited from quality education interventions.
- 1,883 school kits provided.
- 1,466 birth certificates obtained to enable access to school.
- 25 classrooms renovated.

 To see our key performance metrics from the year, see [page 31](#).



## Addressing Child Labor Through School-Based Nutrition

Not only does a full stomach improve a student's ability to concentrate and learn, it can also be the deciding factor between whether or not a child attends school. In collaboration with Ghana's Ministry of Gender, Children and Social Protection, the Ghana National School Feeding Programme and our suppliers, Hershey has been distributing ViVi daily to school children in cocoa-growing communities in Ghana since 2015.

ViVi, developed by Hershey and our partner Project Peanut Butter, provides children with 30% of their daily nutritional intake requirements. In 2021, we reached approximately 25,000 children daily in Ghana. In addition, ViVi is produced in Ghana in a factory that employs 30 local men and women and provides a secure market for more than 20 Ghanaian peanut farmers.

In February 2021, production and distribution began in Côte d'Ivoire, thanks to a partnership with the country's National Nutrition Council and a new Hershey-funded ViVi factory at San Pedro, in southwestern Côte d'Ivoire. The trial distribution reached 2,552 students. By September 2021, distribution expanded to reach 20,000 school children daily in the regions of San Pedro and Haut-Sassandra. We expect further growth of the project in Côte d'Ivoire in 2022.

Knowing that children will be fed at school is another reason to ensure they go to class rather than to work, making it an important preventive tool in the fight against child labor.<sup>1</sup> Research Hershey commissioned shows that providing ViVi improves children's health and increases school enrollment and regular attendance while also enabling improved academic performance.<sup>2</sup>



<sup>1</sup> Education quality and child labour publication | ICI.

<sup>2</sup> Steiner-Aseidu, M. (Prof) and 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.

# Lifting up Rural Livelihoods

## Several overlapping factors contribute to the prevalence of poverty in cocoa-growing communities.

These factors include low access to credit, limited negotiating power for farmers to set crop prices, a singular reliance on cocoa for income, falling cocoa yields as cocoa trees age, illiteracy, a lack of proper business and financial training and persistently disempowered women. Additionally, we know that the cycle of poverty continues to exacerbate the existence of child labor and deforestation in these communities.

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

### Supporting the Development of Farmer Groups

Farmer groups are essential platforms for farmers to unify their voices to increase their earning potential and economic resilience. In 2021, through Cocoa For Good, Hershey expanded its support to 102 farmer groups, reaching more than 94,300 farmers through our suppliers across seven origins.

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

Farmers receive direct cash payouts from the certification premium, which enables them to reinvest in their farms and their families.

At the group level, the certification premium is used to further strengthen the resiliency of the group as a whole through investment in shared equipment and capacity building, like training on climate-smart cocoa techniques and income-diversification opportunities.

### Improving Income Through Farm Development Plans

We support farmers in achieving economic gains by actively exploring how to improve their farming practices through creation of tailored farm development plans. Through Cocoa For Good and associated farmer groups, farmers have access to higher-yielding cocoa varieties and are trained on the proper pruning of shade and cocoa trees, fertilization and irrigation, and weed and disease control. Farmer group members also have improved access to credit and loans to make further investments in their farms. In 2021, this support included more than 31,000 farm development plans.

### Supporting Income Diversification

To help diversify economic opportunities, we support cocoa community members in developing alternative means of generating income. In 2021, more than 2,600 community members were trained in alternative income-generating opportunities, such as soap making and cassava processing.



## Supporting Women in Achieving Economic Independence

Village Savings and Loan Associations (VSLAs) are a simple, accessible way to help individuals – especially women – and communities learn about saving, borrowing and investing responsibly. The groups' members are likely to be either completely unbanked or unable to qualify for a loan through traditional financial providers. In VSLAs, loans are based on trust among group members. The groups also create a small solidarity fund that is dispensed either for collective problems (such as repairing a village water pump) or individual emergencies. Hershey now directly supports nearly 200 VSLAs with 5,879 members, 79% of whom are women. Thanks to collective savings, the VSLAs provided an invaluable source of funds to boost financial resilience and security during the pandemic.

## Empowering Youth

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

In addition to providing an invaluable service to farmers, in 2021, these community pruning teams provided 372 young adults (39 of them women) in cocoa-growing communities with valuable skills and knowledge about cocoa farming, while also helping to support their families with extra income.

