

Listen > Learn > Act



CORPORATE SOCIAL RESPONSIBILITY PROGRESS REPORT 2011



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To our stakeholders:

The theme of our 2011 Corporate Social Responsibility Report—Listen, Learn, Act—is founded in the values and vision provided by our founder, Milton S. Hershey, more than a century ago. Today, our 13,000 Hershey employees around the world are bringing great Hershey products to millions of consumers while making a positive difference in their communities.

In 2011, Hershey delivered another strong year, posting net sales above \$6 billion for the first time. While building on our leadership in North America, we invested in new international markets. We introduced Hershey products to new customers and consumers in new regions of the world. We worked more closely with suppliers across our entire value chain, and we strengthened and reissued our supplier code of conduct.

Fundamentally, Hershey is a knowledge-based company, and we are leveraging our core skills and capabilities to broaden our understanding of global CSR trends.

For example, we recently assessed long-term global consumer trends in all key regions of the world. Significantly, consumers—whether in the United States, Brazil or China—are committed to giving back as individuals and to buying products from companies that they view as socially and environmentally responsible. We believe that this trend will only accelerate. For The Hershey Company, that means, first and foremost, assuring our customers and consumers that our high-quality products are produced in a manner consistent with the global CSR approach described in this Report.

I am confident that Hershey's CSR strategy will help support and advance our growing global business. It is based on our values, aligned with our culture, focused on partnerships, open to change and evaluated through continuous improvement measures.

Hershey is a caring and compassionate company. During a time of economic difficulty, individual employee and retiree giving to the United Way in 2011 reached a record \$1.3 million. Including The Hershey Company contribution, we gave more than \$2 million to this organization, which we have supported for nearly 80 years.

Like so many of the outstanding agencies that we partner with on social issues, we expect to see that our contributions are resulting in measurable change. That's why we closely track and communicate the results of our social investments. These are summarized in the CSR scorecards that we update annually.

West Africa is a region of continuing focus for our company. It is where we source the majority of Hershey cocoa—our most important commodity. We understand that improving sustainable cocoa farming practices leads to better lives for cocoa farmers and their families. Hershey is continuously evaluating the numerous programs—in agriculture, education and health—that we are supporting. Recently, we have expanded our commitment to cocoa communities in West Africa through a five-year, \$10 million investment in innovative sustainability and sourcing initiatives.

We have demonstrated much progress in our 2011 CSR Report. We are operating our global business based on our CSR principles. Today, our employees are engaged and motivated by their involvement in our CSR initiatives. Our business partners know that Hershey will always operate in a socially and environmentally responsible way.

Our commitment to CSR is already yielding powerful results. As we move into new markets and expand our leadership in North America, I am convinced that our values and heritage will be fundamental to our continuing success.



John P. Bilbrey
Chief Executive Officer



To our stakeholders:



I am a proud ambassador for The Hershey Company because I passionately believe that we exemplify the Hershey values in all of our global business operations.

Each day, I see evidence of Hershey employees incorporating the vision and values of our founder, Milton S. Hershey, into a sophisticated, successful and compassionate company. It is how we make and market our products, engage our talented employees and drive innovation in everything we do.

Building our 2011 Corporate Social Responsibility Report from the perspective of Hershey stakeholders is the right approach. In a word, Hershey cares.

The issues that we are addressing—such as human rights, climate change and resource scarcity—are global in scope and complex in nature. They require that we *listen, learn and act*. The Hershey management team has recognized the need for us to be proactive in understanding and addressing the needs of our neighbors wherever we do business. As this Report demonstrates, Hershey is making significant progress in achieving its CSR goals and building a sustainable platform for growth.

The Board of Directors of The Hershey Company understands that Hershey's unique heritage and strong sense of values provide the foundation for our growing global business. In fact, we hold ourselves accountable for ensuring Hershey sustainability. We have considered creating a separate CSR board committee, but have come to the view that social responsibility is so integral to The Hershey Company that responsibility and oversight for it best sits with the Board of Directors.

In my view, this is an appropriate response. Responsible sourcing, talent management and resource management are core to our continuing business success and fundamental to our CSR strategy. Our ability to manage them well can mean the difference between success or failure in the marketplace.

Accordingly, the Board of Directors is responsible for understanding these issues, their impact on stakeholders and management's approach to addressing them—whether implementing energy-efficient technologies, building a program to audit suppliers or investing millions to improve cocoa-farming practices in West Africa. While we have complete confidence in our management team's ability to appropriately address these issues, we have an obligation to raise difficult issues, ask hard questions and expect continuing progress. Bringing a long-term perspective is essential. Some decisions won't yield an immediate financial payback but are necessary to ensuring our future growth.

This is an exciting time for The Hershey Company. We have a portfolio of world-class confectionery products; a talented and experienced management team; a revitalized business strategy; and an energized, aware and engaged workforce. The Hershey employees I know are passionate about delivering great products and giving back to their communities. This report is their story.

James E. Nevels
Chairman of the Board of Directors
The Hershey Company

About The Hershey Company

In bringing its iconic, high-quality chocolate and confectionery brands to people all over the world, The Hershey Company engages stakeholders through its core values:

**Growing Together,
Open to Possibilities,
Making a Difference,
One Hershey**

Key markets:

United States	
Canada	
Mexico	
Brazil	
India	
China	



Headquartered in the United States in Hershey, Pennsylvania, The Hershey Company ("Hershey") is the largest producer of quality chocolate in North America and a worldwide leader in chocolate and sugar confectionery. We market, sell and distribute our products in approximately 70 countries.

As of year-end 2011, Hershey employed 13,800 people and had consolidated net sales of \$6.08 billion.

Primary product groups:

Chocolate and confectionery products sold in the form of bars and bags



Licorice and sugar candy



Boxed chocolates



Mints and gum

Grocery products including baking ingredients (such as cocoa powder and baking chips), chocolate syrup, peanut butter, dessert toppings and beverages



Specialized products and services for business customers



Specialized nutritional products

Hershey brands: among the best-loved in the world

Hershey's® Milk Chocolate

Hershey's® Kisses®

Hershey's® Syrup

Hershey's Bliss®

Hershey's® Miniatures

Pieces™

Reese's®

Almond Joy®

Mounds®

Twizzlers®

Jolly Rancher®

Ice Breakers®

York®

Cadbury® products

(under U.S. license)

KitKat®

(under U.S. license)

Scharffen Berger®

Dagoba®

In 2011, we brought to market a variety of new products, among them:

Hershey's® Air Delight™

Chocolate

Hershey's® Drops

in Milk Chocolate and Cookies 'n' Creme flavors

Reese's® Minis



Our heritage

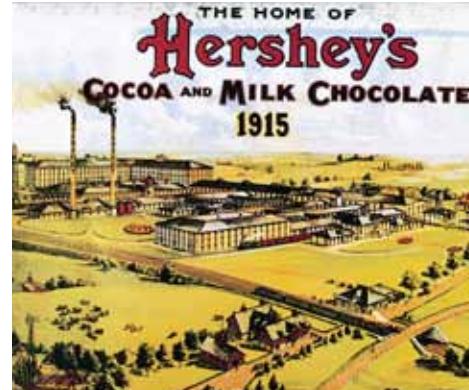
Hershey's heritage of commitment to and engagement with consumers, communities and children began with the founding of our company by Milton S. Hershey, who established the essential principles for the conduct of the business:

- make a high-quality product and sell it at a fair price
- provide meaningful work and fair wages to employees
- give back to the communities where the company operates
- be a good steward of the land and its resources

Mr. Hershey and his wife Catherine lived their principles. In 1909, they established the Hershey Industrial School for Orphans, known today as Milton Hershey School, and in 1918, Milton Hershey put his personal fortune of \$60 million in trust for the school. Still today The Hershey Company's largest shareholder, The Hershey Trust Company continues to administer the school, which provides housing, education and medical care, at no cost, to more than 1,800 disadvantaged children. In fact, because a portion of Hershey's profits serves the school, every purchase of a Hershey's® product indirectly benefits Milton Hershey School. Even during the Great Depression, Milton Hershey invested heavily in developing the infrastructure, economy and commu-

nity life of Hershey, Pennsylvania, and the surrounding areas. To ensure that his fortune would be put to good use long after he was gone, he set up three separate trusts under an umbrella organization, The Hershey Trust Company. Over the decades, these trusts have continued Milton Hershey's good works, benefiting institutions such as the Milton S. Hershey Medical Center at The Pennsylvania State University and Penn State Children's Hospital.

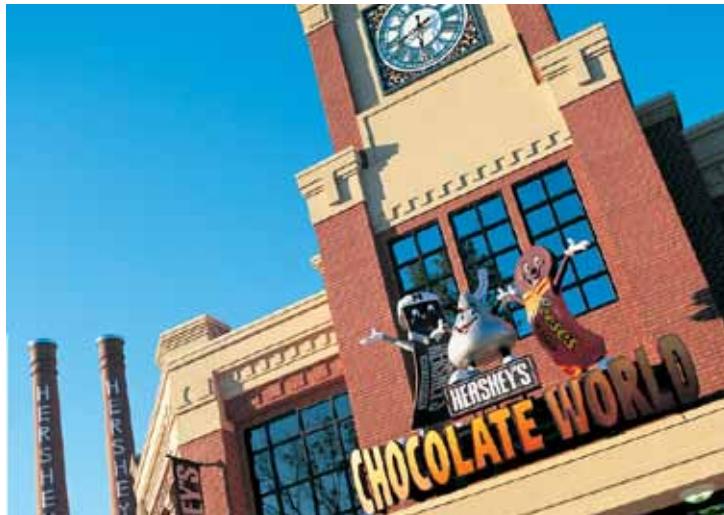
Today, as we operate in an increasingly interconnected global marketplace, we are building on Mr. Hershey's legacy by engaging a wide variety of stakeholders on the most important issues affecting them, as well as our operations and our future.



Founder's Hall at Milton Hershey School.



Our global footprint



Hershey has a presence in 70 countries through marketing, sales, distribution and manufacturing operations. Our business is organized around three key regions: the United States; the Americas, which includes Canada, Mexico and the rest of Latin America; and Asia. We are integrating our regional organizations with category Strategic Business Units (SBUs) to enable us to scale for growth around the world. Our two SBUs are (1) chocolate and (2) sweets and refreshments.

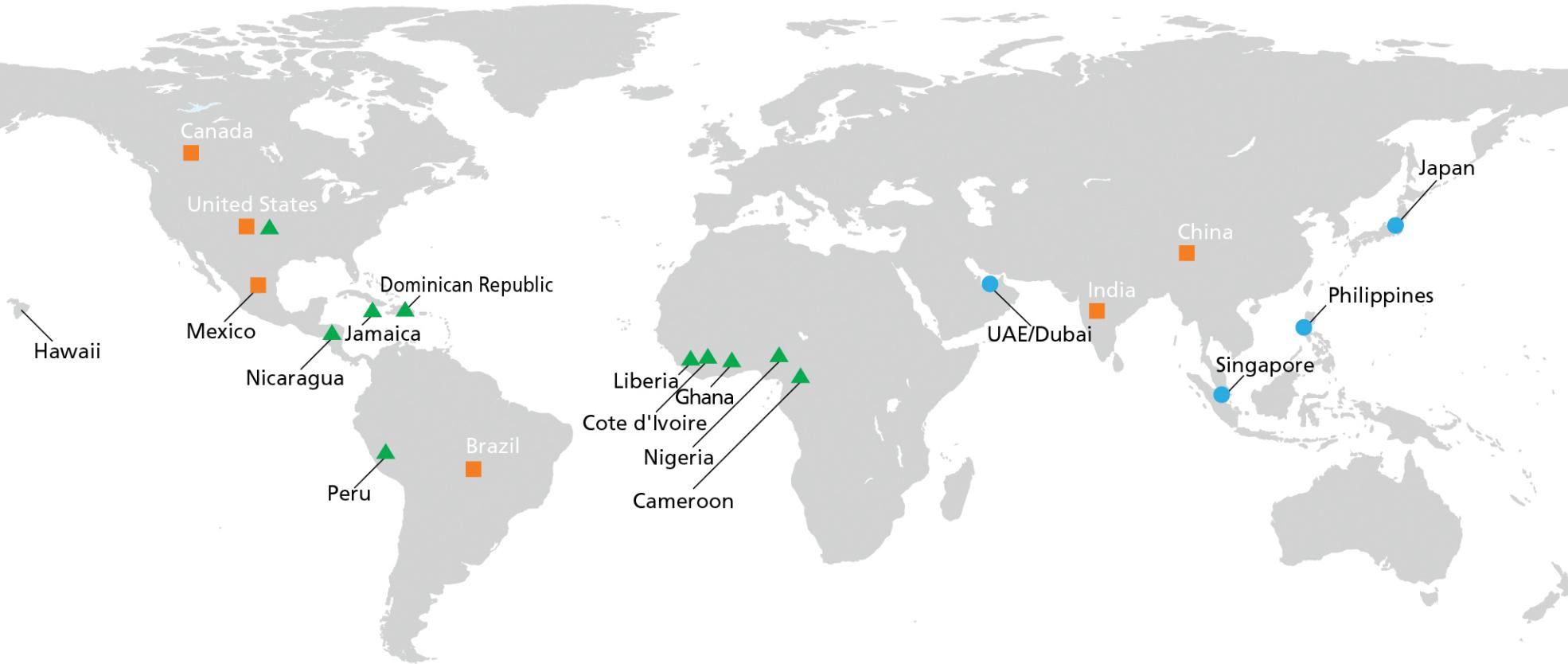
The regional structure enables us to be closer to our customers and consumers while applying the best global thinking on category and brand capabilities. Hershey will concentrate expertise and resources much closer to the countries, allowing our capabilities to be delivered seamlessly to our customers and consumers.

Our Global Growth Organization is responsible for building global brands, developing transformational growth platforms, managing brand positioning and guiding portfolio strategy. This organization also analyzes market-specific insights and develops strategies and platform innovations for all SBUs.

Our distribution network provides for the efficient shipment of our products from our manufacturing plants to distribution centers strategically located throughout the United States, Canada and Mexico. We use primarily common carriers to deliver our products from these distribution points to our customers.

We have a number of Hershey's® Chocolate World® attractions that provide consumers with the Hershey experience through interactive retail entertainment and merchandise. Key store locations include Hershey, Pennsylvania; Times Square in New York City; The Magnificent Mile, Chicago; Niagara Falls, Canada; Shanghai, China; Singapore; and Dubai, United Arab Emirates.





Hershey around the world

Manufacturing operations

We own and operate ten wholly owned facilities in the United States, where Hershey was founded in 1894; two in Mexico, where we have been producing high-quality chocolate and confectionary products for more than four decades; and, with the recent acquisition of Brookside Foods, two in Canada. In addition, we operate four joint-venture manufacturing facilities: Lotte Confectionery Company Ltd. and Lotte China Investments Holding Co., Ltd. in China, Pandurata Alimentos Ltda. in Brazil, and Godrej Industries, Ltd., which operates two plants in India.

Other operations

We have major, nonmanufacturing operations in Canada and the Philippines and additional operations in UAE/Dubai, Japan and Singapore. We also have sales and administrative offices in various countries around the world.

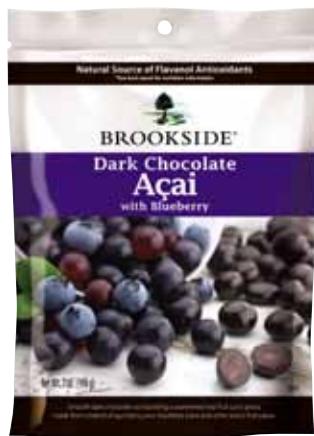
Major sourcing countries

We source key ingredients for our products, including cocoa, sugar, palm oil and forestry products, from several countries, including Cameroon, Dominican Republic, Cote d'Ivoire, Ghana, Indonesia, Jamaica, Liberia, Malaysia, Nicaragua, Nigeria, Peru and the United States.

New ventures and acquisitions

In February 2011, Hershey acquired a minority stake in Mix1, a company based in Boulder, Colorado, that promotes athletic performance and overall health through all-natural protein shakes and lean performance drinks.

In addition, in December 2011, Hershey announced its agreement to acquire Canadian chocolate confectionery company Brookside Foods, which makes great-tasting products based on a unique, patented formula for making chocolate-covered fruit juice pieces. The company also makes traditional chocolate-covered nuts and dried fruit. The products, which are sold primarily in the United States and Canada, are made at two facilities in British Columbia and Quebec. Hershey completed the acquisition on January 17, 2012.



Our performance

NYSE ticker: HSY

2011 key performance indicators*

	2009	2010	2011
Number of employees worldwide (FT/PT)	12,100/1,600	11,300/2,200	11,800/2,000
Number of countries in which our products are marketed	50	60	70
Number of countries in which our products are manufactured	17	17	17
Manufacturing facilities (wholly owned/joint venture)	16 (12/4)	16 (12/4)	18 (14/4)
Consolidated net sales	\$5.3 billion	\$5.67 billion	\$6.08 billion
Net earnings ¹	\$497 million	\$588 million	\$649 million
Shareholder return	6.5%	35.6%	34.4%
Dividends paid	\$263 million	\$283 million	\$304 million
Diluted earnings per share ¹	\$2.17	\$2.55	\$2.82
Operating cash flow	\$1.1 billion	\$901 million	\$580.9 million
Operating costs (incl. interest expense) ¹	\$4.5 billion	\$4.76 billion	\$5.1 billion
Capital additions	\$126 million	\$179 million	\$324 million
Income taxes paid	\$252 million	\$351 million	\$292 million
Worldwide payroll	\$614 million	\$642 million	\$676 million
Cash donations ²	\$4,817,751	\$5,626,114	\$7,234,473
Product donations ²	\$7,955,322	\$2,634,443	\$1,904,976
Long-term growth outlook	3–5% annual net sales 6–8% annual EPS (diluted)	3–5% annual net sales 6–8% annual EPS (diluted)	3–5% annual net sales 6–8% annual EPS (diluted)
Union representation (approx.)	36.5%	34.8%	35%
Number (Percentage) of women on executive team	2 (16.7%)	1 (11.1%)	1 (12.5%)
Percentage of women on board of directors	0%	12.5%	10%
Percentage of ethnic minorities on board of directors	14.3%	12.5%	10%
Direct (Scope 1) GHG emissions (MTCO ₂ e)	109,255.2	117,307.7	116,898.6
Direct (Scope 1) GHG emissions (per tonne of product produced, CO ₂ e)	0.123	0.131	0.125
Indirect (Scope 2) GHG emissions (MTCO ₂ e)	262,655.6	254,844.3	255,816.6
Indirect (Scope 2) GHG emissions (per tonne of product produced, CO ₂ e)	0.29	0.28	0.27
Waste generated (tonnes) ³	31,961	34,450	37,481
Total Recordable Incident Rate (TRIR)	2.61	2.11	1.80
Days Away, Restricted, Transferred (DART)	1.59	1.35	0.98
Lost Workday Incident Rate (LWIR)	.45	.45	.32

* As of December 31, 2011.

¹ Amount excludes business realignment and impairment charges and certain gains.

² Refer to the Community section for details.

³ Nonhazardous; includes feedstock and all other recycled materials.

PROFILE/STRATEGY

Performance through engagement

As our markets and our stakeholders' expectations evolve, we continue to develop and refine our approach to managing our key environmental, social and governance issues. To guide and focus our efforts, we continuously engage the full range of our stakeholders to ensure that we understand their current perspectives and priorities. We regularly monitor the issues that are most important to our brand, our success and our responsibilities. We refer to these issues as our engagement priorities.



Our company values guide our everyday decision-making around our engagement priorities:

Open to possibilities

We embrace diversity, always seek new ways of working and strive constantly to improve ourselves and our company.

Growing together

We are dedicated to sharing knowledge and giving the greatest scope to our potential as human beings in an environment of mutual respect.

Making a difference

We are determined to make a positive impact with everything we do and to lead with integrity.

One Hershey

It's who and what we are, succeeding together while accepting individual responsibility for the results of our conduct.

Our approach to managing our engagement priorities is strategic and directed by the highest levels of management. Embedding environmental and social considerations into our everyday decision-making at all levels of the organization is, however, an ongoing challenge—one that we are determined to meet.