## Continuing Our Work to Understand and Promote Farmer Incomes

In 2021, we published our [Living Wage & Income Position Statement](#) and began taking additional steps to understand the gaps between farmers' current income and a living income. Working with the research firm [Ipsos](#), we implemented a new biannual impact assessment methodology to capture data on farmer and household income. This research will allow us to measure the efficacy of our programs in addressing farmer livelihoods, including improving income. In conducting our research, we use benchmarks endorsed by the Living Income Community of Practice (LICOP), which defines living income as: "The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household."

Collection of baseline data was completed in late 2021 for Côte d'Ivoire and will finish in Ghana in early 2022. Initial results suggest that while only a small percentage of cocoa farming households earn a household income above the Living Income Benchmark, the majority are above the national poverty line in Côte d'Ivoire. Further analysis will be focused on better understanding how the Cocoa For Good program can support farmer livelihoods to increase the percentage of households above the Living Income threshold.

 For our key performance metrics from the year, see page 31.



# Fighting Deforestation

**In cocoa-growing regions in West Africa, deforestation and biodiversity loss are a manifestation of a complex set of root causes including poverty, the absence of land titles, a lack of clarity on land tenure arrangements, limited knowledge of good agricultural practices and resource-challenged law enforcement agencies.**

To stop deforestation in our supply chain, Hershey is investing in helping farmers secure land titles where they farm, spreading climate-positive farming methods and investing in protecting the uniquely rich ecosystems where cocoa is produced in Côte d'Ivoire and Ghana.

Since 2018, Hershey has publicly committed to no new deforestation in our global cocoa supply chain and to implementing shade-grown cocoa with agroforestry tree-planting programs. In 2021, Hershey supported the nationwide “1 Day, 50 Million Trees” reforestation campaign led by the Ministry of Water Resources and Forests in Côte d'Ivoire.

## Farm Locations and Deforestation

Throughout the past few years we funded comprehensive mapping of cocoa farms in Côte d'Ivoire and Ghana where our suppliers source the cocoa volume used in Hershey products. The mapping provides a baseline deforestation rate through measuring annual tree cover loss and closely monitoring farm locations for encroachment into protected forest areas.

## Securing Land Titles to Unlock Land Value

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

Through our partnership with the USAID Integrated Land and Resource Governance (ILRG) Project, we support communities in Ghana to clarify and document land rights as well as improve land-use planning practices through agroforestry. In 2021, our engagement with ILRG and one of our suppliers, ECOM, assisted 1,244 farmers in acquiring land title documentation.

In 2020, we co-launched with the German Agency for International Cooperation (GIZ), the Government of Côte d'Ivoire and other partners the Côte d'Ivoire Land Partnership program (CLAP) to promote affordable land titling as a catalyst for halting deforestation. Due to our intervention and design of relevant land tenure documents that are government sanctioned and community accepted, this partnership was able to shorten the time of delivery and costs of securing land titles, greatly improving farmers' access.

In addition, in Zégo, a town in Côte d'Ivoire's Lôh-Djiboua region, CLAP provided members of the village land management committee with technical training on the use of GPS devices to record land rights, with a special focus on land-use contracts with tenants. Benefiting from fit-for-purpose technology, community members can now record land rights locally and formalize owner-tenant agreements, something previously cost-prohibitive for these communities.

## Continuing Our Landscape Programs

We continued our Kakum Agroforestry Landscape Program partnership in Ghana, which covers an area equivalent to 20 times the size of Manhattan and includes the Kakum National Park, an intact tropical rainforest covering 145 square miles (375 square kilometers) that is home to antelopes, elephants, monkeys and a number of other endangered wildlife species. This partnership promotes and supports community-led landscape management, spreads climate-smart cocoa-growing practices and provides training for extra income-generating activities.



## Promoting Cocoa Agroforestry in Ghana

The Kakum Cocoa Agroforestry Landscape Project engages the chocolate and cocoa sector companies along with the Ghana Cocoa Board, Ghana Forestry Commission and the Nature Conservation Research Centre. The project fosters sustainability at a landscape scale – both on farms and across the surrounding expanse of cocoa and forest lands – in the environment surrounding world-renowned Kakum National Park, in Ghana's Central Region.

The initiative supports the development of an innovative community-based landscape governance system to improve natural resource management, reduce deforestation and enhance forest protection. At the same time, it aims to expand cocoa agroforestry practices and income diversification through emerging botanical supply chains.

So far, the project has developed management plans covering nearly 40,000 hectares of cocoa, food crop and forest-fallow lands in more than 80 communities that border the Kakum National Park. In addition, the project is implementing cocoa agroforestry activities and climate-smart interventions that benefit thousands of cocoa farmers and their communities. This includes planting more than 30,000 multi-purpose shade tree seedlings since 2018.

Many farmers in these communities have also benefited from income diversification through harvesting and selling kombo nuts.

Over the long term, the project will transform the Kakum cocoa-forest landscape toward a more sustainable agroforestry system, in which forests are protected, cocoa farmers and their families experience improved well-being and empowerment, and socio-economic and ecological resilience to climate change across the landscape is strengthened.



## Promoting Climate-Smart Cocoa

As we help more farmers to gain control of their land, we are also promoting climate-smart growing techniques. In 2021, 41% of Cocoa For Good farmers in Côte d'Ivoire and Ghana were trained on climate-smart cocoa using a curriculum Hershey helped develop. We anticipate expanding access to this training by making the content available via a free app.

Cocoa For Good farmers worked on 219,321 hectares of cocoa area across seven origins in line with sustainable farming practice, including promoting shade grown agroforestry, specific tree species, tree handling and planting and the management of trees after planting. Find out more about our progress against public targets in Hershey's dedicated [CFI reports](#).

## What's Next

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

## Our Impact

- 46% farmers polygon mapped in Côte d'Ivoire and Ghana. In 2021, we improved our data collection and data validation to increase confidence in the numbers reported from suppliers.
- 118,000 hectares of landscape programs supported and monitored.



**For our key cocoa metrics from the year, see [page 31](#).**





**Our products, made with raw ingredients and materials grown all over the world, put smiles on people's faces every day.**

Climate change, natural resource scarcity and extreme weather all pose risks to the snacks our consumers love as well as to the farmers and local communities we rely on. Given the significance of these risks and opportunities, we have put in place new targets on climate and packaging, and are developing new programming to support water and nature-related efforts. These bold steps will help ensure the long-term sustainability of our planet, people and business and are aligned with emission reduction requirements to keep warming below 1.5°C globally.



# Acting on Climate Change

We have transformed our approach to environmental sustainability, shifting our focus from what we can do to what the world needs from us and how we can make the greatest impact.

In March 2021, we announced new science-based GHG reduction goals to cut our absolute Scope 1 and Scope 2 emissions by 50% and our absolute Scope 3 emissions by 25% by 2030 against a 2018 baseline.

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

**48%**

improvement against  
Scope 1 and 2 baseline

(2020: 28%)

**18%**

improvement against  
Scope 3 baseline

(2020: 13%)

## How We Achieved Progress on Our Science-Based Targets (SBTs)

### Scope 1 (Direct) and Scope 2 (Indirect):

- Invested in three solar farm projects with the first coming online in 2021 and the other two scheduled to generate power in 2022 and 2024.
- Purchased zero-emissions credits to support our progress while the solar farms are constructed.
- Identified opportunities and invested in reducing the energy intensity of manufacturing.
- Reduced coal usage (already phased out in 2022) within our India plant, where we've transitioned to using rice husks as biofuel.

### Scope 3 (Value Chain Emissions)

- Strengthened on-farm sustainability.
- Reduced land use change through 100% independently verified cocoa sourcing.
- Supported regenerative agricultural practices in collaboration with partners and suppliers.



## Reducing Value Chain Emissions

More than 96% of our total GHG emissions are from Scope 3 in our extended value chain. Cocoa, dairy, sugar, packaging and logistics represent the areas where we see the greatest opportunities for emissions reductions. In each of these priority areas, we are identifying opportunities, engaging in multi-stakeholder planning, implementing meaningful actions toward our targets and advancing sustainability within our value chain.

A large portion of our baseline Scope 3 emissions are due to land-use change from the farm-level production of our ingredients.

Addressing land use is a significant part of our climate action plans and we have committed to eliminating commodity-driven deforestation from all our ingredient supply chains by 2030. As part of this initiative, we are partnering with our suppliers to drive improvements throughout the entire supply chain. Our commitment to sourcing only 100% independently verified cocoa and to 100% sourcing visibility in Côte d'Ivoire and Ghana by 2025 supports our efforts in building long-term relationships with known farmer groups, providing resources and education on sustainable farming and driving traceability to halt deforestation.