Listening to stakeholders, understanding our priorities

We formally and informally engage with our stakeholders to ensure that we understand their perspectives. When we published our first CSR report, in September of 2010, we solicited comments from readers. Many of those who responded—among them parents, teachers and NGOs—remarked on Hershey's sourcing practices and called for certification of cocoa and palm oil. We took their comments into account in determining our engagement priorities.

Hershey also surveyed a broad variety of sources in an effort to better understand the issues of importance to stakeholders. These included investor and customer inquiries, questionnaires from respected ratings and rankings organizations, and employee comments and surveys.

This engagement is a key step in the analysis that we undertook in early 2011, as part of our strategic planning process, to identify areas of key risk and opportunity (sometimes referred to as material issues) and to refine and confirm Hershey's strategic approach and priorities. This analysis considered views of both external and internal stakeholders and helped us to identify and prioritize those issues that are most important to stakeholders from an economic, financial, environmental or

social perspective and that could significantly affect Hershey's ability to execute its business strategy.

Hershey's management reviewed the results of the stakeholder review and company survey to arrive at the following list of issue categories, from which we defined our engagement priorities:

Ethical sourcing: understanding and addressing human rights, workplace, safety and environmental issues throughout our supply chain; farmer livelihoods; third-party certification of raw materials; and ongoing development of our supplier code of conduct.

Sustainable agriculture: issues related to farming, such as soil health, pesticide use, deforestation and biodiversity; issues related to the sourcing of sustainable palm oil and forestry product management; and third-party certification of agricultural and forestry products.

Global competitiveness: issues related to our ability to grow and remain competitive internationally in developing markets as well as those in which we have a longstanding presence; long-term strategic planning; and overall management quality.

Talent management: issues related to attracting and retaining employees, including professional development, succession planning, training, and diversity and inclusion.

Child labor: issues related to child labor on supplier farms (including forced labor, trafficked labor and work instead of education).

Food safety: programs, policies and procedures that assure safety of incoming materials, manufacturing environment and processes and finished products.

Consumer health: health and wellness, obesity, healthy kids, nutrition, active living, ingredients.

While many of these issues (such as ethical sourcing, sustainable agriculture and child labor) are interrelated and interdependent, we may address them separately from an operational and management oversight standpoint.

We will continue to engage directly with stakeholders going forward to better understand their views and our performance. In addition, we are developing mechanisms for measuring and monitoring our progress in addressing our engagement priorities. We will refine this analysis again in 2013.



Our strategy for engagement



Hershey's business strategy calls for a deep understanding of the needs of our customers, consumers and other stakeholders in each of our markets around the world. More and more, our stakeholders are expressing a growing desire to know that the products we make and sell are produced in an environmentally and socially responsible manner. Our efforts to understand and improve our environmental, social and governance performance supports our corporate strategy by providing the context and focus for driving continuous improvement that considers stakeholder interests and ensures the company's long-term success.

Our stakeholders	Consumers	Employees	Investors	Business partners	Communities and local governments	Policy makers	Nongovernmental organizations
	<p>Our success depends on the trust consumers place in us. We invest in market research to develop insights about consumers' preferences and habits. Our Consumer Relations department answers inquiries from consumers that we receive through our website or the toll free number found on all of our packaging.</p> <p>When we published our first CSR report, we solicited comments from readers. Many of those who responded—among them parents, teachers and NGOs—remarked on Hershey's sourcing practices and called for certification of cocoa and palm oil. We took their comments into account in determining our engagement priorities.</p>	<p>Satisfied and engaged employees make better business decisions. We use employee surveys and focus groups to learn about employee issues and employee engagement. Senior leaders provide business updates to employees through communications such as town hall meetings, video, e-mail and newsletters.</p>	<p>Providing an appropriate return to investors allows us the freedom to satisfy other stakeholders. As a publicly traded company, we issue updates on our financial performance in our regulatory filings. Our Investor Relations department answers investor inquiries. We present information to investors and analysts in quarterly analyst calls and at conferences.</p>	<p>We are part of a complex network of interdependent companies, including customers and suppliers of raw materials, intermediates and technology. Our progress on CSR priorities requires coordination with our business partners. We participate in industry groups such as the National Confectioners Association (NCA) and the Grocery Manufacturers Association (GMA). Industry conferences and trade shows provide a forum to collaborate on solutions for our industry.</p>	<p>By making communities where we live and work better, we gain their support to enable our success. Many of our employees volunteer in their communities. Hershey employees participate on community and local government boards and committees. Company representatives meet with community leaders to discuss business and community planning.</p>	<p>We strive to positively impact public policy and regulation through constructive engagement with government agencies. We contribute expertise to regulators for industry task forces. We comment on proposed regulations through our Government Relations group. We submit compliance reports to a number of regulators, interest groups and NGOs. We bring focus, credibility and resources to organizations that help further our interests as a responsible company.</p>	<p>We are members of organizations that work to address issues of concern to our industry and our stakeholders, such as the World Cocoa Foundation, the International Cocoa Initiative and the Healthy Weight Commitment Foundation. We fund many organizations that align with the causes we support, as outlined in our Community section.</p>

Our CSR strategy: Listen, Learn and Act

Broadly speaking, our CSR strategy is to:

1. Through engagement with stakeholders, understand our performance in the global context in which we operate.
2. Set goals and targets for our engagement priorities and other important issues.
3. Measure and monitor our performance against these goals and targets.
4. Communicate to our stakeholders our performance on key issues, and seek feedback from them regarding our performance.
5. Periodically reassess our goals and targets to ensure continuous improvement and performance in line with stakeholder expectations.

Our CSR strategy enables us to **reduce operating costs** through continuous improvement; optimize input requirements and **minimize environmental impacts**; **increase the appeal of our product and corporate brands** to consumers and customers; and **provide a platform for positively engaging employees and communities** on issues that are important to them.

Over the past two years we have made great strides on all fronts, and have delved deeply into the issues we know to be most important to our stakeholders and, accordingly, our company. We have identified priority areas and have created measurable targets to track improvements over time in each of these areas. In 2010, we built on our original targets and set additional goals, which we discuss in this report.

→ For information on our corporate and CSR governance, as well as how we manage risk and promote an ethical culture, please visit the GRI Supplement to this report.

"To attract and retain the best talent, The Hershey Company must be known as a great place to work. Today that means being a company that understands the role it can play in society and works to improve it from the inside out. We aim to be that company."

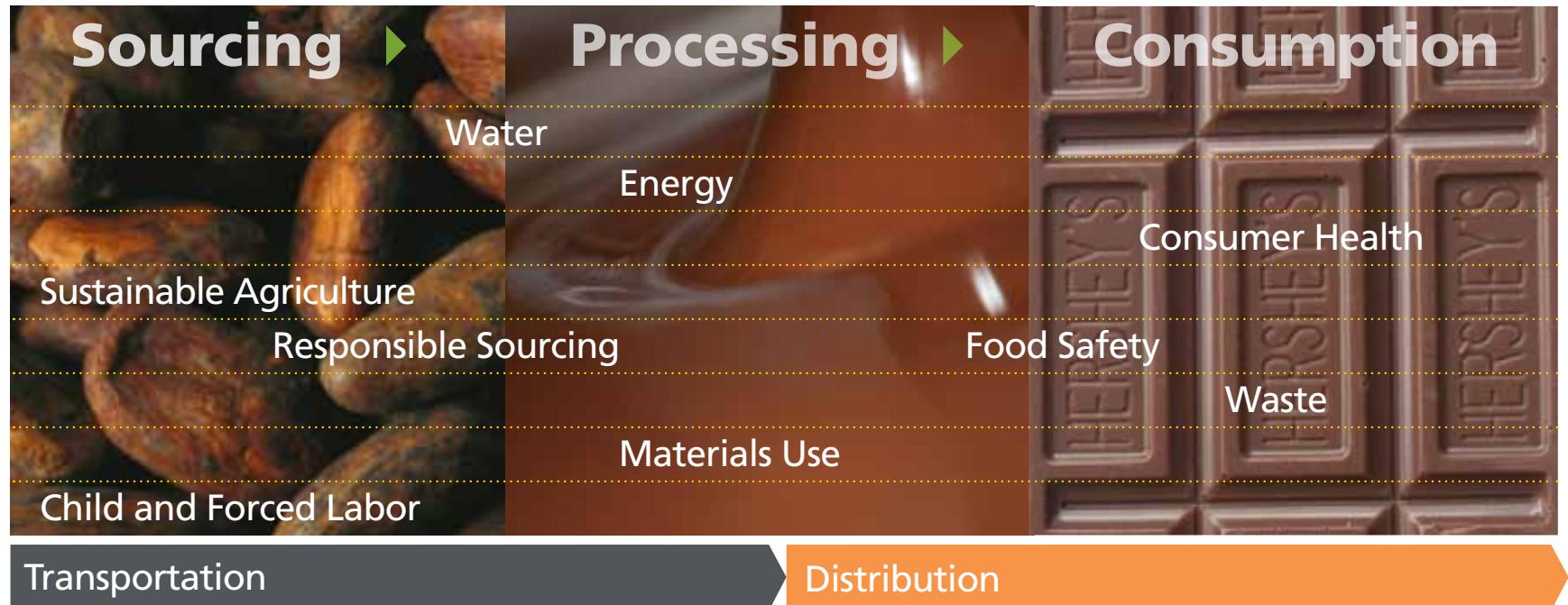
—Kevin Walling, SVP, Chief Human Resources Officer

Hershey's CSR framework	MARKETPLACE	ENVIRONMENT	WORKPLACE	COMMUNITY
<p>Continuing Milton Hershey's legacy of commitment to consumers, communities and children, we provide high-quality Hershey products while conducting our business in a socially responsible and environmentally sustainable manner.</p>    	<p>Integrity of supply Consumer well-being Alignment with customers</p>	<p>Engage in fair and ethical business dealings</p> <p>Minimize impact while meeting functional requirements</p> <p>Sustainable product design</p> <p>Sustainable sourcing</p> <p>Efficient business operations</p>	<p>Foster a desirable place to work</p> <p>Safety & wellness at work</p> <p>Openness & inclusion</p> <p>Employee value proposition</p>	<p>Positively impact society and local communities where we live and work</p> <p>Corporate philanthropy</p> <p>Contribution of expertise</p> <p>Employee giving & volunteerism</p>

The Hershey value chain

The Hershey Company's value chain extends from the nearly 10,000 suppliers who provide raw materials and process key ingredients for our products, to the customers who sell our products, to the consumers who enjoy them. It should come as no surprise, then, that four of our engagement priorities come under the category of marketplace, which encompasses our relationships with each person and entity along that value chain. These engagement priorities are: **responsible sourcing, child and forced labor, food safety and consumer health.**

In the following sections, we discuss our engagement priorities and what we're doing, whether internally or in partnership with others, to develop solutions that deliver enduring value to all affected stakeholders and, in turn, our company.





Performance highlights

Set comprehensive targets for measuring performance on our cocoa-sourcing strategy.

Joined Sedex to better understand supply-chain performance.

Joined a public-private partnership with the U.S. Department of Labor that supports the International Labour Organisation (ILO) IPEC program to combat child labor.

Joined other companies as a member of the Roundtable on Sustainable Palm Oil.

Revised and strengthened our supplier code of conduct.

Engaged with key stakeholder groups, including investors and certification bodies, in new ways.

Set new goals and targets for understanding supplier performance, expanding and extending cocoa-sourcing programs, and communicating our marketplace performance.

Initiated Project Next Century, a major restructuring of our manufacturing facilities in Hershey, Pennsylvania, to leverage technology and increase operational efficiencies.



Our approach to managing marketplace performance

The issues of greatest concern to our suppliers, customers, consumers and company—what we call our engagement priorities—are varied and complex. Several of these, such as responsible sourcing and sustainable agriculture, require consideration and collaboration across several functional areas within our company. These include research and development, procurement, enterprise risk management, commodities risk management, marketing, quality control and consumer affairs, among others.

Engaging with stakeholders throughout our value chain

We interact with a variety of stakeholder groups on our marketplace engagement priorities. These groups include, for example, cocoa farmers and their communities, grocers, large retailers, parents and consumer groups, pension fund managers, governments, and both partner and activist nongovernmental organizations. The interests of these stakeholders are diverse and, at times, competing. We engage with some of these groups, such as investors and customers, directly and with others through industry groups.

- For our marketplace governance structure, visit the GRI companion to this report.

Product quality and safety

As a company and a brand, Hershey is synonymous with food products of the highest quality—treats that can be trusted to be as safe and wholesome as they are enjoyable. Our quality-assurance systems and processes, second to none, are carefully monitored and rigorously enforced not only in our wholly owned and joint-venture manufacturing plants, but also among our more than 60 third-party manufacturing partners and hundreds of suppliers worldwide. All must adhere to Hershey's high standards of excellence.

We have committed substantial resources to and have attained Global Food Safety Initiative (i.e., Safe Quality Foods 2000 Level 3) certification at 11 wholly owned manufacturing facilities and 1 joint-venture facility. Plans are in place to have the others certified within the next two years.

The Hershey Company also utilizes qualified third-party manufacturers and co-packers

- to pilot products;
- to relieve capacity constraints in our current wholly owned facilities;
- for small-volume runs;
- when unique technology is needed that we currently do not possess; and
- when ingredient cross-contamination is an issue (e.g., peanut-free lines).

A better way to test for Salmonella

Hershey wanted to improve response times and sensitivity in testing for the presence of *Salmonella* in ingredients, environment and finished Hershey products. Hershey's Microbiology

Research and Services team joined forces with Hershey's Quality and Regulatory Compliance team to evaluate methodologies that would meet this dual challenge. The teams identified two testing methods

that, when combined, allowed for an increase in the number of samples tested by 50 percent, reduced response times by 35 percent and reduced the number of false positives tested to zero in 2011.

These partners, as well as ingredient and packaging suppliers, are held to Hershey's high standards for product safety and quality and must agree to our supplier code of conduct. Many have attained or are working towards certification as a condition of future business. As a result of all of these efforts, The Hershey Company had no product recalls in 2011.

We work continuously to strengthen our programs, share information with others in the food industry and stay at the forefront of industry best practices. For example, we recently expanded our *Salmonella* testing program using technology that allows for increased testing while providing more rapid results.

Hershey's Quality Assurance and Laboratory professionals are active in trade organization scientific and regulatory committees. Our focus since 2010 is on preparing our manufacturing facilities to comply with the U.S. Food Safety Modernization act.



All of our products undergo extensive testing to ensure that they meet our own high standards for superior quality, consistency and taste, and absolute safety. We have a zero-tolerance policy for the presence of hormones in our agricultural raw materials, and we test cocoa and other raw-materials for the presence of heavy metals, pesticides and other unacceptable materials. Hershey had no recalls in 2011.

"From the corporate offices to the factory floor, Hershey employees are resolute in their commitment to assure consumer safety and protect the reputation of our brands."

—Don Mastorocco, Vice President of Quality & Regulatory Compliance

Promoting happiness through well-being



As a food company that makes and sells chocolate and confections, Hershey has a distinct role and responsibility in promoting balanced lifestyles. Our ongoing research regarding consumer needs and preferences shows that people in many markets are concerned with making balanced lifestyle choices, from eating to physical activity and weight control.

Our investment in consumer health includes ongoing nutrition research and the development of new products that capitalize on recent findings about the health benefits of chocolate and cocoa. We are a long-time supporter of physical activity programs, especially those that involve children. We've also developed a comprehensive strategy for raising awareness—among both employees and others who enjoy our products—of the benefits of a lifestyle of moderation and how Hershey products can play a positive role in it.



A connecting thread: The Hershey Center for Health & Nutrition®

Established in 2006, the Hershey Center for Health & Nutrition®, or HCHN, sponsors and collaborates with other institutions through research on the impact of cocoa, chocolate and nuts on cardiovascular health, weight management, cognitive function and exercise stamina. HCHN, which focuses on studying the chemistry and dietary components of these foods that are key sources of nutrients, communicates its research findings to other scientific organizations, health professionals and associations such as the Academy of Nutrition and Dietetics and the American Heart Association.

HCHN's outreach and awareness efforts range from international scientific conferences to informational appearances at local health fairs and schools. In 2009, HCHN launched a website to help educate consumers and health professionals on the benefits of cocoa, chocolate, nuts and other snacks and the benefits of eating a variety of foods in moderation.

In addition, over the past five years HCHN has published more than 20 scientific papers and four book chapters on such topics as flavanol antioxidants in commercially available chocolates, and clinical studies on the consumption of cocoa and dark chocolate.

Providing information and resources for making balanced choices

Today's consumers want to make informed choices about what they eat, and we are committed to providing clear information regarding our products' nutritional values and ingredients. In our marketing and other communications, we frequently emphasize the benefits of enjoying chocolate and confections in moderation, as part of balanced lifestyle. We also share our research findings on the health benefits of chocolate with our consumers.

We are also committed to marketing our products responsibly. For example, we were the first food company to make a global commitment not to advertise to children under 12 years of age in the United States. Our Global Marketing Principles, which guide us in our efforts to market our products responsibly, cover all marketing techniques.

[Read our Global Marketing Principles.](#)

Hershey's® Track & Field Games

In 2011, we celebrated the 34th birthday of Hershey's® Track & Field Games, the largest program of its kind in North America, and saw more than 132,000 young people participate in 1,025 meets. Free of cost to all entrants, the Games provide an easy and fun way for kids ages 9–14 to get active and learn about the importance of living a balanced lifestyle. More than 10 million youth athletes have participated in the Games since their inception, including several eventual Olympic athletes.

Last year we also teamed up with the Nike Reuse-A-Shoe program by inviting Games participants to bring used athletic shoes to be recycled into Nike Grind, a material used in creating athletic and playground surfaces, as well as select Nike products. More than 3,000 shoes were donated to Nike's program over the year. Since its inception in the early 1990's, Nike's Reuse-A-Shoe program has recycled more than 25 million pairs of athletic shoes into Nike Grind. In 2011, Hershey and Nike also partnered to build and donate a new playground using a Nike Grind surface for a community in Ogden, Utah.



Healthy Weight Commitment Foundation

In May 2010, we announced our founding membership, along with 15 other food manufacturing companies, in the Healthy Weight Commitment Foundation. In alliance with the Partnership for a Healthier America, the Healthy Weight Commitment Foundation has pledged to help consumers reduce their caloric intake by introducing lower-calorie product choices, changing product recipes where possible to lower the calorie count of current products and/or reducing portion sizes of existing single-serve products.

In 2011, Hershey joined with the Healthy Weight Commitment Foundation to promote Together Counts, a program that challenges families to eat together and share in physical activity. The campaign is based on the idea that balancing diet and exercise is more effective and sustainable when families make the commitment together.

The Together Counts website provides meal suggestions, fun family activities, helpful tips and more. Hershey employees are encouraged to take the family pledge and demonstrate that, as a company, we are committed to health and wellness.

→ [Together Counts](#)



Moderation Nation

Launched in September 2010, Hershey's® Moderation Nation® is the go-to source for balanced lifestyle tips and tools to enjoy happiness through well-being every day. In collaboration with a diverse panel of lifestyle experts, the American Council on Exercise and the Academy of Nutrition and Dietetics, the campaign offers balanced eating tips, recipes, practical solutions for daily activity and play, and strategies for work-life fit.

Consumers who engaged in the 2011 campaign reported significant improvements in attitudes about our brands and our commitment to well-being:

- 83% agreed The Hershey Company is committed to helping consumers live a balanced lifestyle (compared with 23% agreement in baseline survey);

- 64% agreed that Hershey's® chocolates can be part of a balanced lifestyle (compared with 49% agreement in baseline survey).



Responsible sourcing



We source from approximately 10,000 suppliers around the world. We have always taken a collaborative approach to responsible sourcing, working with suppliers and peer companies to exchange best practices, ideas and, in recent years, information on responsible sourcing and sustainable supply-chain management. We have come to understand that, more and more, our performance on many of our engagement priorities is a reflection of both our own behavior and that of our suppliers.

As a recent example, in 2011, Hershey was criticized for conditions related to the J-1 visa program sponsored by one of its suppliers at a packaging plant near Hershey, Pennsylvania (The J-1 visa program is a visitor exchange program run by the U.S. Department of State). While the facility was neither owned nor operated by The Hershey Company and the employees enrolled in the J-1 program were not employees of The Hershey Company, the fact that the issue involved a supplier facility in which Hershey products were packaged nevertheless reflected on The Hershey Company itself. When we learned of the issue, we worked with the supplier to remediate the issue, and we offered the students local tours and a stipend amounting to a week's pay in an effort to provide some of the cultural experience that the students had been seeking through the program.



This incident led us to review and strengthen our supplier code of conduct, first released in 2009. We released the revised code in December 2011.

We are committed to attaining a deep understanding of our supply-chain risks and impacts—in particular with regard to human rights, product safety and environmental issues—in order to give preference to those suppliers who perform well in these areas. We are undertaking internal risk analysis and supplier audits, reviewing supplier self-assessments, identifying high-risk suppliers and devising remediation plans to improve their performance. To assist in this effort, Hershey engages with qualified third parties such as the Supplier Ethical Data Exchange (Sedex), which Hershey joined in 2011, and AIM-Progress, which Hershey joined in 2011. Both of these organizations work to raise awareness of, and help companies effectively address, supply-chain performance.

In addition, in 2011 we created two positions within our global sourcing area dedicated to responsible sourcing.



Cocoa sustainability: seeking change amid complexity

Cocoa products—including cocoa liquor, cocoa butter and cocoa powder processed from cocoa beans—represent a large portion of the raw materials that go into Hershey's chocolate. We purchase these products directly from third-party suppliers, which source cocoa beans grown mainly from small family farms in the equatorial regions of Asia, Central and South America, and West Africa. In fact, about 70 percent of the world's supply, and the largest percentage of Hershey's supply, comes from West Africa, mainly the countries of Côte d'Ivoire, Ghana, Nigeria, Cameroon and Liberia. Though we focus our energy on this region, we are active in other cocoa-growing regions in the Americas and Asia.

The issues surrounding the responsible sourcing of cocoa are complex and multifaceted.



Cocoa is a highly labor-intensive crop, and approximately 90 percent of the world's cocoa supply comes from nearly three million small family farms, each averaging 10 acres (just over 4 hectares) or smaller in size. These farmers often have little or no access to knowledge of advanced agricultural practices or the technology and tools necessary to maintain healthy farmland and maximize crop productivity. In addition, trees in many areas are aging, and so is the overall population of cocoa farmers as younger generations leave the farms in search of higher-paying work. As a result, cocoa quality and yields—and thus incomes—on many of these farms are often low, which accounts for increased poverty levels among farm families. Thus, improving the livelihoods of small-scale cocoa farmers and their families is of critical concern to Hershey and many of our stakeholder groups. It requires investment and collaboration with our peers, our suppliers, NGOs, governments

and, most importantly, the farmers themselves, who are key stakeholders. For example, governments of origin have designed policies to increase farmer incomes. These include lower taxes on cocoa and reinvestment in the sector to improve roads and provide access to fertilizer and better planting materials.

Even with all of us working together, the pace of change is slower than any of us want it to be. That's why we have stepped up our efforts, investing \$10 million over the next five years in programs designed to improve farming practices and raise standards of living among farmers while promoting ethical labor practices, educational opportunities and socioeconomic growth in their communities.

We expect that these efforts, together with those of our stakeholders and peers, will accelerate the change we all seek and help to ensure a more robust, long-term and sustainably sourced supply of cocoa for years to come.

Addressing child labor

Many cocoa-growing communities are located in remote and often difficult-to-access areas. Children are often involved in daily household chores and farming activities, some of which may be considered appropriate, while others may be inappropriate for school-aged children. Determining whether children are involved in inappropriate child labor is a laborious and complex task.

The relevant international child labor-standards are defined by the International Labor Organization (ILO) Convention 138 & 182 (ILO is part of the United Nations). To put these standards into practical terms for cocoa farming:

- It is appropriate for children to help with chores on the family farm.
- Children should not be kept from school to work on the farm.
- Children should not carry heavy loads that harm their physical development.
- Children should not be present on the farm while farm chemicals are applied.
- Young children, generally considered to be under 14 years of age, should not use sharp implements.
- Trafficking of children or forcing children to work are included among the Worst Forms of Child Labor (WFCL).

Working with many public and private partners, The Hershey Company is committed to eliminating the worst forms of child labor in cocoa-producing regions.

A broad-based approach

Over the past two years, we have made important strides in developing and implementing a strategy for responsible sourcing of all of our materials, giving particular attention to cocoa sourcing. Our broad-based, multilateral approach to cocoa sourcing stems from our belief that the most effective approach to addressing the many issues around cocoa sourcing is to help small-scale cocoa farmers increase both yields and quality.

In short, we seek to promote better productivity and a better life for cocoa farmers through four interrelated approaches:



Leading on-the-ground programs that provide cocoa farmers with education, tools and technology to raise their yields, the quality of their products and, accordingly, their incomes;



Forming alliances and partnerships with key stakeholders—governments, NGOs, and civil-society and standards organizations—to identify opportunities and implement high-impact programs to support cocoa-farming communities;



Supporting research into improving the overall quality and productivity of cocoa farming; and



Working with suppliers to raise and adhere to standards.

Designed for flexibility, our strategy has evolved rapidly over the past several years and is likely to continue to do so.



Hershey's cocoa sustainability at a glance:

CocoaLink™



Public-Private partnership with U.S. Department of Labor to support ILO IPEC program



Hershey Learn to Grow™



West Africa Cocoa Livelihoods Program



World Cocoa Foundation



African Cocoa Initiative



Certification



Supplier monitoring



Cocoa genome research



Mexico cocoa project



Supplier code of conduct



Supplier performance monitoring



In January 2012, Hershey announced a \$10 million investment in cocoa sustainability efforts throughout West Africa over the next five years. Hershey expects that, taken together, its cocoa sustainability efforts—on-the-ground programs, alliances and partnerships, support for research and supplier engagement—will raise living standards for 750,000 cocoa farmers and 2 million community members throughout West Africa by 2020.



Hershey's Chairman of the Board James Nevels (2nd from left) and Vice President of Global Commodities Frank Day (far right) visiting a cocoa farm in Ghana.



More than 3,000 farmers have enrolled since the program launched in July 2011.

The program is on track to enroll more than 25,000 Ghanaian cocoa farmers by the end of 2012 and more than 100,000 by the end of 2014.



Our goal is to reach 300,000 cocoa farmers throughout Côte d'Ivoire by the end of 2017.

H CocoaLink: Connecting Cocoa Communities™

In July 2011 we launched CocoaLink™, a first-of-its kind program that uses mobile technology to deliver practical—and critical—agricultural and social training to rural cocoa farmers.

CocoaLink™ is available to any cocoa farmer with access to a mobile phone; currently 70 percent of Ghanaians have mobile phones. Through a mobile phone application that provides for the delivery of voice and text messages delivered in their local language (Twi) or English, participating cocoa farmers can request and receive—at no charge—actionable information about good farming practices, farm safety, child and forced labor, family health, crop disease prevention, post-harvest production and crop marketing. They can use this information

to increase crop yields and quality and, in turn, incomes. The objective in raising both incomes and awareness of good labor practices is to ultimately reduce—if not eliminate—the participants' dependence on child and forced labor.

CocoaLink™ is funded entirely by The Hershey Company and developed and implemented in partnership with the World Cocoa Foundation and the Ghana Cocoa Board. CocoaLink™ is the first corporate program endorsed by the U.S. Department of Labor as part of its \$17 million Framework of Action to combat the worst forms of child labor in West Africa, a program in which Hershey is also a partner and a sponsor.

We estimate that 25,000 Ghanaian farmers will enroll in CocoaLink™ by the end of 2012.

[→ □ Learn more about World Cocoa Foundation.](#)

"At a time when every effort is being made for the country to assume its rightful place as not only the home of best quality cocoa but also the world's leading producer of the crop, we believe the initiative by The Hershey Company of the USA, the Ghana Cocoa Board and the World Cocoa Foundation needs commendation."

— Editorial, *Modern Ghana*,
March 10, 2012

Hershey Learn to Grow™ program

Hershey recently partnered with Source Trust to create Hershey Learn To Grow™ program, a farmer and family development center in the heart of Ghana's central cocoa region. Source Trust, a UK nonprofit organization, is dedicated to helping farmers improve their livelihoods through better crop yields and quality through sustainable farming practices.

The program, which launched in March 2012, will involve more than 5,000 cocoa-farming community members, in addition to more than 1,000 farm families. The goal of Hershey Learn to Grow™ program is to double productivity yield and farmer income over the next four years.



Village Community School at Futa, Sefwi-Wiawso District, Ghana.

 More about the ILO IPEC program

Supporting the ILO's IPEC Program to combat child labor

In 2011, Hershey began participating in a public-private partnership with the U.S. Department of Labor, which supports the International Labour Organisation (ILO) with seven other industry companies to combat child labor in cocoa-growing communities in Ghana and Côte d'Ivoire, the world's largest cocoa producers, which, together, account for 60 percent of global production.

Together, the eight companies will fund a \$2 million initiative in support of the ILO's International Program on the Elimination of Child Labor (IPEC), whose goal is to eliminate the worst forms of child labor, as defined by the ILO, by 2016.

 More about the ILO IPEC program

West Africa Cocoa Livelihoods Program

In partnership with the Bill and Melinda Gates Foundation, Hershey and industry peers are investing in a \$40 million, five-year program, organized and implemented with the World Cocoa Foundation, that seeks to significantly improve the lives of approximately 200,000 cocoa farmers and their families in Côte d'Ivoire, Ghana, Nigeria, Cameroon and Liberia. The program will promote socially and economically sustainable farming by improving farmers' production methods, market access and business skills.

 More about this program

Over the past ten years, better farming practices have helped to increase school attendance in Ghana by 25%. These improvements are due, in large part, to significant investments by Hershey, its industry peers, the Ghanaian government and NGOs such as the Gates Foundation and the World Cocoa Foundation.

BILL & MELINDA GATES foundation

Ongoing partnerships

Hershey works with the following organizations to address the issues of cocoa productivity and farmer livelihoods in the cocoa industry:



African Cocoa Initiative

Bill and Melinda Gates Foundation

The International Cocoa Initiative

Source Trust



World Cocoa Foundation

African Cocoa Initiative

Along with other industry peers, Hershey is funding the World Cocoa Foundation's African Cocoa Initiative (WCF/ACI), a five-year, \$13.5 million program in the four cocoa-producing countries of Côte d'Ivoire, Ghana, Cameroon and Nigeria. The WCF/ACI will develop the cocoa sector in these countries in four critical areas by

- fostering public-private cooperative investments in cocoa and agriculture,
- improving the genetic quality and productivity of the cocoa varieties under cultivation,
- expanding farmer education and training programs, and
- improving the agriculture input supply chains that serve the farmers.

 More about the WCF/ACI



Presenting Hershey chocolates and T-shirt to the village Chief at Nkonya, Sefwi-Wiawso District, Ghana.

Studies show that modern farming techniques can increase farmers' cocoa yields by as much as 30 to 50 percent.



New certification programs

We believe that certification of our cocoa is one of several ways to assist cocoa-farming communities in moving toward more profitable farming as well as toward a more sustainable supply of cocoa. In 2012, we will begin offering consumers certified options among our products.

In 2011, we began an initiative, announced in January 2012, to certify the cocoa used in our Hershey's Bliss® line of premium chocolates in partnership with the Rainforest Alliance. In addition, Hershey and the Rainforest Alliance will work with farmers to improve long-standing agricultural practices and help them prepare for the future.

For example, Hershey and the Rainforest Alliance will collaborate to provide cocoa farmers with training to help them curb their contribution to global climate

change while adapting to its impacts. The Rainforest Alliance trains farmers on the proper selection of native shade tree varieties to create an environment more conducive to the healthy growth of cocoa trees. As part of an overall strategy to eliminate child and forced labor, the Rainforest Alliance's auditors will help to assure that no children are employed illegally in farms supplying certified beans to Hershey, while the organization's wider training program, in coordination with the government and industry, will help build the awareness needed to keep children in school.

In addition, by midyear 2012, Dagoba® Organic Chocolate will begin producing its entire line of USDA Certified Organic chocolate products with cocoa beans from Rainforest Alliance Certified™ farms.

A coalition to combat Buruli ulcer in West Africa

Buruli ulcer is a debilitating infectious disease endemic to West Africa that affects people who live in remote, rural areas in West African countries—including cocoa-farming communities—and, without early detection and treatment, can lead to permanent disfigurement and disability.

Hershey believes that the worst cases of Buruli ulcer can be significantly reduced through awareness, early treatment and increased resources for the medical community.

In 2011, The Hershey Company, together with several other civil society organizations, companies, and academic institutions, founded the global Buruli Ulcer 2020 Alliance, which is committed to reducing the spread and impact of Buruli Ulcer. The alliance will undertake, over the next several years, concrete actions to promote and facilitate early detection and early treatment of the disease.

The alliance will focus its efforts initially on Ghana, Benin and Côte D'Ivoire, with the intent to reach most of West Africa.

Mapping the cocoa genome

In 2010, Hershey, together with several other research and science organizations, provided funding for a team of scientists from Pennsylvania State University and 18 other institutions world-wide to decode the cocoa genome.

The scientists have sequenced and assembled the DNA of a cocoa variety found in the wild recesses of the rainforest. In addition to identifying the genetic pathways that are important in determining chocolate's quality and flavor, the scientists have identified hundreds of genes that are potentially involved in pathogen and insect resistance.

This research at once helps to enhance understanding of how cocoa genes are assembled while also helping cocoa breeders create new, flavorful varieties of cocoa trees best suited to particular cocoa-growing regions.



Mexico Cocoa Project

Since 2001, the Mexico cocoa crop—and the livelihoods of approximately 37,000 cocoa farmers and their families—have been impacted by a variety of factors: the age of many cocoa farms, poor agricultural practices and the spread of disease. In response, Hershey, together with several regional partners, including Ecom Cocoa and the Chiapas state government, has committed to investing \$2.8 million over the next 10 years in the Mexico Cocoa Project, a new program designed to revitalize cocoa growing in southern Mexico. The program—which includes the Good Agricultural Practices Training Program, adaptation of the disease-resistant material (developed by CATIE, a cocoa research organization based in Costa Rica) to Mexico, evaluation of local varieties (recommended by INIFAP) and the renewal of 1,000 hectares of farmland—is designed to double family incomes and improve livelihoods of Mexico cocoa farmers, and contribute to the worldwide supply of sustainable cocoa.

"We have many limitations, as most farms are 30 to 40 years old. When monilirosis arrived, it reduced our yields, and some producers suffered a complete loss. We are ready to return to our farms, plant new trees and, through technical assistance, revive the cocoa crop to what it was many years ago."

— Velsar Aguirre Alvarado from Huixtla, Chiapas



Dagoba sourcing high-quality cocoa from Peru

In 2010, Dagoba®, our organic chocolate brand, partnered with Romex and Mitsubishi International Corporation to create a direct-sourcing model to secure a sustainable supply of high-quality cocoa from Peru. Through this program, on-the-ground staff work closely with Peruvian cocoa farmers to improve agriculture and post-harvest techniques. We are making direct investments in building tree nurseries and centers to help improve production and yields. The seeds planted in the new nurseries will be from cocoa trees selected by the farmers for high yields and strong disease resistance.

When the harvest is ready, Hershey will purchase all of the cocoa produced by this community.

Our progress

Looking ahead

	Mid- to long-term goal	Performance in 2011
Integrity of supply	<p>Issue the revised supplier code of conduct to all new suppliers.</p> <p>Promote partnerships with cocoa-sector companies, NGOs and governments to develop and implement agreed-to milestones to measure progress in sustainable cocoa farming by 2011.</p>	<p>Strengthened supplier code of conduct in 2011. Adherence to the code is a condition of all U.S. purchase orders.</p> <p>Launched CocoaLink, Hershey Learn to Grow programs in Ghana.</p> <p>Joined a public-private partnership with the U.S. Department of Labor (USDOL) that supports the International Labour Organisation (ILO) IPEC program to combat child labor.</p> <p>Joined other companies as a member of the Roundtable on Sustainable Palm Oil.</p> <p>In 2011, Hershey began purchasing cocoa beans from San Juan de Cheni, Peru, to be used in its Artisan brands.</p>
Consumer well-being	<p>Attain food safety certification recognized by the Global Food Safety Initiative at all of our wholly owned manufacturing & JV operations and contract manufacturing/ copacking by 2012.</p> <p>Increase the number of Hershey's® Track & Field Games local track & field meets by 20% by 2013 (from 2008 baseline).</p>	<p>By the end of 2011, all but one of our facilities were certified to the GFSI's highest level, Safe Quality Food Level 3 certification. In addition, 18 global manufacturing partners have attained GFSI certification, and two have moved from level 2 to level 3.</p> <p>Hershey experienced no recalls in 2011.</p> <p>Became the first U.S. food company to support BioMed, which provides free access to research journals for researchers in more than 90 underserved countries around the world.</p> <p>Increased the number of Hershey's® Track & Field Games meets by 12% in 2011.</p>
Alignment with customers	Develop programs that allow us to understand and anticipate customer program priorities.	Continued to engage in formal and informal conversations with customers on engagement priorities.

We are working on all fronts to understand and improve our supply-chain performance, maintain the highest quality in our products, and promote healthy and active lifestyles among those who enjoy our products.

We are increasing our engagement with key stakeholders, for example joining AIM-Progress's mutual recognition program in 2012 to increase visibility into our supply chain. And we are finding new ways to listen to stakeholders and track the results of our effort to address their needs and concerns.

In the first quarter of 2012, Hershey developed the following new marketplace goals to be achieved by the end of 2012:

- Better communicate performance on engagement priorities to customers and consumers
- Initiate internal and external social audits via Sedex
- Enroll more than 25,000 Ghanaian cocoa farmers in CocoaLink
- Launch CocoaLink in Côte d'Ivoire

We will continue to drive improvements throughout our value chain and, in doing so, bring value to our stakeholders and strengthen our position in the global marketplace.



ENVIRONMENT

Performance highlights

Reduced greenhouse gas (GHG) emissions in our wholly owned U.S. operations by 15.2% from our 2008 baseline.

Achieved 2011 recycling rate of 80%.

Reduced waste generation by 23%, saving \$2.8 million in 2011 and \$7.8 million since year-end 2008.

Reduced waste to landfill or incinerator by 29% from our 2008 baseline while increasing production by 19%.

Achieved a second ZWL facility, in Hershey, Pennsylvania, in January 2011, exceeding our 2012 goal.

Reduced our companywide water use by 12%, missing our goal by 3 percentage points.

Undertook a comprehensive audit of our water impacts in our Stuart's Draft, Virginia, facility and preliminary audits at all manufacturing facilities.

Joined other companies as members of the Roundtable on Sustainable Palm Oil.

Achieved Climate Registered™ status by successfully measuring our carbon footprint according to The Climate Registry's best-in-class program.

Developed new goals and targets for packaging sustainability.



How we address environmental issues

As a global company, we operate in an increasingly complex and interconnected world. Population growth, in particular in developing markets, and increasing global resource scarcity, complicated by economic volatility, pose challenges for governments, communities and businesses. We must all think and act with greater urgency, ingenuity and collaboration to make the best use of scarce materials and resources.

At The Hershey Company, we have committed to minimizing the environmental impacts of our operations. This effort encompasses sourcing our goods and services, manufacturing our products and delivering them to market while ensuring the quality and value customers and consumers expect from the Hershey brands. At the same time, we seek to secure our supply of raw materials for our products in a responsible and sustainable manner to maintain quality at a reasonable cost, and to ensure the availability of our products to all who want to enjoy them.

Environmental issues, and our efforts to address them, require engagement with many of our stakeholders. Through our analysis of engagement priorities, we determined that the issues of primary concern to our stakeholders and our company are sustainable agriculture, biodiversity, forestry product management, soil health, sourcing sustainable palm oil and sustainability certifications for raw materials. We discuss most of these issues in this section and in the marketplace section of this report. We are also working to better understand and address several other important issue categories across our operations:

Water availability and quality. These are increasingly important and urgent issues the world over, and we are working to gain a better understanding of our impacts on water supplies in the areas in which we operate. Beginning in 2012, we will conduct comprehensive water audits at our facilities. We are also dedicated to engaging our workforce on this issue and raising awareness through initiatives such as the 2012 One Hershey Earth Day event and campaign, which focuses on water.

Waste generation in our own operations and within our first-tier suppliers. This is an area in which we've set and met numerous goals, particularly relating to zero-waste-to-landfill operations, and to which we will continue to devote significant efforts.

Energy use and greenhouse gas emissions from our operations as well as the transport of our products. We are tracking the impacts of our energy use and are evaluating and implementing projects to reduce energy consumption in our operations on an ongoing basis.