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

In 2021, we were assessed by Ceres as part of the 50 largest food companies in North

America with exposure to high-emitting agricultural commodities.

Hershey was one of only three companies on The Food Emissions 50 Company Benchmark list that has developed both emissions disclosure and emissions reduction targets. We were also listed as one of fewer than 20 companies that report on land-use change as part of disclosing Scope 3 emissions.



**For data related to our Scope 1, 2 and 3 GHG emissions, see page 57.**



### Scope 1:

**2.64%**

Direct emissions from owned or controlled sources such as natural gas

### Scope 2:

**1.11%**

Indirect emissions from purchased power, steam, heating and cooling

### Scope 3:

**96.25%**

All other indirect emissions occurring in our value chain:

66.98%	Agriculture (includes land-use change)	0.84%	Business travel/employee commuting
12.48%	Logistics	3.99%	Co-manufacturers
6.76%	Packaging and packaging waste	0.51%	Fuel
4.36%	Specialty	0.20%	Food waste
		0.14%	Waste from operations

## Renewable Energy

Investing in renewable energy is a key lever in reaching our Scope 1 and 2 commitments. In April 2021, Hershey announced the signing of two Power Purchase Agreements (PPAs) that will enable the construction of two new utility-scale solar farms. Hershey signed another PPA at the end of 2021 to enable the construction of a third utility-scale solar farm. These projects will offset GHG emissions and enhance Hershey's ability to rely on clean and renewable energy while also creating local jobs and generating significant power for the communities where they are situated.

The first solar farm came online in November 2021 and is already delivering substantial progress toward our Scope 1 and 2 emissions target. Hershey received more than 14,600 Renewable Energy Credits (RECs) from solar projects in 2021. The second solar farm is scheduled to come online in 2022 and the third in 2024. We have also worked with our utility providers to significantly increase the proportion of our energy coming from zero emission sources, including nuclear power.

In 2021, 77% of our electricity consumption was renewable and zero emission energy.<sup>1</sup>

## Energy Efficiency

Increasing the energy efficiency of our facilities is an important part of our work to tackle emissions and supports our mission as an ENERGY STAR partner. In 2021, we launched a companywide energy program and joined the ENERGY STAR Challenge for Industry, which tasks companies with reducing energy intensity by 10% within five years. To drive this commitment, each Hershey manufacturing location around the world has a designated

energy champion who is responsible for implementing carbon savings projects, meeting conservation goals, identifying opportunities for energy reduction and efficiency, and engaging employees in these efforts.

The Hershey manufacturing facility in São Roque, Brazil, achieved the ENERGY STAR Challenge for Industry goal in just one year. The facility reduced their energy consumption by completing projects and executing strategies to improve their on-site energy efficiency.

In addition, we joined the U.S. Department of Energy's Better Buildings, Better Plants Program in 2021 to reduce energy intensity throughout our U.S. manufacturing operations by 20% within 10 years. Through this program, we are accessing and leveraging additional energy management tools to further uncover energy saving opportunities.



## Expanding Impact

We're not just looking for more ways to increase Hershey's energy efficiency — our employees are replicating our efforts in their own homes.

In 2021, our Malaysia Green team held a three-month competition to reduce their household electricity bills. The competition sparked action by recognizing and rewarding the best in energy conservation. Monthly electricity-saving tips were shared with employees to encourage them to do their part in responsible electricity consumption for a more sustainable future. All participants in the competition achieved at least a 10% energy reduction and the champion achieved a 32% energy reduction.



<sup>1</sup> This calculation includes purchased RECs and Zero-Emissions Credits (ZECs) as well as solar and hydro power directly sourced by facilities.

# Employees Acting for Change

## Accelerating Sustainability at Hershey With Our Green Teams

Our Green Teams represent a group of passionate employees from all parts of the organization and locations around the world that come together out of a shared interest in advancing sustainability at Hershey and in the communities where we operate. Hershey launched its first Green Team on Earth Day 2020. At the end of 2021, there are now 11 Green Team chapters. Hershey's sustainability goals require action from employees across the enterprise and Green Teams are helping drive progress and make a difference for a more sustainable future.