Environmental focus areas

Efficient business operations: Improving efficiencies and using technologies to reduce energy use and emissions, manage water use, and reduce waste in our operations and facilities.



One of our four biogas units.

Sustainable sourcing: Better understanding the impacts of our current inputs and how we can meet product requirements with more sustainable sourcing.



Fruit of a palm tree.

Sustainable design: Minimizing our environmental impacts through product design, focused currently on packaging.

→ □ More on responsible sourcing



Designing sustainable packaging to customer specifications.

Learning together through stakeholder engagement

Our efforts to engage stakeholders around our environmental priorities include activities to raise awareness among employees, manufacturing partners, suppliers, customers and consumers, of not only our work to improve our environmental performance but also how they can reduce their own impact. In 2011, Hershey's® Chocolate World® attraction installed "Green Kiosks" at the entrance to the Hershey's® Great American Chocolate Tour® ride to inform its approximately 3 million visitors per year about its solar project and vehicle charging stations as well as our company-wide fuel-, energy-, and waste-reduction efforts, water conservation and sustainable packaging programs.

Throughout 2011, Hershey engaged with investors, employees and other stakeholders in an effort to better understand their concerns and to communicate its efforts. Hershey has used the information gathered during these efforts to inform and shape its sourcing policies and strategy, as well as its approach to a range of other important issues. Key engagements in 2011 included:

- **Dow Jones Sustainability Index/SAM Group:** We completed questionnaire and engaged on ways to improve performance and disclosures.
- **The Supplier Ethical Data Exchange (Sedex):** Hershey joined in December 2011.
- **The Roundtable on Sustainable Palm Oil:** Hershey joined in April 2011.
- We engaged with several certification bodies around the issue of cocoa certification and implemented a program to use certified cocoa in our Hershey's Bliss® and Dagoba® products.
- **Carbon Disclosure Project:** We reported, for the third year in a row, our GHG emissions to this organization.



Improving operational efficiency: an ongoing effort

Climate Registered status

In October 2011, The Hershey Company achieved Climate Registered™ status by successfully measuring its carbon footprint according to The Climate Registry's best-in-class program, having it verified by a third party and reporting the data on [The Climate Registry's website](#). By measuring its carbon footprint with The Climate Registry, Hershey can identify inefficiencies and potential for cost savings and provide real and meaningful data to customers and shareholders about environmental performance.



Hershey is piloting electric vehicles in its corporate fleet.

Given the substantial energy demands of our manufacturing operations, we are continually evaluating and implementing measures to increase efficiencies. Our efforts to manage environmental impacts in our own operations have a twofold benefit, as they increase overall operational efficiency while reducing energy use, GHG emissions, water use, waste generation and costs.

Among our energy-efficiency achievements in 2011:

Installing an efficient heat pump and making significant lighting upgrades in our Global Shared Services (GSS) facility, which contributed to GSS becoming a LEED Gold-certified space.

Receiving rebates totaling \$133,857 from our utility partners PPL Corporation and Met-Ed, FirstEnergy Corporation for the upgrades performed on our GSS and Eastern Distribution Center, both located in Hershey, Pennsylvania.

Installing 1,092 solar panels on a canopy in the parking lot at Hershey's® Chocolate World® attraction in Hershey, Pennsylvania and 182 panels on the roof of the Technical Center, also in Hershey, which will enable us to reduce electricity consumption by 318 megawatt-hours and reduce GHG emissions by 219 tonnes per year.

Installing a new energy management system in our Midwest Distribution Center that will yield savings in electricity, gas and equipment wear.

Converting the boiler of our Hilo, Hawaii, facility to burn macadamia nut shells resulting from our processing.

Installing equipment in the wastewater treatment facilities at four of our manufacturing plants, which allows us to capture methane gas and use it as a fuel source. This reduces the amount of natural gas/fossil fuel required to operate those sites and reduces GHG emissions.

Together, Hershey's environmental initiatives saved the company approximately \$21.3 million in 2011. These include:

- reducing waste in our operations;
- using alternative energy sources, such as solar and biogas;
- converting waste from our production processes to electricity; and
- reducing materials, weight and fuel use in our logistics operations.

The results are an example of how our environmental commitments align with our core business objectives.

Hershey receives PennFuture Green Power award

The Hershey Company was among 38 corporations, individuals, schools and public interest organizations honored with the Citizens for Pennsylvania's Future Green Power Award. The award recognizes individuals and organizations that are helping to build renewable energy in Pennsylvania.



Hershey was honored for its installation of solar arrays and electric-vehicle charging stations at the Hershey's® Chocolate World® attraction, our global flagship retail store and corporate visitors' center located in Hershey, Pennsylvania, which receives more than three million visitors each year.

**Logistics
sustainability
performance**



CO₂
reduction
1,317
tonnes



Corrugate
saved
1.68
tonnes



Landfill
avoidance
147
tonnes



Trucks removed
from highway
1,988

Our efforts to increase efficiencies in logistics operations resulted in measured progress in 2011.

Reducing fuel use and emissions in our transport operations

We continue to make progress in our efforts to reduce our truck hauls, fuel use and vehicle emissions. The program centers on four key initiatives:

Project Overdrive. In 2011, we fully implemented our Project Overdrive initiative, begun in November 2008. Through this program, we maximize our use of carrier capacity by coordinating inbound and outbound shipments to our plants and distribution centers.

SmartWaySM. We have continued our partnership with SmartWaySM, an Environmental Protection Agency program designed to promote cleaner, greener, more fuel-efficient transportation practices. In 2011, 81 percent of our finished good shipments were sent via a SmartWay certified carrier, up from 72 percent in 2008.

Warehousing and distribution partnership with The Ferrero Group.

In October 2011, we announced a joint warehousing, transportation and distribution initiative with the New Jersey-based Ferrero Group in North America. The goal of this alliance is to maximize distribution efficiencies, reduce fuel use and warehousing energy consumption, and cut greenhouse gas emissions generated in distributing products to customers.

Local shuttle transport program. We've improved the way we shuttle materials between plants by consolidating certain shipments and routes, leading to a reduction of approximately 120 truck deliveries per year.

"We are in the early stages of launching this venture but are already excited about its potential to improve Supply Chain operations, in particular to reduce greenhouse-gas emissions. And Hershey is the ideal partner to work with us to achieve this goal."

—Giuseppe D'Angelo, area manager for the Ferrero Anglo/Americas region, regarding Hershey-Ferrero distribution partnership

FERRERO

Representatives of Hershey and Ferrero oversee the first joint customer shipment from our Ogden, Utah distribution center.



Water conservation

We are working to better understand the impacts our operations and supply chain have on water resources in which we, and they, operate so that we can manage them wisely and appropriately.

Between 2009 and 2010, we conducted limited water-use audits at eight of our wholly owned plants, which identified some opportunities and generated basic recommendations for better conservation and water management. In 2011, we completed a more comprehensive water audit at our plant in Stuart's Draft, Virginia. We are evaluating the results of that audit and will use them to guide our efforts to develop a more extensive water conservation strategy and to identify opportunities to support implementation of our strategy. Starting in 2012, we will undertake comprehensive water-use audits on all of our plants.



Managing waste: reduction and recycling

Another area of significant accomplishment has been our work on zero-waste-to-landfill (ZWL) operations. As of year-end 2011, our Reese's and West Hershey plants in Hershey, Pennsylvania, had become ZWL operations, and our Hazleton, Pennsylvania, plant achieved that status as of February 2012. In addition, Hershey's® Chocolate World® attraction became ZWL in 2012, and the construction taking place to significantly expand our West Hershey plant is also a ZWL project.

Our ZWL plants recycle approximately 90 percent of the waste generated from operations and the remainder is converted to energy at nearby waste-to-energy facilities located in Lancaster and Harrisburg, Pennsylvania. In addition, some of our excess ingredients and unsellable product is converted to livestock feed rather than sent to landfill.

With these three ZWL plants and one ZWL attraction, we have exceeded the goal we set in 2010 to have at least one facility become ZWL by 2012. We have set a new goal to have five plants attain ZWL status by 2015.

What does ZWL mean?

For Hershey, ZWL means that all routine manufacturing waste has been eliminated from landfill.



In the summer of 2011, 28 members of the Hershey CSR Network volunteered to don protective jumpsuits and analyze the waste stream generated by employees at Hershey's corporate headquarters in Hershey, Pennsylvania. They found that 66 percent of discarded items were recyclable. As a result of this exercise, Hershey has implemented new paperless systems for some of our formerly paper-based processes and conducted recycling education programs for employees. We will repeat this exercise in 2012 to determine the impact of these changes.

Cargill's animal feed program helps our customers receive nutrition for their livestock that leverages our nutrition expertise. When we partner with companies like Hershey, we increase our portfolio for our customers to meet their needs, and unsellable Hershey product gets a new life. It is a dual win.

—Dr. Christopher Canale
Cargill Technology Manager for Animal Nutrition

Sustainable sourcing: managing environmental issues across our supply chain

Hershey's supply chain is extensive and complex. Currently we source goods and services, including ingredients, equipment, supplies and packaging materials, from approximately 10,000 direct (tier 1) and indirect suppliers.

Some of the raw materials we use are agricultural products that, depending on where and how they are produced, can present challenges for us and our suppliers. Cocoa production, for example, involves issues of environmental and agricultural sustainability that are linked with issues of economic and community development. We discuss how we're addressing issues in our cocoa supply chain in the [Marketplace](#) section of this report.

[Our supplier code of conduct](#) and a number of our sustainability programs directly address sound environmental practices in the production and sourcing of what goes into Hershey products and packaging. The supplier code was revised in 2011 to better communicate Hershey's expectations for suppliers to conserve resources; reduce waste generation, water and energy use, and GHG and other emissions; and to track the results of their efforts.

To learn more about our efforts to better understand and manage our supply-chain performance, please see the [Marketplace](#) section of this report.

"Understanding our impacts in our own operations is a complex task. But it's relatively easy compared with our efforts to understand and influence change in our supply chain—which, from solely an environmental standpoint, encompasses several thousand suppliers. If we can strengthen our visibility down that chain, we can influence the kind of progress we seek in our own operations by several orders of magnitude. That's where real change happens."

—Lindsay Ward, VP Global Sourcing and Material Solutions

Sustainable palm oil sourcing

We use palm oil in some of our products because it is well suited to achieving the required texture and quality of our products. While our annual purchases constitute less than 1 percent of our total commodities spend, we are well aware of the complex environmental issues surrounding the production of palm oil and palm kernel. Unsustainable production of palm oil has negative impacts on biodiversity, soil health, the rights of indigenous peoples and land rights, and contributes to climate change.

In 2011, Hershey became a member of the Roundtable on Sustainable Palm Oil (RSPO), a not-for-profit association that unites stakeholders from seven sectors of the palm oil industry to develop and implement global standards for

sustainable palm oil. By 2015, Hershey has committed to purchase palm oil exclusively from suppliers that are members of the RSPO.

The challenge, however, is that purchasing palm oil from RSPO members does not in itself guarantee that all palm oil we buy is certified. Currently, most RSPO member companies have committed to purchasing 100 percent of their supplies from certified sources by 2015. That means that demand for certified palm oil will exceed the available supply as of 2015. Given that challenge, Hershey's ability to meet its goal to purchase 100 percent certified sustainable palm oil will depend on the availability of supply in the coming years.



Sustainable product design: focus on packaging



We regularly review and reevaluate our sustainable packaging strategy to identify ways to increase the use of sustainable packaging while allowing for flexibility in meeting customers' needs. We are working on a process to define opportunities to reduce the amount of materials we use by, for example, optimizing seal sizes and implementing new technologies, and to identify and test sustainable packaging alternatives. We have also put into place a new labeling system that communicates the recyclability of all Hershey paper and corrugated packaging. As of 2012, we have set three main goals related to packaging to achieve by 2016:

Complete more than 200 material reduction initiatives resulting in the elimination of 9,072 tonnes (20 million pounds) of packaging material.

Realize at least 80% recyclable material (by weight) in our packaging while encouraging and educating consumers on the recyclability of our materials.

Commit necessary resources to the evaluation of emerging alternative packaging materials and leverage enabling technologies to realize sustainability benefits globally where appropriate.

Case study: Hershey Mexico packaging innovation

In 2010, Hershey Mexico redesigned the packaging of five sugar and spicy products sold in rigid plastic dispensing containers. The designs utilized less material to deliver the same quantity of product to consumers. Importantly, the consumer usage experience was maintained throughout the life of the product.

As a result of these changes, Pelon Pelo Rico®, Ice Breakers® and Frutas del Puesto® containers sold in Mexico use 560,000 pounds less plastic annually.

In addition, we are reapplying the learnings from this work across our business to continue reducing the amount of material in molded plastic parts.



To learn and share best practices with industry peers, in early 2012 Hershey joined the American Institute for Packaging and the Environment (AMERIPEN), a group of 26 companies focused on sustainability in the future of packaging.

Our progress

	2010 Target	2011 Performance
Sustainable design	Define and develop product-design guidelines and tools, including impact measurement, by 2015.	Our efforts in this area currently focus on packaging. We worked to develop new packaging goals, which we set in early 2012.
Sustainable sourcing	Ensure that all palm oil procured will be certified, provided availability of supply, by 2015.	Reviewed several options regarding the sourcing of sustainable palm oil; selected RSPO as the best approach for Hershey.
Efficient business operations	Reduce GHG emissions by 15% by 2011 (U.S. manufacturing, 2008 baseline).	Reduced GHG emissions by 15.2% against 2008 baseline: reduced electricity use through lighting efficiency, compressed-air system improvements and HVAC enhancements; reduced natural-gas consumption through biogas recovery, boiler-stack-economizer projects and boiler control efficiency projects.
	Reduce water use by 15% by 2011 (U.S. manufacturing, 2008 baseline).	We reduced water consumption by 12% in 2011, falling short of our goal by 3%. Currently focusing resources on reducing the water usage of our chillers and boilers, which are present in nearly all facilities; planning comprehensive water audits in all of our facilities.
	Complete waste audits of all Hershey wholly owned plants by 2010.	Goal achieved in 2010. Audits identified opportunities to reduce the amount of waste produced and to divert waste from landfill, at all wholly owned manufacturing plants.
	Reduce waste generated by 15%* by 2011 (U.S. manufacturing, 2008 baseline).	Reduced waste generated by U.S. manufacturing plants by 23% from 2008 baseline. Waste to landfill or incinerator decreased by 29%—from 10,400 tonnes to 7,400 tonnes—between 2008 and 2011, while increasing production by 19% during the same time period.
Increase waste recycling in wholly owned manufacturing plants from 72% to 80% by 2012 (2009 baseline).		Committing to purchasing only Forest Stewardship Council (FSC) certified office paper with 30% recycled content at our corporate offices.
	At least one zero-waste-to-landfill manufacturing plant by 2012.	Met 2012 target in 2011, attaining a recycling rate of 80%. Our West Hershey and Reese's plants, both located in Hershey, Pennsylvania, recycle 92.1% and 91.1%, respectively, of their waste.
		Operating three plants and Hershey's® Chocolate World® attraction as ZWL.

* Based on a normalized metric: lbs of waste/1,000 lbs of product.

Looking ahead

As Hershey expands globally, reducing environmental impact across our value chain will remain central to building a sustainable business. It will also enhance our competitiveness through innovation, cost reduction, reputation and brand equity.

In the first quarter of 2012, we set the following new environmental goals**, standardizing our baseline year for comparisons to 2009 and our target achievement year to 2015:

- Reduce waste by 25%
- Achieve a recycling rate of 85%
- Reduce GHG emissions by 13%
- Reduce water consumption/use by 10%
- Reduce GHG emissions in our distribution and transportation operations by 10%
- Attain ZWL status at five plants

**Wholly owned U.S. manufacturing plants only.



WORKPLACE

Performance highlights

Reduced injury and incident rates by up to 29% over 2010.

Logged more than 56,000 hours of training in subjects such as our Project Next Century, ethics and leadership.

Established a new goal for diversity and inclusion.

Achieved a score of 100% on the Human Rights Campaign Corporate Equality Index.

Made progress toward our goal to develop specific employee-engagement measures and reporting targets.



Keeping Hershey a great place to work

We are proud of our successes in developing and managing a performance-oriented workforce that is committed to a shared set of values and actively focused on our engagement priorities. We have put in place a highly experienced management team and a motivated workforce comprising more than 13,000 full- and part-time employees worldwide.

As we grow and develop globally, we are addressing workforce opportunities. For example, we will attract and retain a more diverse and inclusive workforce and retain the best talent from all walks of life, in particular within the ranks of Hershey management.

To align our talent management effort with our business strategy and global growth objectives, we created the Global Talent and Organizational Capability department. This team is charged with delivering results related to our objectives in strategic workforce planning, talent planning, leadership development, training and development, diversity and inclusion, and talent management such as turnover and recruitment. The Global Talent and Organizational Capability team has developed or expanded upon metrics that we are tracking and created a scorecard that the Board of Directors will review on a quarterly basis. In addition, our Chief Human Resources Officer has made talent one of our "Core 4" Human Resources strategic priorities: Talent First, High Performance Culture, Great Place to Work and HR Excellence.

Taking care: health, safety and well-being in the workplace



The safety and health of our employees are consistently at the core of our operations and an area of ongoing focus for Hershey. We provide a safe workplace and—of particular importance to a confectionery company—promote healthy lifestyles. In 2011 we continued that tradition. Our ongoing work to ensure that our employees are safe and healthy has resulted in a generally more engaged and more productive workforce. What's more, a safe and healthy work environment supports creativity and innovation and improves business results.

Ensuring a safe workplace

Safety performance is a company priority, and Hershey's overarching safety goal is to consistently achieve best-in-class safety performance. All of our wholly owned manufacturing facilities and our office employees are represented by a Health, Safety and Productivity committee comprising multi-facility, middle and upper-level management, as well as a dedicated safety director for manufacturing facilities. In addition, we engage with industry peers to understand and share best safety practices.

Through senior management support, the dedicated efforts of our entire workforce and ongoing implementation of best practices, we have achieved continuous improvement in employee safety in the workplace since 2007.

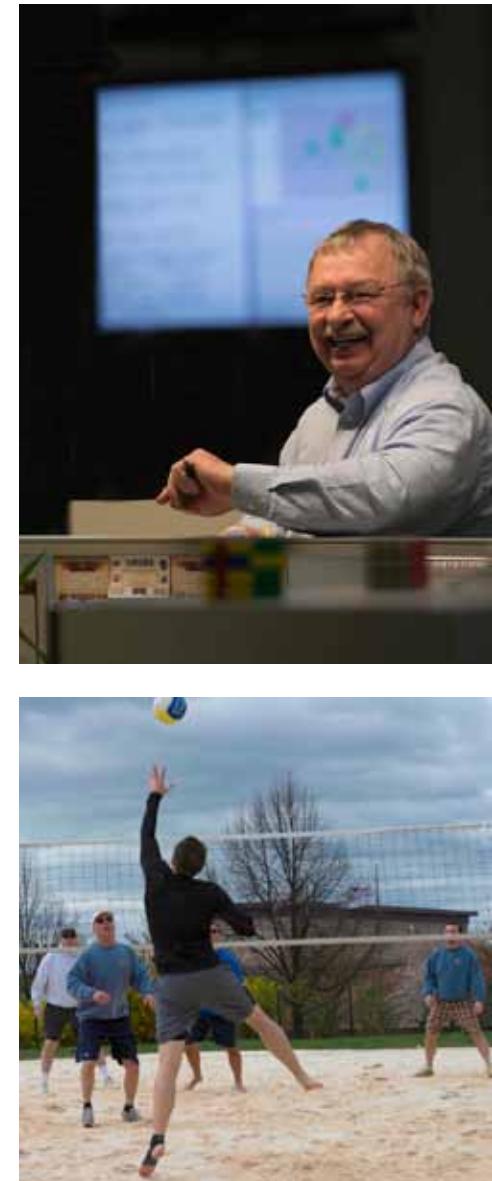
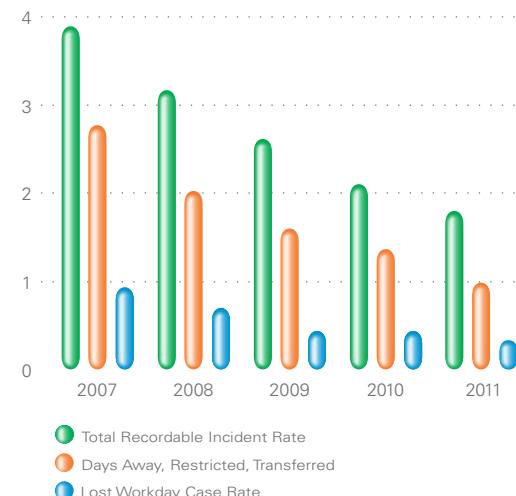
2011 safety performance

We have a long history of worker safety. In 2011, we experienced our first employee work-related fatality in 27 years when a delivery-van driver was involved in a single-vehicle accident. External authorities were unable to pinpoint the cause.

In our other key indicators, we saw the following improvements since 2010:

- Total Recordable Incident Rate improved 15%
- DART (Days Away, Restricted, Transferred) rate improved 27%
- Lost Workday Case Rate improved 29%

	2007	2008	2009	2010	2011
TRIR	3.91	3.17	2.61	2.11	1.80
Days Away, Restricted, Transferred	2.77	2.02	1.59	1.35	0.98
Lost Workday Case Rate	.93	.71	.45	.45	.32



Promoting employee wellness

The Hershey Company has a long history of promoting health and wellness for its employees, their families and the community. This commitment is grounded in the principles set forth by Milton Hershey himself and is ingrained in our Hershey values. We believe that healthy employees are more engaged and productive. The programs that we offer target prevention and personal responsibility for health.

The programs currently in place include two staffed fitness centers with multiple services available in Hershey, Pennsylvania, such as:

- classes and educational offerings,
- screenings and fitness evaluations,
- personal training and massage,
- fitness rooms at the Hershey Technical Center and at many manufacturing locations, and
- a Fitness & Wellness Coordinators network, which has been in place at locations since 2004.

The Lifestyle Returns wellness incentive program has been in place since 2007. Our enhancements to the program and communications helped to increase participation from

14 percent in 2008 to 23 percent in 2011. The program components for the Lifestyle Returns program include completion of a confidential wellness profile; getting recommended preventive care, which is covered at 100 percent; and participating in a minimum of two recommended health and wellness programs. Additional programs available to our U.S. employees include disease management programs that help employees manage chronic conditions, and health management programs that help them manage and reduce their overall health risk. In 2011, we expanded our tobacco-cessation programs to our employees in Mexico and Canada.

In addition to internal wellness programs, The Hershey Company was integral in a collaboration among six Hershey area employers to provide a variety of fitness, health and nutrition events for employees, retirees and families. The inaugural Chocolate-town Challenge was held in 2008 and, since then, almost 5,000 employees and their family members from the seven major organizations in Hershey have been brought together to participate in events to promote physical activity, healthy eating, camaraderie and friendly competition in the community. Each year, the organization with the greatest percentage of participants wins the Corporate Challenge Cup. The Hershey Company won the first cup in 2008.

Engaging employees to get fit and stay well

We offer extensive worksite wellness programs at many of our global locations. These include flu shots and internally developed wellness programs that appeal to our global employees. Some examples of these programs include:

- Holiday Helper: a yearly program that provides tips on simplifying holiday tasks and maintaining healthy eating and exercise habits, along with healthy recipes for a more enjoyable holiday season
- 10,000 Steps: a 12-week program designed to help employees become more physically active by tracking the number of steps they take each day with the goal of 10,000 steps a day
- Weight Breakers: a team-based, 12-week competition to see which team can collectively lose the highest percentage of weight



"The wellness programs we offer at the Monterrey plant align well with our One Hershey value and have been embraced by all the employees. During 2009, the first year of plant operations, 76 employees participated in Holiday Helper, and we had 290 participants on 104 teams for Weight Breakers. We even added a Weight Breaker Meal to the cafeteria daily menu. A total of 782 participants have completed the program since 2009."

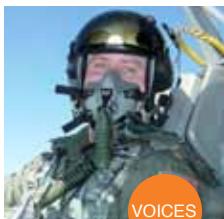
—Dr. Rafael Martinez,
*Fitness and Wellness Coordinator at Hershey's
Monterrey, Mexico, manufacturing plant*



Walking to work

In response to recent studies showing that sitting for long periods of time is detrimental to humans' health, Hershey installed sit-to-stand desks in offices for employees engaged in a pilot study. Treadmill workstations have been placed in some common work areas and stability ball chairs are available in select conference rooms.

Initial feedback has been positive, and Hershey is exploring the expansion of this pilot program.



VOICES

"Upon completing my career as a naval officer, I chose to join Hershey over other prominent companies for several reasons. Hershey is renowned for quality and is relatively immune to economic recession. Plus, I've always enjoyed operations and The Hershey Company is immersed in operations. The operations parallels between the military and Hershey made it a smooth transition for me.

As a veteran, I understand the sense of mission and strategy, which is common to both the military and to Hershey. Once the mission or strategy is properly presented, it's been my experience that all participants come together to guarantee success. The most enjoyable part of the job for me is seeing finished chocolate products rolling off the end of the line. It's a sign of a job well done and reflects the work of a myriad of people and skills coming together to make it happen."

—Darin Curtis, *Production Supervisor* at the West Hershey Plant, is a former U.S. Navy officer and Advanced Weapons and Tactics instructor who completed tours of duty in Afghanistan and the Balkans.

Diversity and inclusion

At Hershey, we see diversity and inclusion as levers to accelerate progress and results and, ultimately, contribute to a high-performance culture. While as a company we place a high value on diversity, we recognize that we still have opportunities to attract, engage and retain a more diverse workforce.

To advance our diversity performance, we have put in place a diversity plan with an objective to realize greater diversity in our workforce by 2015.

Hershey is also expanding its commitment to hire returning U.S. military veterans in 2012 and 2013 in recognition of the expertise and ethic they can bring to the company, as well as of their need to find opportunities to transition successfully to civilian life. In 2011, more than 50,000 U.S. troops returned home from Iraq and Afghanistan, facing a tight job market and numerous other challenges. Hershey has employed a substantial number of veterans over the years, many of whom have gone on to become leaders in the company. A team from Global Operations and Human Resources is managing the veteran outreach initiative, which is also consistent with the company's CSR and community values. The company has also created a Veterans' Business Resource Group that is the newest of the employee affinity teams.



Talent management: strengthening our employee value proposition

We work hard to attract highly skilled, motivated people to work at Hershey. To help them bring the very best of themselves to their jobs each day, we offer our employees rewarding work, competitive compensation, benefits that enhance their quality of life, a safe and inclusive work environment, and a variety of personal and professional development opportunities.

Engaging employees

The Hershey Company has more than 13,000 full- and part-time employees worldwide, representing a broad range of personal and cultural backgrounds, values and aspirations. We believe that giving them a voice in how we conduct our business together—including how we meet our social responsibilities—can only make us stronger, more successful and lead to a high performance culture.

In continuing to focus on being a knowledge-based company driven by insights, we have designed a consistent global vehicle to obtain employee input and perspectives. In April 2012, we launched our “Many Voices. One Hershey.” survey, which will allow us to engage and retain our great people, attract the

best talent and help all employees perform at their peak. This innovative survey will leverage technology to reach all salaried employees globally; we will integrate results to align priorities across the enterprise. In addition, the survey will include questions related to our environmental and social performance. Through this survey we also expect to identify priorities for increasing employee satisfaction and improving performance.

In 2011 and early 2012, we conducted a survey of employees at several manufacturing sites in the United States and Mexico. We will complete surveys at additional sites throughout 2012. The purpose of these surveys is aligned with that of the new global employee survey: to learn our employees’ opinions on their work and how we can better engage our workforce. Following these surveys, we began implementing action plans to address the results specific to each facility.

We will conduct a full engagement survey every two years, the next being in 2014, and in the odd-numbered years we will conduct pulse surveys that provide a deeper look at specific issues.

Hershey's global workforce

		Global	U.S.
Full-time	Hourly Reg FT	6,998	4,561
	Salaried Reg FT	4,709	3,010
		11,707	7,571
Part-time	Co-Op / Intern	57	43
	Flex Temp	1,254	749
	Hourly Reg Part-time	4	4
	Salaried Reg Part-time	75	68
	Sales Part-time	639	557
		2,029	1,421
	Total	13,736	8,992



Employees for life. Each year Hershey holds a holiday dinner to honor its retirees. In 2011, 2,100 retired Hershey employees and their spouses joined Hershey executives for the dinner, held at Hershey Lodge and Convention Center in Hershey, Pennsylvania.



A long history of Quality Through Engagement

Established in the 1980s, Hershey's Quality Through Engagement, or QTE, program serves as a global network for employees to connect with, appreciate and empower one another. Through QTE, employees recognize and reward peers and colleagues for initiative and performance that make a significant difference in the workplace.

In 2011, Hershey recognized several projects with its 2011 Executive Award of Excellence, including CocoaLink™, the rapid-detection salmonella testing project and Hershey Canada's 2011 United Way Campaign. The program also recognizes employees who demonstrate outstanding participation and dedication to the program, based on feedback from peers and managers and their personal business performance. In 2011, two employees from our Mexico facilities received this honor.

Engaging employees on environmental and social issues

We know that the quickest way to make progress on our engagement priorities is by creating enthusiasm among employees for our efforts. Our culture makes that easy. In just two years since we launched the Hershey CSR Network, a self-directed group of employees focused on various CSR issues, the Network has grown to more than 300 employees and continues to expand. In 2011, the CSR Network was responsible for initiating the [Hershey Dumpster Dive](#), in which employees examined the contents of company disposal containers

in order to gather data that could be used to reduce our waste stream; creating a commuter services program that connects employees for carpooling; and launching our Second Annual Earth Day Campaign to raise awareness of environmental initiatives within the company.

In 2012, members of Hershey's CSR Department will visit each manufacturing facility in the United States to engage employees around the company's efforts to improve environmental and social performance. We know we will learn as much as we will impart through this effort.

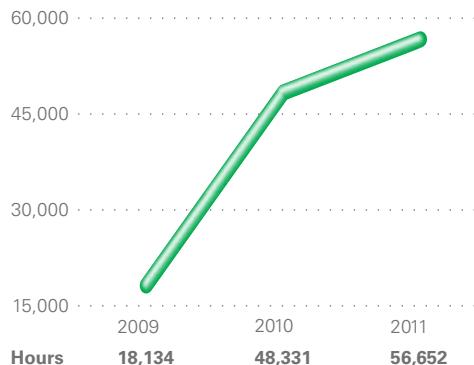


Hershey's Phoenix Retail District employees.



→ □ The Working at The Hershey Company brochure explains in detail our benefits offerings for U.S. employees.

Tracked training hours



Performance management

In 2009, we launched an enhanced performance management system as part of the annual review process, in which all salaried employees participate. Designed to drive employee engagement and ensure accountability, this system rewards employees not only for business results and strategy implementation, but also for exemplifying our corporate values: Making a Difference, Open to Possibilities, Growing Together and One Hershey.

The strategic bonus goals for individuals align with and link to the company's strategic plan. More particularly, employees with responsibility for managing issues related to Hershey's CSR strategy or particular programs are assessed on their achievement of goals related to those issues. In addition, our performance management system makes it clear to employees that they are rewarded for their personal contributions to the company's success. Personal growth plans are also included in the performance management system to help employees identify their own personal and professional goals and opportunities for development.

In addition, we also implemented a Career Development Action Plan process for selected managers. This is part of a two-fold focus on career planning and succession planning. If the process works well and achieves results, it will be expanded to include all salaried employees.

Training

At Hershey, we provide a variety of training and development opportunities that encourage our employees' personal and professional development.

We currently rotate selected employees through our international operations, matching high-potential employees to particular business needs as appropriate. Because we see this practice as a driver of innovation and retention, we are exploring formalization of the practice as part of our renewed focus on talent management and development.

Hershey University is our educational program that tailors its curriculum to our evolving business environment, offering both classroom instruction and online courses. In addition, when specifically relevant to their jobs, employees may be entitled to tuition reimbursement for associate's, bachelor's and master's degrees at accredited institutions.

We began an effort to better track and monitor training hours and types in 2010. Led by our human resources department with input from the CSR group and the cross-functional workplace working group, we implemented a database and began tracking employee training and development initiatives in July 2011. Since we began tracking, we have logged more than 56,000 training hours.

We recognize that training and development are critical to attracting and retaining key talent, and we are committed to improving our training programs overall.

Compensation

In line with our goal to measure employee engagement and insights, we worked in 2010 and 2011 to align our employee value proposition—the unique benefits and rewards of a career with Hershey—with Hershey's global business strategy.

Our Total Rewards program combines compensation with a generous, flexible benefits package. As explained in the brochure *Working at The Hershey Company*, employees based in the United States may select from a broad range of benefits, including:

- comprehensive health and life insurance for themselves and their families, including domestic partners
- retirement and investment plans
- employee assistance and adoption programs
- tuition reimbursement
- scholarships for eligible employees' children

We offer comparable, locally competitive Total Rewards programs to Hershey employees based in our operations outside the United States.

Our progress

	Mid- to long-term goal	Performance in 2011
Safety and wellness at work	<p>Continue to achieve top-tier* safety performance as measured by Total Recordable Incident Rate, Lost Workday Incident Rate and no work-related fatalities.</p> <p>* Top 30% of our peer group.</p> <p>Promote employee health and welfare through investments in progressive wellness programs.</p>	<p>Total Recordable Incident Rate improved 15% over that of 2010. Lost Workday Case Rate improved 29% since 2010. Experienced a single workplace fatality in an isolated incident involving a delivery van driver.</p> <p>Hershey installed walking and standing desks in several common areas and offices. Response has been positive, and we are exploring ways to expand implementation.</p> <p>Approximately 650 employees use our fitness facilities on a regular basis.</p>
Openness and inclusion	<p>Redefine our diversity program to further build an inclusive environment that reflects the diversity of our consumers and the markets in which we operate.</p> <p>Measure employee engagement and address insights.</p>	<p>Increased the number of veterans hired by more than 50% over 2010; created a Veterans' Business Resource Group to promote communication regarding the contribution of U.S. military veterans.</p> <p>Supported the 2011 Opportunity Funding Corporation Venture Challenge, a business case competition for students attending Historically Black Colleges and Universities, through contributions of time, expertise and funds.</p> <p>Provided funding to the American Indian College Fund for native student scholarships, benefiting qualifying students studying math, technology, science, engineering and/or business.</p> <p>Achieved a perfect 100% score on the Human Rights Campaign Corporate Equality Index.</p> <p>Set a goal to conduct a full companywide employee engagement survey on a biannual basis, beginning in April 2012, and to conduct pulse surveys on specific issues in odd-numbered years.</p>
A superior employee value proposition	Measure employee engagement and address insights.	Conducted surveys at manufacturing plants in the United States and Mexico.

Looking ahead

An engaged workforce is critical to Hershey's ability to succeed in the global marketplace. We will continue to develop our understanding of what motivates our employees and prospective employees, as well as to provide the opportunities and the tools they need to succeed professionally and contribute to the success of our company.

In the first quarter of 2012, we set the following new workplace goals:

- Continue to achieve top-tier safety performance as measured by innovative training, programs and systems that focus on measureable improvement of people safety metrics.
- Launch enterprise wide myWell-Being program to increase employee engagement in personal wellness:
 - Achieve 20% participation in the Well-Being Assessment for employees, partners and dependants.
 - Achieve 25% compliance with preventive exams for employees, partners and dependants.
 - Achieve 50% employee satisfaction score with myWell-Being programs.
- Implement Diversity & Inclusion strategy to accelerate performance and results, ultimately contributing to a high performance culture.
- Create CSR Manufacturing Leads at all wholly owned facilities.
- Create meaningful, globe-wide, employee engagement opportunities.
- Measure employee engagement and address insights.



COMMUNITY

Performance highlights

Contributed more than \$9.1 million in cash and product donations through company and employee giving and nearly 10,000 employee volunteer hours to deserving causes.

Set a new record of more than \$2 million for total giving to the United Way. In 2011, Hershey employee contributions reached a record \$1.3 million, and Hershey's matching contribution was \$850,000.

Celebrated the 34th year of Hershey's® Track & Field Games and introduced an innovative partnership with Nike.

Met our goal of increasing the number of Project Fellowship household partnerships matched to Milton Hershey School student homes by 20 percent over the 2009 baseline.

Launched a survey to measure employee volunteering.



Our commitment to communities begins with partnerships that support social and economic development and directly benefit our employees, their families and their immediate communities. Our employees often magnify those investments by themselves, seeking to benefit communities through direct giving and volunteerism.

In addition, as a global organization, we look to extend our community development work to stakeholders beyond those directly involved in our business, for example, in Mexico and the cocoa-growing communities of West Africa.

At the heart of our community efforts is the well-being of children, especially

those at risk. We also contribute funds and products to a variety of other causes and nonprofit organizations, particularly in the areas of health and human services, education, civic and community programs, arts and culture, and the environment. Hershey employees and retirees are active partners in these efforts, volunteering their time and giving generously.

We are increasingly seeking to align our community development efforts with our corporate strategy while maintaining longstanding relationships that benefit both the communities in which we live and work and our company. We have recently updated our guidelines for company giving to this end.

We have established goals in three essential community categories:

Corporate philanthropy: We make donations of cash and products in countries across the globe where we have a presence.

Contribution of expertise: We make the professional skills of our employees available to eligible non-profit organizations and the communities they serve.

Employee giving and volunteering: We encourage and support the involvement of our employees in a wide range of community-improvement activities.

How we approach community issues

In selecting initiatives and causes to support, we prioritize the needs of communities in which the company employs a substantial number of people as well as programs and institutions reasonably related to the company's business purposes and needs, while continuing to consider the broader needs of society. The criteria against which we measure funding applicants include alignment with our corporate mission, fit with our geographic footprint, actual or potential employee involvement, and the proposed scope and impact of the program.

We are also taking a more results-oriented approach to both our giving and volunteer efforts, working to measure the value of the donations of our expertise, the time our employees spend volunteering, and the results of our work with programs such as those of the United Way and our own Project Fellowship.

Stakeholder engagement

Our community work centers on stakeholder engagement: understanding and addressing, through contributions of time, money and expertise, a community's most pressing needs. Many of Hershey's employees serve on boards of local organizations, and employees volunteer in the communities in which they live. Though much of the engagement is informal, we are undertaking a more formalized stakeholder-engagement effort in 2012 that will deepen our understanding of our impacts on the areas we serve and inform our work with our local communities.

Some of the ways in which we're making a difference:

Health and human services

Funded several programs intended to reduce the spread of malaria in West Africa, including one by FHI 360 and another that leverages our own CocoaLink mobile messaging system.

Continued our support for the Children's Burn Center in Guadalajara, Mexico.

Contributed \$50,000 to the Central Pennsylvania Food Bank's capital campaign as part of a five-year, \$250,000 pledge to support warehouse expansion, increased efficiency, and the creation of a community kitchen to provide nutrition education to member pantries and school-age children.

Purchased an infusion pump and eight suction pumps—critical technology for infant care—for the National Children's Hospital in Manila, a government establishment that aims to provide best-in-class medical services to underserved children for little or no cost.



Education

Announced a partnership with Harrisburg University of Science and Technology to develop a sensory science and consumer research program where the University will conduct consumer taste tests on confectionery products, providing Hershey with valuable insights and university students with real-world laboratory experience.

Partnered with the Academy of Art University in San Francisco, California, to create a \$20,000 Hershey Scholarship for Design Excellence, mentor students in the Packaging Design program, and launch a challenge that will lead to two student designs being used for Hershey's national Valentine's Day 2013 packaging.

Robinson plant employees collected more than 50 bags of donated school supplies for the annual United Way "Stuff the Bus" campaign, which directly benefits underserved children.



Civic and community

Donated the company's Fourier-transform infrared spectrometer to the Penn Museum, where it will be used to study foods, beverages and chemical compounds from ancient civilizations.

Contributed \$50,000 to the American Red Cross of Susquehanna Valley, Pennsylvania, for disaster preparedness.

Culture and arts

Contributed \$1 million to a children's museum in Arkansas in 2011 and more than \$250,000 to other education and arts programs for children and families.

Environmental

Contributed \$20,000 to New Birth of Freedom Council and Boy Scouts of America in support of the water system replacement project at Hidden Valley Scout Reservation.