In summer 2021, the Green Teams planted native wildflowers and grasses for pollinators in the shape of a *HERSHEY'S KISSES* candy at our headquarters. The garden has more than 75 native plants specifically selected for the benefits they provide to pollinators. The garden also provides a place for employees to come together away from technology to engage with a tangible sustainability practice that makes a difference and inspires them to add native plants to their own yard. The garden was certified as a pollinator habitat by the Penn State Extension Office Master Gardener Program.

## Planting Trees Today to Benefit Tomorrow

Green Teams supported the Arbor Day Foundation's Community Canopy program to create the largest tree-giveaway program ever for Hershey employees across the U.S.

The program provided employees with more than 2,000 free trees delivered to their homes. Trees were reserved through the Arbor Day Foundation's Community Canopy online mapping tool, which helps identify the ideal planting location to maximize the air, water, energy and carbon benefits of each tree. The benefits of Hershey's Community Canopy program include nearly 8,500 pounds of air pollutants absorbed, more than \$430,000 in combined energy and community benefits, one million kilowatt-hours saved and 10 million gallons of stormwater filtered.<sup>1</sup> Since 2017, we have planted over 903,000 trees in partnership with the Arbor Day Foundation.

In addition, through collaboration with the Arbor Day Foundation, the Alliance for the Chesapeake Bay and the Chesapeake Bay Foundation, we are planting thousands of trees for reforestation projects on public lands and some of the dairy farms that provide fresh milk for Hershey's products. These actions contribute to improving water quality, creating more natural spaces and supporting environmental education for the next generation.

<sup>1</sup> 20-year cumulative values projected using iTree tools.



# Making Progress on Packaging

## Sustainable packaging is important to consumers — and to how we can reduce our environmental footprint.

Packaging waste is a global issue and we aim to use our expertise and resources to help provide solutions that both deliver on food safety and reduce waste in the environment.

Increasing our proportion of sustainable packaging and ensuring responsible production and disposal play an important part in reducing our Scope 3 GHG emissions.

We use a range of tools and data to make and track our progress, including sustainability calculators and quality and life cycle analysis.

### Progress Against Our Packaging Commitments

In 2021, we announced three ambitious new packaging goals:

- Eliminate hard-to-recycle PVC by the end of 2022.
- Ensure 100% of our plastic packaging is recyclable, reusable or compostable by 2030.
- Reduce our packaging weight by an additional 25 million pounds by 2030.

As of December 31, 2021, qualified alternatives have been identified for more than 50% of PVC, with conversions underway. The balance of Hershey's PVC is on track to have qualified alternatives identified by the end of 2022. We are driving our recyclable plan by finding materials that reduce our reliance on mixed-plastic materials that are not recyclable and are actively qualifying single-material alternatives that are more easily recyclable. Within this space, we expect to begin conversion on some items in the U.S. as early as 2022.

In addition to recyclable plastics, we are exploring paper and compostable alternatives across several regions, including the U.S., Mexico, Brazil and Asia. Beyond these efforts, we continue to drive circularity by increasing our use of recycled materials across our portfolio. One example is the transition to 100% recycled material for corrugate cases by our Reese's and Monterrey facilities. This effort alone has saved almost 625,000 hours of energy, over 14,000 trees and almost two million gallons of water. It also reduced GHG emissions by over 12 million pounds.

Lastly, we continue our long-standing commitment to reducing packaging waste to landfill by eliminating unnecessary packaging. In 2021 alone, we eliminated 9.5 million pounds of material through packaging elimination, redesign and downgauging. Our focus extends beyond just the consumer package to include secondary, transport and display packaging where we are investing in design solutions that drive distribution efficiencies to eliminate extra trucks on the road to minimize associated GHG emissions.

Exploring sustainable packaging requires a holistic approach that balances safety, quality, consumer needs, and manufacturing and distribution requirements. Our priority is to make sure Hershey packaging continues to deliver high-quality and safe, consumable products to market.



For a summary of our goals and KPIs related to packaging, see [page 60](#).



# Protecting Water Supplies

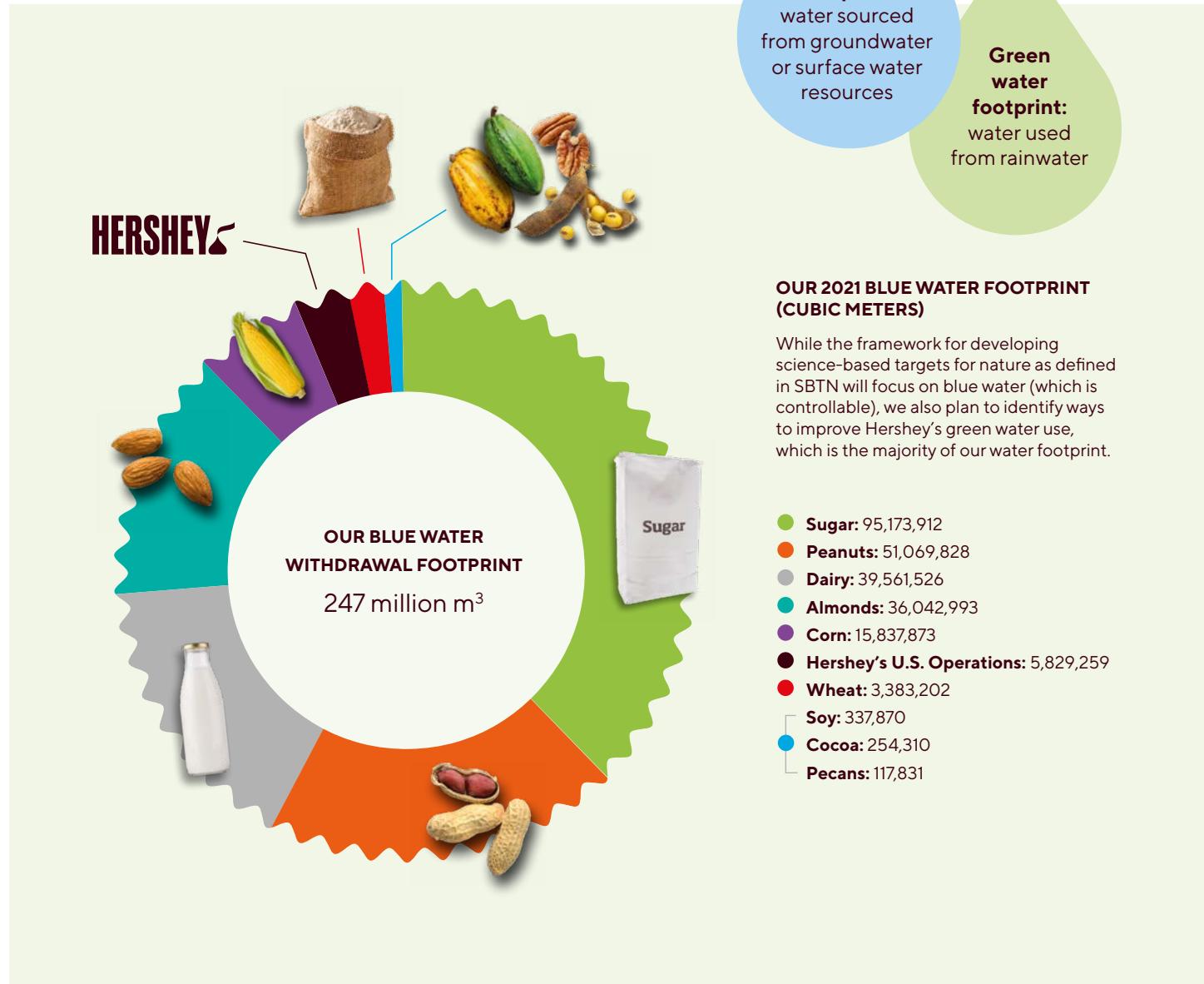
**Water is critical to our business and connected to our climate action strategy.**

In 2020, we joined the Science Based Targets Network's (SBTN) Corporate Engagement Program to stay aligned with emerging best practices in water stewardship and the planned release of guidance for SBTs for nature. We are currently participating in SBTN's self-guided pilot to better understand a path for Hershey to minimize its water impacts, identify opportunities to support collective solutions in priority areas and more deeply examine the intersections between climate, water, land, biodiversity and community.

In addition to driving water efficiency in manufacturing, we are exploring agricultural solutions that protect and enhance water resources.