Corporate philanthropy

In 2011, Hershey donated more than \$9.1 million in cash and products to philanthropic causes, representing 1.44 percent of pre-tax income. Our cash donations increased by 28 percent over the previous year. We are also working to expand upon the corporate contribution grant agreements we approved in 2010 for China, India, the Philippines and Brazil. In 2011, we met our current goal to provide philanthropic funding to all countries where we have operations by 2012.



The following are some of the key activities Hershey supported through its corporate giving program in 2011:

United Way Worldwide provided a grant to the Philippine Business for Social Progress on behalf of The Hershey Company to fund the creation of a simulation room in Elsie Gaches Village where residents can be trained in workplace skills and household tasks that can, eventually, allow them to live more independently. The Village, which houses more than 600 developmentally disabled children and adults, is the only government residential care facility in the Philippines.

In partnership with **Nike's Reuse-a-Shoe** program, we developed and donated an innovative new play area valued at \$50,000 in Ogden, Utah, whose surface is made from recycled athletic shoes, and

which contains embedded lights that can be used to play interactive games. Some of those shoes had been collected as part of a drive conducted during Hershey's® Track & Field Games meets over the past year.

A \$25,000 grant from **United Way Worldwide** on behalf of Hershey made it possible for 150 children of migrant workers in China to experience a range of educational and cultural activities through the Shanghai Charity Foundation's Happy Time After-School Program.

We continued our long-term financial support of **The Partnership at Drug-Free.org** with a new \$75,000 grant to help build DrugFree.org's bilingual resources for parents and caregivers, including the launch of a bilingual parent toll-free helpline (1.855.DRUGFREE) that offers one-on-one live support from trained social workers in English and



Spanish. Hershey has been supporting The Partnership for more than 20 years, over which time the company has given more than \$300,000 to sustain its programming.

Hershey is supporting, through funding and contribution of expertise, a new distance-learning program that connects students in **Ghana and Milton Hershey School**. The program will educate students at both schools about cocoa agriculture and chocolate manufacturing. The program leverages video conferencing technology from Cisco Systems and the curatorial expertise of The Hershey Story Museum.



Contribution of expertise

In 2011, we met our goal to develop and implement a system to track the contribution of employee expertise in the community. Our employees provided more than 2,300 hours of expertise in 2011 through services that included tax preparation, construction efforts and technical training. The difference between our donations of employee expertise and our employees' volunteer efforts is that in the former Hershey employees are, in effect, "lent" to other organizations and use the particular skills of their profession or job with Hershey to assist in research, development and other activities. One such example is the Hershey vice-president currently on loan to the United Way, where she is applying her corporate experience to help with strategic planning, and to drive successful organizational development and management practices.



A swift response to natural disaster

In the aftermath of the floods that devastated areas of Pennsylvania in 2011, we donated nearly 36,000 antibacterial wipes to the Lebanon County Christian Ministries with a total value of \$385,000. These were distributed with the help of United Way agencies to assist families with their post-flood clean-up efforts.

We contributed an additional \$155,000 in 2011 disaster relief assistance for victims of the tornadoes in Joplin, Missouri, and the tsunami in Japan, among others.



In the summer of 2011, 650 Hershey employees put our national sales conference on hold to spend a day in the New Orleans community rebuilding homes and playgrounds devastated by Hurricane Katrina in 2005.

Employee giving and volunteering

Hershey employees and retirees participate actively in their communities, often as volunteers with organizations that include United Way partner agencies, environmental groups, food banks, sports leagues and youth scouting. In 2011, our employees and retirees gave more than \$1.3 million in charitable contributions and spent nearly 7,700 hours offering community service. We also made steady progress towards each of our published goals related to increasing participation in key programs that we support.



Project Fellowship

The mission of Project Fellowship is to build and foster a sense of connection and community by pairing Milton Hershey School students with Hershey employees and their families for mentoring and social activities. In 2011, we met our objective of increasing the number of Project Fellowship household partnerships matched to students by 20 percent over the 2009 baseline.

The Milton Hershey School, founded in 1909 by Milton and Catherine Hershey and located in Hershey, Pennsylvania, is administered by The Hershey Trust Company, our largest shareholder. The school provides free education, housing, food and health care to more than 1,800 underserved children of all backgrounds from pre-kindergarten through 12th grade. Over the last several years, 75 percent of the students have come from homes at or below the poverty level. More than 40 percent of the students have a brother or sister at the school, and the student body has an even distribution of male and female students.

Looking ahead, we will continue to focus on growing the Project Fellowship program and supporting Milton Hershey School through programs such as Hershey Honors Authentic Business Management.

Hershey Honors Authentic Business Management

Hershey Honors Authentic Business Management is a partnership between The Hershey Company and Milton Hershey School that provides real-life business applications to students as an educational and curriculum development tool. The 35-week course is taught to senior honors business students at Milton Hershey School, integrating core learning from classroom experiences and connecting it to relevant corporate management. The curriculum engages 40 Hershey personnel in on-site, interactive discussions about their work, goals, real-world challenges and successes. At the end of the school year, the program students present their final projects to Hershey's experts and senior leadership, including the Chairman of the Board of Directors.

The Hershey Honors Authentic Business Management program received the 2012 PRNews CSR Award for Workplace Innovation.

The program came about at the suggestion of a Hershey employee who felt that, in addition to the financial and social support the company provides Milton Hershey School students, there should also be an intellectual dimension to the relationship between employees and students.

The program has been very well received, strengthening the partnership between The Hershey Company and Milton Hershey School, retaining 100 percent of the participating company personnel for the following school year, and seeing 35 percent more students request admission to the class for its second year.





VOICES

Supporting employee interests

"Working for The Hershey Company has allowed me to receive significant support for my personal passions and further the contributions the company makes to the scientific community. Over the years, I've been able to serve as a peer reviewer and editorial board member for many scientific journals, and as a volunteer faculty member and graduate advisor for several leading universities.

But the company's support hasn't ended there. Having two daughters led me to think critically about diversity as I started to see some of the issues they faced. And so my wife and I tried to do our bit by contributing to the Lebanon Valley College Chaplain's office for the creation of a multicultural library that houses texts relating to diversity and works to promote diversity on campus. The dollar-for-dollar Hershey Company contribution match we receive through Hershey's Higher Education Gift Matching Program has been essential in maximizing our impact. The company's generosity is just one of the many reasons I have been happy working here all these years."

—Jeff Hurst is a principal scientist at The Hershey Company

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Employee engagement

One way in which we encourage our employees to participate in their communities is through programs like our CSR Sales Advocate initiative, a team of 55 field sales employees across the United States and Canada who are dedicated to honoring our company's heritage by making a positive difference in their local communities. They help bring Hershey values and traditions into communities across the United States and Canada by engaging with field personnel, organizing volunteer and service opportunities, and sharing their CSR successes with the entire Hershey team.

The CSR Sales Advocates plan volunteer events for the sales teams in their areas, coordinate donations to local organizations, help with local Hershey's® Track & Field Games meets, fundraise for the company-wide United Way Campaign and communicate regularly with the CSR department at company headquarters in Hershey, Pennsylvania. Through the CSR Sales Advocates, we have been able to energize our thousands of field sales employees around our CSR efforts, communicate our CSR strategy to them and actively involve them in building on the legacy of the company.

In 2009, we set a goal of having our North American Sales Team participate in 100 community events per year by 2011, a number they quickly surpassed in 2010. In 2011, our team participated in 137 events. We will work to sustain this level of engagement in coming years.



United Way Worldwide participation and donations

Hershey has long supported United Way and its mission of improving access to health care, promoting self-sufficiency and strengthening families in the United States and abroad. Our support of the organization dates to 1932, when it was known as the United Emergency Relief Fund. Our first employee contribution campaign took place in 1955. Today, our commitment remains as strong as ever, as demonstrated by our track record of providing corporate contributions, matching employee gifts and encouraging volunteerism. In 2011, The Hershey Company and its employees and retirees together contributed more than \$2.1 million to United Way Worldwide and its member partners. Employees contributed more than \$1.3 million, and the company matching gift totaled \$850,000. We also contributed funding for global disaster relief through United Way Worldwide.



Children's
Miracle Network
Hospitals

Children's Miracle Network participation and donations

For nearly 25 years, we have been a partner to Children's Miracle Network, a nonprofit alliance of children's hospitals across North America dedicated to state-of-the-art care, life-saving research and preventative education. Between 2010 and 2011, Hershey and its employees collectively donated \$436,000 to this organization. Together, Hershey employees and retirees have raised more than \$3.6 million since 1985 in support of Children's Miracle Network.

Our progress

	Mid- to long-term goal	Performance in 2011
Corporate philanthropy	Provide corporate and local philanthropic funding to all countries where we have operations by 2012.	Thanks to our work with United Way Worldwide, we met this 2012 goal in 2011.
	Increase the number of local Hershey's® Track & Field Games events hosted by 10% from 2011 events.	Increased the number of local events by 12%, to 1,025.
Contribution of expertise	Develop and implement a system to track the contribution of employee expertise in the community by the end of 2011.	Launched survey to track contribution of expertise; to increase participation, offered participating employees a chance to direct a \$10,000 donation to the charity of the employee's choice. Winning employee directed donation to a charter school in San Francisco, California.
Employee giving and volunteerism	Increase the number of Project Fellowship household partnerships matched to student homes by 20% by 2011 (2009 baseline).	Met our goal of increasing the number of Project Fellowship household partnerships matched to Milton Hershey School student homes by 20% over the 2009 baseline.
	Expand employee engagement by the North American Sales team through the CSR Sales Advocate program by increasing participation in events to 100 per year by 2011.	In 2011, our team participated in 137 events.
	Increase participation in Dollars for Doers by 20% by 2012 (2009 baseline).	Participation in the program continues to grow. In 2011, the number of participants more than doubled that in 2009, our baseline year, and increased 28% since 2010. We will continue to encourage this trend.

Looking ahead

Maintaining engagement with the communities that surround us will always be a priority. Looking ahead, we will focus on continuing to improve the effectiveness of our company giving programs and increase global participation in employee contribution campaigns. We will also designate leaders and champions across the company who can increase awareness of our CSR efforts and workforce engagement with these.

In the first quarter of 2012, we set the following new community goals:

- Activate/strengthen community relations programs in wholly owned manufacturing communities
- Create a Children's Miracle Network North American council to increase support among employees
- Increase employee participation in United Way Campaign from the 2009 baseline of 36% to 53% by 2015
- Increase the number of local Hershey's® Track & Field Games events hosted by 40% from the 2009 baseline by 2015

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Awards and Recognition

Hershey is proud to be recognized for its CSR efforts:

Received a **Socially Responsible Company Award** from the Mexican Center for Philanthropy for the third consecutive year, which recognized Hershey Mexico for its policies and practices related to community relations, ethical business practices, environmental stewardship and a high-quality workplace.

Received a **Waste Treatment Plant Award** from the El Salto municipal government.

The **Municipal Government of El Salto Otorga** recognized Hershey Mexico for being a responsible business and for its commitment to the environment.

Received a perfect score (100%) on the **Human Rights Campaign Corporate Equality Index**.

Ranked 14th in the **Corporate Social Responsibility Index** published by the Center for Corporate Citizenship at the Boston College Carroll School of Management.

Hershey Honors Authentic Business Management program received **PRNews CSR Award for Workplace Innovation**.

2009 CSR Report received **Best-in-Class honors** from PRNews.

Earned Penn Future **GreenPower Award** for Chocolate World Solar Panel Array.

Earned top places on the **Forbes Top Brands List**: #1 for Ethical Leadership, #1 for Trust and #5 for Overall Brand.

Dagoba won both **EPA** and **Green Power Partnership** awards for 2011.

Stuart's Draft plant won United Way awards for **Highest Overall Campaign, Company of the Year** and **Largest Corporate Gift/Company Match Award** (both UW awards for Stuarts Draft Plant only).

Hershey alliances

Grocery Manufacturing Association (GMA) www.gmabrands.com

The Hershey Company is a longstanding supporter of GMA, the association of food, beverage and consumer products companies. The association focuses on consumer confidence, customer and channel collaboration, international policy, health and wellness.

National Confectioners Association (NCA) www.candyusa.com

NCA is the major association representing the confection industry in the United States. It provides education and leadership in manufacturing, technical research, public relations, retailing practices, government relations and statistical analysis. Through NCA, Hershey is a member of the Global Issues Group.

Food & Consumer Products of Canada (FCPC) <http://www.fcpmc.com/>

Hershey is a member of the FCPC, a national industry association in Canada representing the food and consumer products industry. The association represents member companies ranging from small independently and privately owned companies to large, global multinationals, all of whom manufacture and distribute in Canada.

Council of the Better Business Bureau (CBBB) <http://www.bbb.org/us/children-food-beverage-advertising-initiative/>

Hershey is a supporter of the CBBB's Children's Advertising Review Unit and participates in the CBBB's Children's Food and Beverage Advertising Initiative. The focus of the initiative is to foster truth and accuracy in national advertising through voluntary self-regulation.

Healthy Weight Commitment Foundation www.healthyweightcommit.org

Hershey is a founding member of the foundation, which promotes ways to help Americans achieve healthy weights by balancing the calories they consume with the energy they expend through physical activity.

National Recreation & Park Association (NRPA) www.nrpa.org

In the United States, the Hershey's® Track & Field Games local, state and regional track meets are often held on National Recreation & Park Association property, which helps participants become aware of the need to preserve and protect outdoor spaces.



Athletics Canada www.athletics.ca

Hershey has partnered with Athletics Canada for more than 10 years to help promote Hershey's® Track & Field Games throughout Canada. As the national sport-governing body for track and field, including cross-country running and road running, Athletics Canada supports high-performance athletics excellence at the world level and provides leadership in developmental athletics.

National Association for Sport and Physical Education (NASPE) www.aahperd.org/naspe/

NASPE's mission is to enhance knowledge, improve professional practice, and increase support for high-quality physical education, sport and physical activity programs. The Association envisions a society in which all individuals are physically educated and participate in lifelong physical activity. Hershey partners with NASPE to increase education about physical activity within the American school systems and to further awareness of Hershey's® Track & Field Games.

Association des Industries de Marque-(AIM) (The European Brands Association) PROGRESS Initiative www.aim.be

In 2006, The Hershey Company joined other food and beverage companies to participate in AIM-PROGRESS, the European Brands Association's program for responsible sourcing. This initiative is developing effective responsible sourcing programs focused on workplace health and safety, labor standards, business integrity and environmental management practices.

The National Minority Supplier Development Council (NMSDC) www.nmsdcus.org

The NMSDC provides a direct link between corporate America and minority-owned businesses in order to increase procurement and business opportunities for minority businesses of all sizes. Hershey has been a member since 2004.

Supplier Ethical Data Exchange (Sedex)

www.sedexglobal.com

Sedex is a not-for-profit membership organization dedicated to driving improvements in responsible and ethical business practices in global supply chains. To better understand and address its supply-chain performance, Hershey joined Sedex in 2011.

Source Trust

www.sourcetrust.org

Source Trust is a UK not-for-profit organization dedicated to helping farmers improve their livelihoods through better crop yields and quality through sustainable farming practices. Hershey recently partnered with Source Trust to create Hershey Learn To Grow, a farmer and family development center in the heart of Ghana's central cocoa region.

Roundtable on Sustainable Palm Oil

www.rspo.org

In 2010, Hershey became a member of the RSPO, a not-for-profit association that unites stakeholders from seven sectors of the palm oil industry to develop and implement global standards for sustainable palm oil.

Nike Reuse-A-Shoe program

www.nikereuseashoe.com

Last year we invited participants of the Hershey's® Track & Field Games to bring used athletic shoes to be recycled into Nike Grind, a material used in creating athletic and playground surfaces, as well as selected Nike products. Since its inception in the early 1990's, Nike's Reuse-A-Shoe program has recycled more than 25 million pairs of athletic shoes into Nike Grind. Hershey and Nike are also partnering to build and donate new playgrounds using Nike Grind.

International Cocoa Initiative (ICI)

www.cocoainitiative.org

Through the ICI, The Hershey Company and other industry leaders have joined with labor unions, key nongovernmental organizations (NGOs) and labor activists to raise farm family and community awareness of the need for responsible labor practices; to promote and ensure opportunities for youth education; to build critical local skills and services; and to take appropriate action when children are being exploited. ICI programs have reached over 800,000 community members in more than 250 West African cocoa farming communities.

World Cocoa Foundation (WCF)

www.worldcocoafoundation.org

Hershey is one of two founding members of the WCF. Today, along with nearly 70 other chocolate and cocoa companies from around the world, we actively support the WCF and its efforts to improve cocoa sustainability.



Bill and Melinda Gates Foundation
www.gatesfoundation.org

With the Bill and Melinda Gates Foundation, Hershey and industry peers are investing in the \$40 million, five-year West Africa Cocoa Livelihoods Program, which seeks to change cocoa growing from subsistence farming to socially and economically sustainable farming by improving farmers' production methods, market access and business skills.

Family Health International (FHI 360)
www.fhi360.org

Through a partnership with FHI, a global health and development organization, we're funding a program to protect individuals in the Ivory Coast from malaria—one of the world's leading causes of death among young children in developing countries.

Children's Miracle Network (CMN)
www.childrensmiraclenetwork.org

We have a 21-year relationship with CMN, a nonprofit organization dedicated to raising funds for children's hospitals across North America. Together, Hershey employees and retirees have raised more than \$3.6 million since 1985 in support of Children's Miracle Network, including \$436,000 in 2010 and 2011. In addition, Hershey employees serve on its executive board.

United Way Worldwide
www.liveunited.org

The United Way is dedicated to addressing the needs of local communities, with a focus on improving access to healthcare, promoting self-sufficiency and strengthening families. Through The Hershey Company's long-established relationship with United Way's Pennsylvania chapters, we engage in a variety of fundraising and volunteer efforts. In addition to raising money, Hershey employees serve on United Way Allocations Panels to help determine which program partners receive funding. Hershey occupies board member seats in the Capital Region, Lancaster County, Greater Hazleton and Lebanon, Pennsylvania, United Way chapters.

Elsie Gaches Village
www.ncr.dswd.gov.ph/index.php?option=com_content&view=article&id=76&Itemid=81

Hershey has formed a partnership with Elsie Gaches Village, an orphanage for children with special needs in the Muntinlupa community near our Hershey Philippines office.

Learn more about The Hershey Company and others:

The Hershey Company, Corporate, Consumer & Product Information
www.thehersheycompany.com

The Hershey Company, Corporate Social Responsibility
www.thehersheycompany.com/social-responsibility

Hershey Archives
www.hersheyarchives.org

Derry Township Historical Society
www.hersheyhistory.org

The Penn State, Milton S. Hershey Medical Center
www.pennstatehershey.org/home

Hershey's Retail Attractions
www.hersheyschocolateworld.com

The Hershey Trust
www.hersheytrust.com

Milton Hershey School
www.mhs-pa.org

Hershey Center for Health and Nutrition
www.hersheys.com/nutritionprofessionals



About this report

This report describes how we are listening to our stakeholders, learning from them, and acting on the issues of greatest importance to them and our company—what we call our engagement priorities. A common thread running through this report, linking our efforts, programs and performance, is engagement with key stakeholders and with each other internally. We are communicating our performance on more issues and indicators, and with greater transparency, than before. We are also working to track the results of our efforts so that we can report on these in greater detail in future reports and communications.



→□ 2010 CSR Report



→□ 2010 Scorecard

This report covers our performance on our material issues and progress toward our goals and targets for our fiscal year, which is also the calendar year, January 1–December 31, 2011.

This is our second full CSR report. Our first was published on September 13, 2010, and covered fiscal year 2009. We published a 2010 Scorecard Update, communicating our progress against our goals and targets only, on April 15, 2011.

We plan to issue a full report every even numbered year and to provide an annual update on the development of our strategy and our performance with regard to our goals via a scorecard in odd-numbered years.

Unless otherwise noted, **this report covers the 2011 calendar year**, which is also our fiscal year, **and the operations of The Hershey Company**, including Hershey's wholly owned operations and joint-venture operations over which The Hershey Company exercises operating control. While we have provided information regarding our joint ventures and co-manufacturers, we report progress on goals/targets and profile and performance indicators for only our wholly owned facilities.

There have been no significant changes from the previous reporting periods in terms of the scope, boundary or measurement methods applied in the report.

We have not reported on some GRI indicators because we do not currently track the needed information. In other instances, we are not reporting on indicators because the information is proprietary, not material or not applicable to our industry and operations.