## Applying Best Practices in Malaysia

In our Malaysia facility, Hershey team members have been actively implementing more measures to reduce water use. Key water savings have come from finding different ways to reuse the facility's water. Recycled water is now used in various equipment cleaning processes. So far, these water conservation efforts help recycle 10–15% of the facility's treated water annually. The team is now conducting a study to explore using treated water from a cooling tower for irrigation.



# Our Journey to Understand Our Water Impact

**In 2021, we launched a preliminary assessment following the SBTN methodology. This enabled us to better understand our water footprint and begin to gather insights on contextual water challenges across our operations and the value chain.**

Our initial water risk and opportunities assessment included core commodities that account for the majority of ingredients, relevant materials and manufacturing plants. We identified two material issues: reliance on water for agricultural products in the value chain (high risk) and water used for manufacturing (medium risk).

Following the assessment, we used the water footprint concept from the Water Footprint Network to compile information on water use. This analysis revealed that nearly 100% of Hershey's global water footprint takes place upstream in agriculture and packaging. Furthermore, from the more than 30 countries where Hershey sources ingredients, 13 account for 96% of the company's water footprint.

Based on our water stress areas sourcing assessment, approximately 12% of our food ingredients in 2021 were sourced from regions with High or Extremely High Baseline Water Stress.<sup>1</sup>

Using leading global water screening tools – including Aqueduct from the World Resources Institute – we began to identify priority areas to create more sustainable water systems and help future-proof growth against climate change.

While the SBTN pilot methodology only requires the use of two indicators in the Aqueduct tool, we chose to review all 13 indicators of physical water quantity and quality risks and safe drinking water supplies.

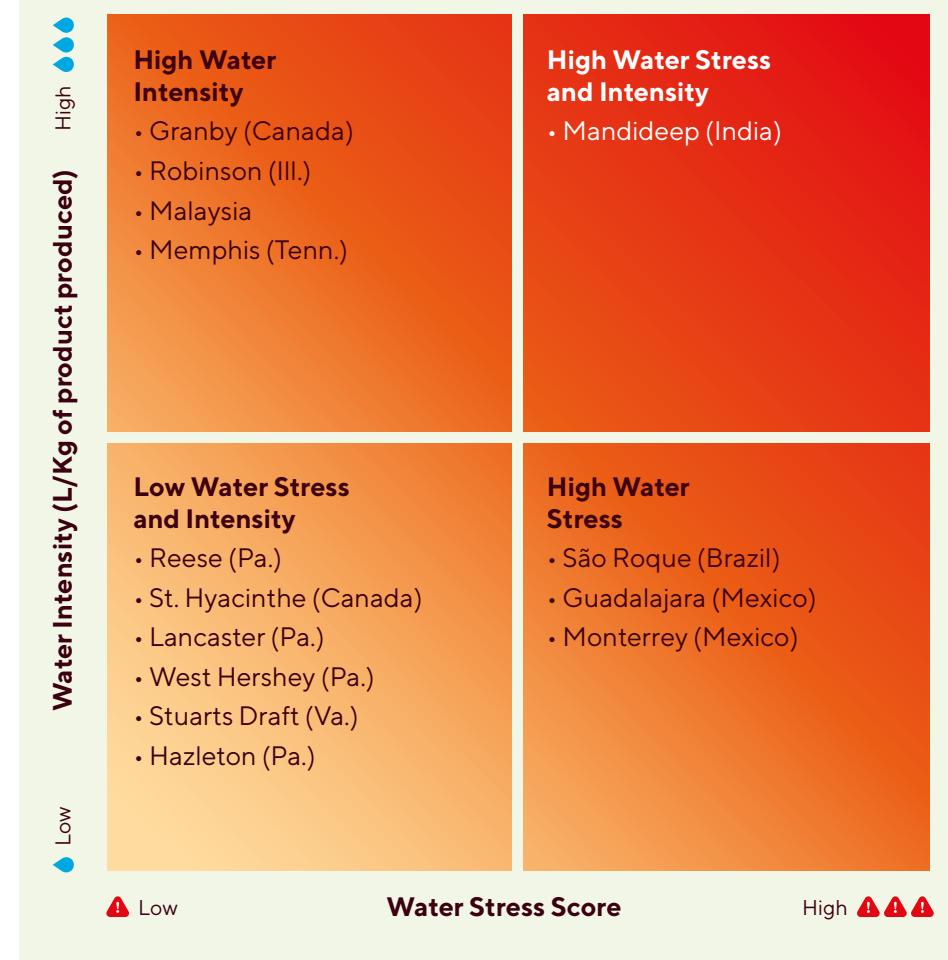
We also took preliminary steps to research some of the social impacts of water issues, including exploring how our water footprint could be linked to impacts associated with access to clean water and sanitation and where vulnerabilities might exist.