We adhere to the GRI Protocols where applicable and feasible, as our data-collection systems are still in development. Where we decide to report items outside of the GRI Protocol, we do so to increase transparency, to support our “story” of commitment to corporate social responsibility or because the data we have does not comport to a particular protocol but is the best way we currently have of communicating our performance.

We choose data-collection methodologies based on the specific criteria needed to measure the progress against goals and targets. These include, but are not limited to, computer software applications (e.g., SAP), surveys (e.g., for volunteer hours, employee engagement), GAAP (Generally Accepted Accounting Principles) and manual data collection. In most cases these are actual calculations. If we make assumptions, we will note that that is the case when referencing the metric. For example, when we report our volunteer hours, we do so based on a mode of 2.

We have sought assurance for portions of our environmental data. A third-party assurance provider, SCS Engineers, has assured the data that we reported to the Carbon Disclosure Project and, in this report, for 2010 against the ISO14064-3 standard. We are currently seeking assurance for the GHG emissions data we reported for 2011. KPMG is our financial reporting auditor.

→□ Assurance statement

We welcome feedback from our stakeholders on both our reporting and our performance. Please give us your feedback

→□ via our Contact Us form

→□ via our online survey

Global Reporting Initiative (GRI) content index

● = fully addressed | ◉ = partially addressed | ○ = not addressed

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
1. Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization.	●	Pages 2, 3
1.2	Description of key impacts, risks, and opportunities.	●	Pages 13, 15; addressed in each performance section.
2. Organizational Profile			
2.1	Name of the organization.	●	Pages 5
2.2	Primary brands, products, and/or services.	●	Pages 4, 5
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	Pages 7–9
2.4	Location of organization's headquarters.	●	Page 4
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	Pages 4, 7–8
2.6	Nature of ownership and legal form.	●	Hershey 2011 annual report on form 10-K
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	Pages 4, 7–10, 12
2.8	Scale of the reporting organization.	●	Page 9; Hershey 2011 annual report on form 10-K , pages 1, 20
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	Page 9, 64; Hershey 2011 annual report on form 10-K , page 105
2.10	Awards received in the reporting period.	●	Page 51
3. Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	About this report, page 55
3.2	Date of most recent previous report (if any).	●	About this report, page 55
3.3	Reporting cycle (annual, biennial, etc.)	●	About this report, page 55

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
3.4	Contact point for questions regarding the report or its contents.	●	About this report, page 55
3.5	Process for defining report content.	●	Pages 10–13
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●	About this report, page 55
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	About this report, page 55
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	○	About this report, page 55
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●	About this report, page 55
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●	There were no restatements of data from the 2009 reporting period.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	About this report, page 55
3.12	Table identifying the location of the Standard Disclosures in the report.	●	GRI index
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	About this report, page 55

Global Reporting Initiative (GRI) content index (continued)

● = fully addressed | ◉ = partially addressed | ○ = not addressed

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
4. Governance, Commitments, and Engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	Pages 3, 64; Investor section of our website
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	Page 64
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●	Page 64
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	Page 64
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●	Pages 42, 65
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	Hershey Code of Ethical Business Conduct
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	●	Page 65
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	Pages 5, 66

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
4.9			
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	Pages 3, 66
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	Pages 3, 66
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	Page 67
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	Pages 23, 52–54
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●	Pages 52–54
4.14	List of stakeholder groups engaged by the organization.	●	Page 12
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	Page 12
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	Pages 10–13, 28
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	Pages 13, 16 (food safety); 14, 17–18 (wellness), 19, 21–25 (responsible sourcing), 36, 39, 40–42 (talent management)

Global Reporting Initiative (GRI) content index (continued)

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G3 DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
Disclosures on Management Approach (DMAs)			
DMA SC	Disclosure on Management Approach SC		
Aspects	Protecting natural resources Minimizing toxicity Fair trade Fair compensation for labor Traceability Genetically modified organisms (GMOs) Animal welfare Biofuels	○ ○ ○ ○ ○ ○ ○ ○	
DMA EC	Disclosure on Management Approach EC		
Aspects	Economic performance Market presence Indirect economic impacts	● ● ●	Pages 2, 3, 11, 13, 64, 66–67; Hershey 2011 annual report on form 10-K, pages 10–14 Pages 3, 7, 64, 67 Pages 3, 19–26, 66
DMA EN	Disclosure on Management Approach EN		
Aspects	Materials Energy Water Biodiversity Emissions, effluents and waste Products and services Compliance Transport Overall	○ ● ● ● ● ● ● ● ●	Pages 27, 28, 30, 35, 66–67 Pages 27, 28, 32, 35, 66–67 Pages 66–67 Pages 3, 27, 28, 32, 35, 66–67 Pages 27, 28, 35, 66–67 Pages 66–67 Pages 27, 28, 31, 35, 66–67 Pages 27, 28, 25, 66–67
DMA LA	Disclosure on Management Approach LA		
Aspects	Employment Energy Labor/management relations Occupational health and safety Training and education	● ● ● ● ●	Pages 2, 3, 13, 36, 37, 38, 39, 43, 66, 67 Pages 27, 28, 30, 35, 66, 67 Pages 2, 3, 13, 36, 37, 38, 39, 43, 66, 67, 69 Pages 2, 3, 13, 36, 37, 38, 43, 66, 67 Pages 2, 3, 13, 36, 37, 38, 43, 66, 67

G3 DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
DMA HR Disclosure on Management Approach HR			
Aspects	Investment and procurement practices Non-discrimination Freedom of association and collective bargaining Child labor Forced and compulsory labor Complaints and Grievance Practices Security practices Indigenous rights	○ ○ ● ● ● ● ● ○	Pages 13, 36, 37, 40, 43, 66, 67 Pages 2, 3, 11, 13, 19–21, 26, 66, 67 Pages 2, 3, 11, 13, 19–21, 26, 66, 67 Pages 66, 67 Pages 66, 67
DMA SO	Disclosure on Management Approach SO		
Aspects	Community Healthy and affordable food Corruption Public policy Anti-competitive behavior Compliance	○ ● ● ● ● ●	Pages 17, 26, 66–67 Pages 66–67 GRI Index, <u>Code of Ethical Business Conduct</u> Pages 4, 7, 8 Hershey 2011 annual report on form 10-K, pages 7, 8, 12, 13
DMA PR	Disclosure on Management Approach PR		
Aspects	Customer health and safety Product and service labeling Marketing communications Customer privacy Compliance	● ● ● ● ○	Pages 11, 13, 14, 16, 26, 66–67 Pages 17, 18, 66–67 Pages 17, 66–67 Pages 66–67, 69
DMA AW	Disclosure on Management Approach AW		
Aspects	Breeding and genetics Animal husbandry Transportation, handling and slaughter	○ ○ ○	

Global Reporting Initiative (GRI) content index (continued)

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PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
Performance Indicators			
Economic			
Economic performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	Page 10, Hershey 2011 annual report on form 10-K
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	○	
EC3	Coverage of the organization's defined benefit plan obligations.	◉	Page 42
EC4	Significant financial assistance received from government.	●	We did not receive any government assistance.
Market presence			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	○	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	●	Page 67
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●	Page 67
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	Pages 20, 22–26, 46–50
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	◉	Pages 20–25

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
Environmental			
Materials			
EN1 Materials used by weight or volume.			
EN2	Percentage of materials used that are recycled input materials.	○	
Energy			
EN3	Direct energy consumption by primary energy source.	○	
EN4	Indirect energy consumption by primary source.	○	
EN5	Energy saved due to conservation and efficiency improvements.	◉	Page 30
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	○	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	◉	Pages 30, 34
Water			
EN8	Total water withdrawal by source.	●	Page 67
EN9	Water sources significantly affected by withdrawal of water.	○	
EN10	Percentage and total volume of water recycled and reused.	●	Page 67
Biodiversity			
EN11	Location and size of land or waters owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	●	Page 67
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	○	
EN13	Habitats protected or restored.	●	Page 67

Global Reporting Initiative (GRI) content index (continued)

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PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	Page 67
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	●	Page 67
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	Page 10; CDP report
EN17	Other relevant indirect greenhouse gas emissions by weight.	○	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	Pages 10, 29, 32, 33.
EN19	Emissions of ozone-depleting substances by weight.	○	
EN20	NOx, SOx, and other significant air emissions by type and weight.	◉	Page 68
EN21	Total water discharge by quality and destination.	●	Page 68
EN22	Total weight of waste by type and disposal method.	◉	Page 35
EN23	Total number and volume of significant spills.	●	Hershey had no significant spills in 2011.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	●	Page 68
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	●	There are no water bodies or related habitats significantly affected by Hershey's discharges and run-off.
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	◉	Page 68

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	○	
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	We were assessed no significant fines in 2011.
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	◉	Page 31
Overall			
EN30	Total environmental protection expenditures and investments by type.	◉	Page 68
Social: Labor Practices and Decent Work			
Employment			
LA1	Total workforce by employment type, employment contract, and region.	◉	Pages 10, 40, 68
LA2	Total number and rate of employee turnover by age group, gender, and region.	○	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	Pages 38, 42, 68
Labor/management relations			
LA4	Percentage of employees covered by collective bargaining agreements.	●	Page 68
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	Page 68
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country.	○	0%

Global Reporting Initiative (GRI) content index (continued)

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	<input checked="" type="radio"/>	Page 68
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	<input checked="" type="radio"/>	Pages 37, 43, 68
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	<input checked="" type="radio"/>	Pages 37–38, 68
LA9	Health and safety topics covered in formal agreements with trade unions.	<input type="radio"/>	
Training and education			
LA10	Average hours of training per year per employee by employee category.	<input checked="" type="radio"/>	Page 42
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	<input checked="" type="radio"/>	Page 68
LA12	Percentage of employees receiving regular performance and career development reviews.	<input checked="" type="radio"/>	Page 42
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	<input checked="" type="radio"/>	Page 10
LA14	Ratio of basic salary of men to women by employee category.	<input type="radio"/>	

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PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
Social: Human Rights			
Investment and procurement practices			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	<input type="radio"/>	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	<input type="radio"/>	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	<input type="radio"/>	
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken.	<input type="radio"/>	
Freedom of association and collective bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	<input checked="" type="radio"/>	Page 69
Child labor			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	<input checked="" type="radio"/>	Pages 8, 19–25
Forced and compulsory labor			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	<input checked="" type="radio"/>	Pages 8, 19–25

Global Reporting Initiative (GRI) content index (continued)

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
Security practices			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	<input checked="" type="radio"/>	Page 69
Indigenous rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	<input type="radio"/>	
Social: Society			
Community			
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	<input type="radio"/>	
Healthy and affordable food			
FP4	Nature, scope and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need.	<input checked="" type="radio"/>	Pages 17–18; 19–25; 44–50
Corruption			
S02	Percentage and total number of business units analyzed for risks related to corruption.	<input checked="" type="radio"/>	Page 69
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	<input checked="" type="radio"/>	Page 69; Code of Ethical Business Conduct
S04	Actions taken in response to incidents of corruption.	<input type="radio"/>	
Public policy			
S05	Public policy positions and participation in public policy development and lobbying.	<input checked="" type="radio"/>	Code of Ethical Business Conduct

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PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
Anti-competitive behavior			
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	<input checked="" type="radio"/>	Advocacy expenditures report
Compliance			
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	<input checked="" type="radio"/>	Hershey 2011 annual report on form 10-K, pages 14, 16, 69
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	<input checked="" type="radio"/>	Hershey 2011 annual report on form 10-K, page 16
Social: Product Responsibility			
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	<input type="radio"/>	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	<input type="radio"/>	
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards.	<input checked="" type="radio"/>	Pages 16, 26
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars.	<input type="radio"/>	
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives.	<input type="radio"/>	

Global Reporting Initiative (GRI) content index (continued)

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
Product and service labeling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	<input type="radio"/>	
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements.	<input checked="" type="radio"/>	Pages 17–18
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	<input checked="" type="radio"/>	Worldwide, Hershey had no label-related fines, penalties or recalls in 2011.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	<input checked="" type="radio"/>	Pages 12, 15, 26, 69
Marketing communications			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	<input checked="" type="radio"/>	Page 17
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	<input checked="" type="radio"/>	None.
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	<input checked="" type="radio"/>	Page 69
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	<input type="radio"/>	

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PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
Sourcing			
Across all aspects of sourcing			
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy.	<input type="radio"/>	
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard.	<input type="radio"/>	
Animal Welfare			
Breeding and genetics			
FP9	Percentage and total of animals raised and/or processed, by species and breed type.	<input checked="" type="radio"/>	0%
Animal husbandry			
FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anesthetic.	<input type="radio"/>	
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type.	<input checked="" type="radio"/>	0%
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type.	<input type="radio"/>	
Transportation, handling and slaughter			
FP13	Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals.	<input type="radio"/>	

GRI Supplement

Organizational changes in 2011

2.9

In 2011, our company underwent significant organizational changes. James P. Bilbrey, who had been chief operating officer, was named CEO in June, succeeding David J. West. In addition, we restructured the organization to

- ensure continued focus on North American momentum,
- provide the experience and leadership to accelerate global growth and innovation, and
- anticipate and respond to stakeholder needs.

Our reframed operating structure reflects our focus on serving global markets. Reporting directly to our president and CEO, John P. Bilbrey, are the following officers:

- Senior Vice President Asia, Middle East & Africa
- Senior Vice President Chief Growth Officer
- Senior Vice President Global Operations
- Senior Vice President Chief Commercial Officer
- Executive Vice President Chief Financial Officer & Chief Administrative Officer
- Senior Vice President Chief Human Resources Officer
- Senior Vice President General Counsel & Secretary
- Senior Vice President President U.S.
- Senior Vice President President Americas

These new roles, effective January 1, 2011, cover key positions in Hershey's global strategic business units and regions as well as Research and Development, Global Marketing, the U.S. selling organization and Finance.

Our CSR group now reports to our SVP and chief growth officer to ensure close collaboration with Strategy and Vision, Innovation, Research and Development, and key stakeholder groups including customers and consumers.

Governance

4.1

The Hershey Company (NYSE: HSY) is a publicly owned C corporation. Our largest shareholder is The Hershey Trust Company, which currently holds approximately a 70% controlling interest in The Hershey Company. For more information about The Hershey Company's relationship with The Hershey Trust Company, please visit our website.

The day-to-day business of The Hershey Company is carried out by our employees under the direction and supervision of president and chief executive officer James P. Bilbrey, who succeeded former CEO David J. West in June 2011. The company's board of ten directors, which includes Mr. Bilbrey and is chaired by non-executive chairman James E. Nevels, is responsible for governance of the company's performance, strategies and major decisions. The board's purview includes compliance with legal and regulatory requirements, enterprise risk management, the integrity of our financial statements and management oversight, including succession planning and compensation policies.

With the exception of Mr. Bilbrey, all of the directors, including the non-executive chairman of the board, are independent, as are all members of the audit,

compensation and executive organization, finance and risk management and governance committees. For profiles of all current members of the board, and to read a detailed description of our Corporate Governance Guidelines, please visit the [Investors section of our website](#).

We define "independent" as one who is not an employee of the company. "Non-executive" means a board member other than our CEO.

Our relationship to the Hershey Trust Company

4.14

4.15

The Hershey Company's largest shareholder is The Hershey Trust Company (the "Trust"). The Trust is the sole funder of Milton Hershey School (the "School"). Currently the Trust controls about 70% controlling interest in our company, making the students of the School our largest beneficial owners.

Founded in 1909 as a school for orphan boys, the School is a product of the love Milton Hershey and his wife, Catherine, shared for children. Unable to have children of their own, the couple developed a profound and deeply felt concern for the well-being of all children, especially those less fortunate. Wanting their good fortune to make a lasting positive difference, Milton and Catherine Hershey founded the School and funded its operations.

Following the death of his wife, Mr. Hershey donated virtually his entire personal fortune to the Trust to administer the School in perpetuity. The Trust is our largest shareholder, making the School our largest beneficiary. Today, the School is a coeducational home and school that is true to its ideals and remains focused on helping children. The School provides a free, world-class education, as well as meals, clothing, a nurturing home, healthcare, counseling and career training, to nearly 2,000 children in social and financial need. All of us are very aware that the School's students depend on our continued success in the marketplace.

We are proud to help the School continue to grow, not only by building our business but also through direct partnerships with students and house parents. Various departments and plants host career days and tours, and many Milton Hershey School students work in internships at various Hershey entities. Through our "Project Fellowship" program, groups of employees pair up with student homes for mutually fulfilling and fun ongoing relationships. Project Fellowship involves employees from our U.S. and international locations at many levels, bringing a global experience and strong role models to Milton Hershey School students.

4.4

Stockholders may contact the independent directors or the Audit Committee. We encourage good-faith reporting of all concerns and prohibit retaliation for good-faith submission of a report.

Annually, we hold a stockholders meeting in Hershey, Pennsylvania. Stockholders may communicate with the board audit committee in several ways, including regular mail, electronic mail, or by calling our investor relations liaison.

If any employee owns stock, he/she can attend the annual shareholders meeting and provide recommendations or direction to our board of directors during the open forum.

We have an organization-level work council in some, but not all, of our wholly owned manufacturing facilities. The work councils communicate on behalf of the employees to senior leadership of the company.

Other than Mr. Bilbrey, there are no other employees on our board of directors. Hershey encourages the reporting of ethics concerns, and a number of channels are available for stakeholders to do so. Employees may use the traditional means of confidential conversations with a manager, a member of the human resources department staff or a member of the Hershey executive team. Contact information is printed in Hershey's Code of Ethical Business Conduct, on the company's intranet and on posters displayed at all company facilities.

Hershey maintains a Concern Line staffed by an independent third party. Individuals can make anonymous reports to the Concern Line through a toll-free telephone number or via a dedicated [website](#).

4.5 Directors who are employees of the company receive no additional compensation for their service on our board of directors. Mr. Bilbrey, our President and Chief Executive Officer, is the only employee of the company who also served as a director and thus received no additional compensation for his board service in 2011.

The board targets non-employee director compensation at the 50th percentile of compensation paid to directors at a peer group of companies representing our most direct competitors for director and executive talent. For 2011 compensation, the peer group consisted of 19 companies of comparable size to Hershey in the consumer products industry. Information about these peer groups is included in the Compensation Discussion and Analysis in our 10-K. Each year, with the assistance of the Compensation and Executive Organization Committee and the Committee's compensation consultant, the board reviews the compensation paid to directors at companies in the applicable peer group and establishes its compensation in accordance with its target. Compensation includes:

- Annual retainer
- Annual retainer for non-executive Chairman of the Board
- Annual restricted stock unit award
- Annual fee for chairs of the Audit Committee, Compensation and Executive Organization Committee, Finance and Risk Management Committee, and Governance Committee
- Compensation for board members is not based explicitly on social or environmental performance.

See also page 92 of the 10-K: The EICP provides for grants of one or more of the following stock-based compensation awards to employees, non-employee directors and certain service providers upon whom the successful conduct of our business is dependent:

- Non-qualified stock options ("stock options");
- Performance stock units ("PSUs") and performance stock;
- Stock appreciation rights;
- Restricted stock units ("RSUs") and restricted stock; and
- Other stock-based awards.

4.7 The Governance Committee considers recommendations from directors, stockholders (including the Milton Hershey School Trust) or other sources.

Occasionally, the Governance Committee engages a paid third-party consultant to assist it in identifying and evaluating director candidates. The Governance Committee has sole authority under its charter to retain, compensate and

terminate these consultants. The Governance Committee has established a policy that it will not recommend a candidate to the full board until all members of the Committee have interviewed and approved the candidate for nomination.

Our Corporate Governance Guidelines describe the experience, qualifications, attributes and skills sought by the board of any board nominee. Generally, the board seeks individuals with skills and backgrounds that will complement those of other directors and maximize the diversity and effectiveness of the board as a whole.

In reviewing the qualifications of prospective directors, the board considers factors it deems appropriate, including the candidate's

- integrity;
- judgment;
- skill;
- diversity;
- ability to express informed, useful and constructive views;
- experience with businesses and other organizations of comparable size;
- ability to commit the time necessary to learn our business and to prepare for and participate actively in committee meetings and in board meetings;
- experience and how it relates to the experience of the other board members; and
- overall desirability as an addition to the board and its committees.