 **For a summary of our goals and KPIs on managing our water, see page 61.**

## Taking Action on Water Scarcity in Brazil

São Roque in Brazil is facing its biggest water crisis in over 90 years. In response, our Brazil team explored opportunities to conserve water by identifying areas of improvement at the manufacturing facility. This resulted in swift action to reduce water consumption at the facility and increase employee awareness through training and by hosting a World Water Day event. These actions further elevated the importance of water conservation at home and at work. As a result of these efforts, the São Roque facility had a 23% reduction in water intensity in 2021 compared to the prior year.

## Operational Water Footprint By Factory<sup>2</sup>



<sup>1</sup> The methodology for this calculation is based on mass of ingredients sourced and the Aqueduct Water Risk Atlas and WWF Water Risk Filter. This assessment was first completed for Hershey's food ingredients in 2021.

<sup>2</sup> The methodology for our Operational Water Footprint By Factory analysis is based on the Aqueduct Water Risk Atlas and Hershey's internal benchmarking on 2021 water intensity. Factories in the *High Water Intensity* quadrant are above Hershey's average water intensity and are located in Very low to Low-medium baseline water stress areas. Factories in the *High Water Stress and Intensity* quadrant are above Hershey's average water intensity and are located in Medium-high to Extremely high baseline water stress areas. Factories in the *High Water Stress* quadrant are below Hershey's average water intensity and are located in Medium-high to Extremely high baseline water stress areas. Factories in the *Low Water Stress and Intensity* quadrant are below Hershey's average water intensity and are located in Very low to Low-medium baseline water stress areas.

# Innovating Waste Solutions

Nearly a century ago, our founder Milton Hershey established our first recycling center to reuse manufacturing waste. Since then, we've maintained that spirit of responsibility and that drive to find innovative solutions as we continually explore new ways to reduce, reuse and recycle our waste. In 2021, we achieved a company-wide waste recycling rate of 85%.

## Contributing to a Circular Economy

While applying circular economy principles, we aim to maximize the beneficial use of material that would otherwise be destined for landfill. For example, the majority of unusable product from our manufacturing facilities in Pennsylvania and beyond are sent to local processing facilities as an organic input that is recovered and transformed into a raw material used in the agricultural sector.

### Turning Waste Into Energy in Mexico

Hershey's plant in Monterrey, Mexico, is decreasing the amount of waste sent to landfill by diverting some of Hershey's nonrecyclable waste stream to a nearby cement manufacturing facility. This waste material, which contains recoverable energy, is beneficially used as an alternative fuel that substitutes the use of fossil fuels for the cement manufacturing facility. This practice reduces CO<sub>2</sub> emissions for the cement manufacturer and contributes to a circular economy.

### Turning Waste Into Resources in Brazil

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

Our Brazil team also partnered with a supplier that turns waste into products, such as plastic pallets and boxes, that can be used in plants. In addition, our plant in Monterrey, Mexico, has been sending sludge and peanut skins from its manufacturing processes to a composting processor, achieving a 95% recycling rate against waste generated.

### Raising Employee Awareness About Waste

Hershey employees are raising awareness about the importance of reducing, reusing and recycling and are collaborating to explore ways to address what to do about new waste streams, such as the increased use of disposable masks.

Hershey's Tech Center campus and headquarters have implemented a pilot PPE recycling program for hard-to-recycle items like disposable masks, hairnets, gloves and ear plugs using Zero Waste Boxes from Terracycle.

### What's Next

We are actively developing the future of our corporate waste-reduction strategy. We know that reducing the impact of plastics and packaging and promoting circular economy approaches will continue to be one of Hershey's ESG priorities.

We are gaining additional insights and analytics about waste streams through more detailed monitoring and collaboration with Hershey Green Teams — all in an effort to drive continuous improvement.



For a summary of our goals and KPIs on eliminating waste, see page 61.

# zero

waste achieved in two of our manufacturing facilities in 2021, and two additional manufacturing facilities are at nearly 100% recycling