The board seeks individuals having knowledge and experience in such disciplines as finance, international business, marketing, information technology, human resources and consumer products. The board also seeks individuals who bring unique and varied perspectives and life experiences to the board. As such, the Governance Committee assists the board by recommending prospective director candidates who will enhance the overall diversity of the board. The board views diversity broadly, taking into consideration the age, professional experience, race, education, gender and other attributes of its members.

The Governance Committee does not distinguish between nominees recommended by stockholders and other nominees. However, stockholders desiring to nominate a director candidate at the annual meeting must comply with certain procedures.

4.8 The Hershey Values apply to employees at all wholly owned facilities and organizations and the board of directors.

Our code of ethical business conduct can be found at: <http://www.thehersheycompany.com/investors/corporate-governance/code-of-conduct.aspx>

Values: <http://www.thehersheycompany.com/social-responsibility/our-values.aspx>

Our mission and values do not incorporate international protocols or standards. However, in 2011, we became members of the ILO.

We have a [supplier code of conduct](#). It is a contract term on all U.S. purchase orders.

While we do not make environmental, social, and governance decisions based on any international protocols or standards, we use materiality analysis, benchmarking, and our code of ethical business conduct to guide our strategy and execution.

BOARD RESPONSIBILITY FOR CSR

- 4.9** Our Corporate Governance Guidelines provide the basic framework for the board's role in the governance of the company. The guidelines include the board's policies regarding director independence, qualifications, responsibilities, access to management and outside advisors, compensation, continuing education, oversight of management succession and stockholding requirements. They also provide a process for directors to annually evaluate the performance of the board.

While sustainability and other CSR matters are not a standing agenda item for meetings of our board of directors, the CSR Leadership Council advises the board on progress as requested. The Council can also ask to be placed on the board's agenda whenever it seeks direct guidance or alignment on an issue or project.

CSR LEADERSHIP TEAM

In 2009, we created our global cross-functional CSR leadership team to establish a comprehensive CSR vision and strategy, coordinate resources, align communication, and identify improvement opportunities. Our CSR efforts are organized into four areas: Environment, Workplace, Marketplace and Community.

Since then, our CSR governance structure has become broader and more diffuse, as responsibility for CSR planning and performance is increasingly integrated into functional roles across the organization. We have created seven global, cross-functional teams, each comprising senior leaders from different areas of the company, to oversee the components of our CSR efforts:

- Community
- Environment
- Workplace
- Communications
- Marketplace—Cocoa Sustainability
- Marketplace—Responsible Sourcing
- Marketplace—Customer/Consumer

These teams meet monthly and are overseen by our CSR Leadership Council (formerly CSR leadership team), which meets quarterly to review our progress on our key issues. The CSR Leadership Council comprises 16 executives and managers from all areas of the company, including the following senior leaders: SVP Chief Growth Officer, SVP Global Operations, SVP Finance and Planning, and SVP Chief Human Resources Officer.

MANAGERIAL RESPONSIBILITY FOR MARKETPLACE PERFORMANCE

We have formed three working groups—Cocoa Sustainability, Responsible Sourcing, and Customer and Consumer—to deepen our understanding of our engagement priorities and to find ways to address them creatively and effectively. The working group that most directly addresses a particular issue takes ownership of that issue, while a separate Communications group facilitates knowledge sharing, idea exchange and communication among all working groups that have an interest or role in dealing with the issue.

These groups meet once a month and discuss issues in depth, develop strategies for addressing them, set goals and targets, and are working on developing metrics and systems to track report performance. Our efforts are ongoing, guided by two clear objectives. The first is to deepen our understanding of the broader societal context in which Hershey operates and our role in a complex and interconnected world. And the second is to continually and consciously evolve our governance, systems and processes to ensure that we make positive changes that meet key stakeholder needs.

Supplier Auditing

We are exploring different approaches to auditing and/or tracking performance and progress on key issues among our suppliers. Currently, we conduct very few audits ourselves, and those that we do conduct are announced. We recognize, however, that the practice of announcing may not allow for accurate information during the audit process. We intend to have an audit program and criteria in place by midyear 2013.

Supplier Code of Conduct

The Hershey Supplier Code of Conduct addresses supplier behavior on a range of issues, from worker safety and community well-being to fair labor standards and responsible environmental stewardship. We thoroughly investigate all good-faith claims of supplier misconduct or activity alleged to violate the supplier code of conduct or Hershey's Code of Ethical Business Conduct.

We revised the supplier code of conduct in December 2011 and are undertaking a thorough review of its provisions with a view toward strengthening them and increasingly their enforceability.

MANAGERIAL RESPONSIBILITY FOR ENVIRONMENTAL PERFORMANCE

Immediate responsibility for environmental management at Hershey rests with our environmental affairs team, led by the director of Environmental Affairs, who reports to our vice president of Quality and Regulatory Compliance, who, in turn, reports to our senior vice president of Global Operations. Through our environmental stewardship working group, members of the environmental affairs department work in collaboration with members of the procurement and enterprise risk-management groups and global operations engineering to oversee the measurement and monitoring of our supply-chain risks, including environmental, up and down the supply chain. We are also working to set goals and develop tools for better understanding, measuring, and improving performance across our supply base.

MANAGERIAL RESPONSIBILITY FOR WORKPLACE PERFORMANCE

Accountability for recruiting, workforce development and training, health and safety, global diversity, and employee benefits rests with the SVP Chief Human Resources Officer. The company also has a director of global diversity. The efforts of the human resources area are supported by our workplace working group. Comprising eleven individuals from the areas of Corporate Social Responsibility, Quality and Regulatory Compliance, Human Resources, Operations, and Corporate Security, this group is dedicated to understanding and addressing workplace issues. In 2011, this group influenced a set of new diversity and inclusion goals that we are rolling out in 2012.

GRI supplement (continued)

Our ever-expanding CSR network currently comprises 315 Hershey employees who lend their time, talent, and ideas to help us innovate and advance our environmental and social goals. And we benefit from a strong network of employee volunteers who have given their time to causes, such as the United Way and the Children's Miracle Network, that inspire them and The Hershey Company.

MANAGERIAL RESPONSIBILITY FOR COMMUNITY PERFORMANCE

Primary responsibility for the management of our community efforts rests with our CSR group, headed by our Vice President of Corporate Social Responsibility, who reports to the Vice President of Public Affairs. The group operates under the oversight of our Chief Growth Officer. The team collaborates with our community working group and other functional areas across the company, in particular the human resources and consumer affairs teams, to ensure that these key stakeholder needs and company-wide input factor into all key decisions and commitments.

RISK MANAGEMENT

- 4.11** We take several approaches to enterprise risk management, such as heat mapping, situational assessments, RACI charts, SWOT analyses and competitive intelligence. We do not use the precautionary approach or principle.

We regularly and routinely review issues as part of our enterprise risk-management process. In addition, in 2011 we undertook a materiality analysis to determine our engagement priorities. Through this process we analyzed the views of external stakeholders as well as those of management. Through both our risk-management and materiality analysis processes, we identified our engagement priorities, those issues discussed in this report.

PROMOTING AN ETHICAL OPERATING CULTURE

We expect all of our people, from chairman to hourly employee to supplier, to act with integrity and honesty in each decision they make and each action they take. All directors and employees, as well as employees of our joint-venture operations, are required to abide by The Hershey Code of Ethical Business Conduct (the "Code of Conduct"), and all suppliers are required to adhere to the company's supplier code of conduct.

The Code of Conduct addresses a range of issues from conflicts of interest and antitrust to fair trade, sustainable supply chain management and workplace diversity. The Code of Conduct is translated into eight languages and can be found on our website.

All directors and employees, including joint-venture employees, are required to undergo training in the Code of Conduct and annually certify their adherence to it. In addition, we also require employees who work in areas with traditionally high exposure to corruption, such as finance and procurement, to undergo specialized anti-corruption training.

The board's audit committee oversees communication of and compliance with the Code of Conduct, while the company's ethical business practices committee provides executive-level focus and support.

Hershey encourages the reporting of ethics concerns, and a number of channels are available for stakeholders to do so. Employees may use the

traditional means of confidential conversations with a manager, a member of the human resources department staff or a member of the Hershey executive team. Contact information is printed in the Code of Conduct, on the company's intranet and on posters displayed at all company facilities.

Hershey maintains a Concern Line staffed by an independent third party. Individuals can make anonymous reports to the Concern Line through a toll-free telephone number or via a dedicated website (www.hersheyconcern.com). Stockholders may contact the independent directors or the Audit Committee. We encourage good-faith reporting of all concerns and prohibit retaliation for good-faith submission of a report.

The Hershey Supplier Code of Conduct, which is currently a contract term on all U.S. purchase orders, was updated in December 2011. The supplier code can be found on the company's [website](#).

Performance indicator responses

ECONOMIC

- EC6** While we do not have a local-sourcing policy, we source from local suppliers wherever feasible. We consider cost, projected timeliness of fulfillment, past experience, material quality and safety, and in applicable cases, material certification.

- EC7** While Hershey does not have a formal policy, the majority of the company's international locations are staffed locally. Upper management positions are filled with both local and globally sourced talent.

ENVIRONMENTAL

- EN8** Direct withdrawal from groundwater: 3.34 billion gallons (12,643,275 m³)
Purchased water: 600,207,800 gallons (2,272,034 m³)

- EN10** We reused 0.01% of the water we used during 2011, a total of 394,021 gallons (1,492 m³).

- EN11** The Hershey Company does not own, lease or manage any operational sites that are located in, adjacent to or that contain protected areas or areas of high biodiversity. The company has no plans to acquire property or operations in locations that contain protected areas or areas of high biodiversity.

- EN13** The Hershey Company does not own, lease or manage any operational sites in areas where habitat remediation has been completed or where habitat remediation is planned, or in areas that are actively protected.

- EN14** The Hershey Company does not have a formal program or strategy for managing impacts on biodiversity, however, our internal environmental auditing program and our acquisition environmental due diligence program both contain elements for evaluation of land use and activities adjacent to properties owned, leased or managed by Hershey, or for those properties under consideration for acquisition or construction of facilities. Through these programs, impacts on biodiversity would be identified and managed accordingly.

- EN15** There are no IUCN Red List species in areas of The Hershey Company's U.S. operations; a comprehensive evaluation of operations outside the U.S. has not been conducted.

GRI supplement (continued)

EN20 All figures in tonnes. SOx: 5.13; NOx: 179.90; VOCs: 181.9; HAPs: 4.9; PM*: 48.92; CO: 128.83

* Particulate matter: 10 microns or less

EN21 365,515,377 gallons (1,383,626 m³) treated by on-site WWTP and/or off-site municipal WWTP in compliance with applicable regulatory requirements and permit limits and discharged to receiving streams or used for irrigation; 3.27 billion gallons (12,378,295 m³) of cooling water discharged.

EN24 All hazardous waste (24 mt) was transported nationally off-site to permitted treatment, storage, and disposal facilities (all to external vendors not owned by the reporting organization).

EN26 The primary impact of our product is end-of-life packaging and packaging components. In 2011, Hershey made strides in the use of recycled-content packaging material, recyclable packaging material and use of paper packaging material certified by the Sustainable Forestry Initiative.

EN30 We invested \$400,000 for flood recovery at our wastewater treatment plant in Hershey, Pennsylvania, and \$75,332 for spill clean-up in 2011. This does not constitute our entire investment in 2011.

LABOR

LA1 We do not have a significant seasonal variation in employment numbers.

We do not have a substantial number of workers (defined as contingent) legally recognized as self-employed in any of our locations.

LA3 Benefits are not provided to contract or temporary employees; since contract workers are not Hershey employees, it is up to their employers, and not The Hershey Company, to provide any benefits to them. In general, part-time employees are eligible for our voluntary medical plan, the myWell-Being Global programs, and the Marsh voluntary plans. Continuous part-time employees in the United States have vacation and are eligible for the voluntary medical plan and the myWell-Being full program, and the employee assistance program. [See also our benefits brochure.](#)

We operate both union and nonunion plants. We work to maintain a positive and professional relationship with all of our employees worldwide and, where applicable, with their negotiation representatives.

As part of Project Next Century, production will transition from the company's century-old facility at 19 East Chocolate Avenue in Hershey, Pennsylvania, to a planned expansion of the much newer West Hershey facility. Production from the 19 East Chocolate Avenue plant, as well as a portion of the workforce, is being transitioned to the West Hershey facility. While this change will lead to enhanced efficiency through new technology and greater automation, it will result in the reduction of approximately 200 positions through involuntary severance and another 300 through voluntary separation or retirement in 2012.

The company provided notice of more than 6 months to these employees and is working closely with them to offer transition plans with strong financial and benefit support. We also provide assistance in retirement planning, development of computer skills, and résumé writing and identify outplacement opportunities with other companies.

LA6 One hundred percent of our wholly owned manufacturing facilities and our office employees are represented by a Health, Safety and Productivity committee, which includes a dedicated safety director for manufacturing facilities and dedicated directors for the offices facilities and sales team.

Our Health, Safety, Productivity team comprises multifacility, middle and upper-level management.

LA7 We follow the injury and illness recording and reporting procedures in accordance with national laws and regulations where we conduct business and in compliance with internal procedural requirements.

LA8 In 2006, Hershey created the Pandemic Response Team to develop and implement a response plan and protocols for the company to follow in the event of a pandemic outbreak. The team developed a comprehensive plan that included deployment of a pandemic website for employee education. The team also monitored the alert phases, reviewed various pandemic response protocols to identify gaps, benchmarked with peer companies and consulted with experts to ensure that we had an appropriate plan for our company. In 2009, the team was reactivated to address the H1N1 outbreak. The team made changes to the existing pandemic plan to ensure it was tailored to address the H1N1 risks.

The team linked to community leads including Derry Township for the Hershey area and to other local and federal agencies in other locations where we operate.

The team also created prevention and risk-control programs which included the procurement and deployment of pandemic supplies for employees, on-site medical personnel and visitors globally. More than 2.7 million masks, more than 7 million sanitizer wipes, 1,400 gallon bottles of hand sanitizer and 2,000 individual kits for our sales force and remote offices were distributed.

This task had a tremendous overall impact on the organization in terms of educating employees in prevention measures and emphasizing the importance the organization places on the health and safety of our employees.

The Pandemic Response Team is just one of several teams trained to support Hershey employees in dealing with various forms of diseases. Should someone from our workforce fall victim to a serious disease, we have Health Services and emergency response teams (HEART) to support all our employees. We also have employee assistance program counseling and/or treatment programs in place.

Our employees do not have a high incidence or high risk of specific diseases because of occupational activities.

LA11 The Hershey Company offers standard personal leaves of absence and medical leaves available through the U.S. Family and Medical Leave Act, as needed and as a standard part of the overall benefits offered to full-time employees.

The company offers career transition services and financial counseling if an employee's employment is severed. If applicable, severance pay is determined by the employee's years of service and annual base salary prior to termination.

The company periodically offers workshops to help employees for retirement.

GRI supplement (continued)

HUMAN RIGHTS

HR5 None. We do not put our employees' rights to exercise freedom of association at risk at any time.

As at any other time, we bargained in good faith during contract negotiations in 2011. Hershey is in compliance with all relevant labor laws.

HR8 One hundred percent of our security personnel have received formal training in the organization's policies on or procedures related to human-rights issues. We require our third-party personnel to adhere to our supplier code of conduct, which also addresses human rights issues.

[See our supplier code of conduct.](#)

SOCIAL

S02 We analyze risks related to corruption as part of our Enterprise Risk Management (ERM) annual review process. Certain parts of ERM are conducted quarterly, others monthly.

S03 All directors and employees, including joint-venture employees, are required to undergo training in the Code of Conduct and annually certify their adherence to it. In addition, we also require employees who work in areas with traditionally high exposure to corruption, such as finance and procurement, to undergo specialized anti-corruption training.

PRODUCT RESPONSIBILITY

PR5 Through our Insights Driven Performance process, we actively survey consumers and hold focus groups concerning our products.

Through our Consumer Relations department, consumers have various ways of getting in touch with us to share their comments about our products or business dealings. There is a toll-free number printed on all of our packaging, as well as an electronic "Contact Us" form on our website. Outside of our Insights Driven Performance process, we do not actively survey consumers, broadly, on product satisfaction. We do monitor their contacts for trends and outliers.

The Consumer Relations Department sends consumers who contact us a satisfaction survey approximately two weeks after their interaction with a consumer representative. This survey is sent to every individual who provides the representative with an email address. (Because an email address is required in order for consumers to send an inquiry or comment to the company via our Contact Us Pages, the majority of our consumer satisfaction surveys go to those individuals whose initial contact was via email. Representatives ask for the consumer's email address during a call, but consumers rarely provide this information.)

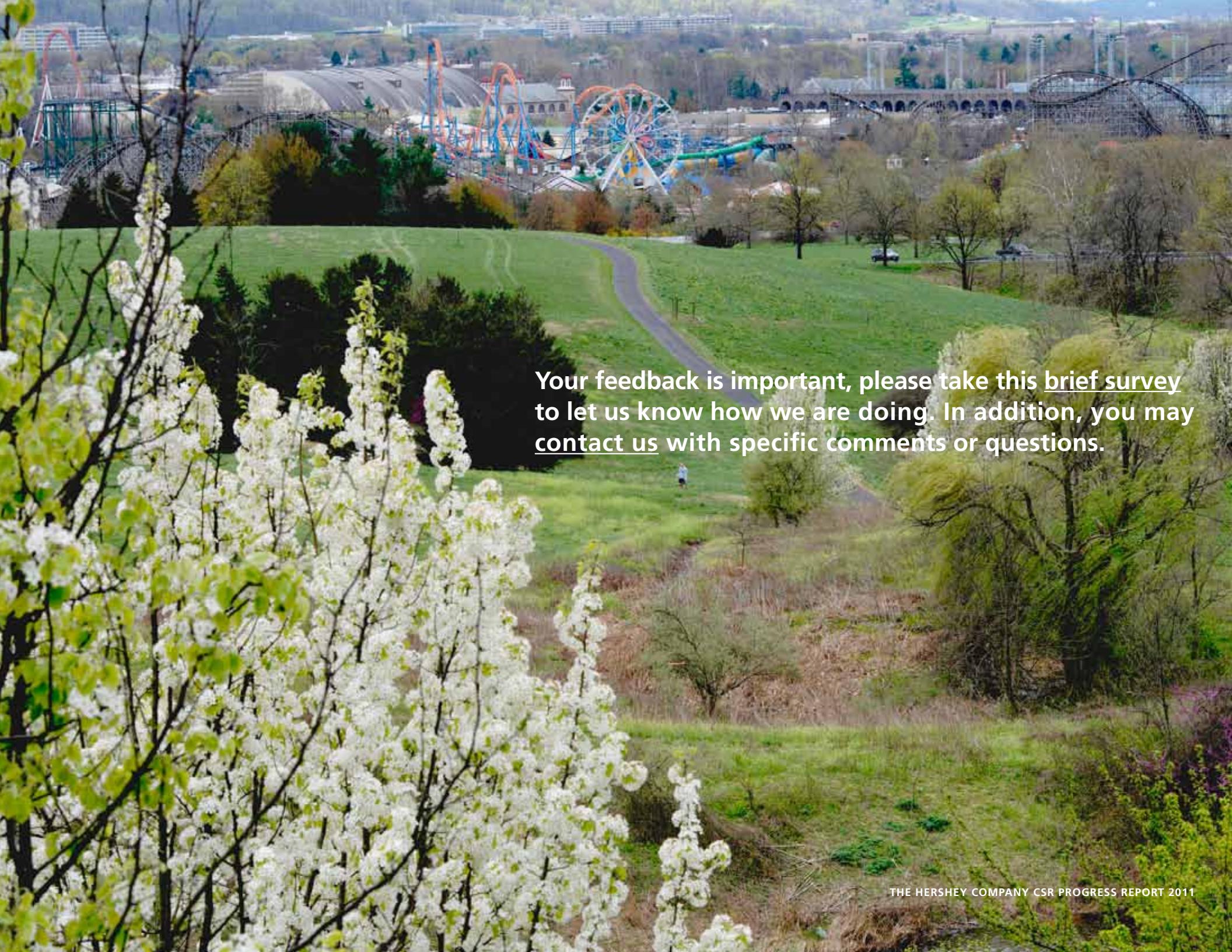
Our consumer satisfaction survey asks the following questions:

- Was your question or issue resolved?
- How would you rate the knowledge of our Consumer Relations representative?
- Overall, how satisfied were you with the way The Hershey Company handled your inquiry?
- How likely are you to recommend our products to your family or friends?
- Please feel free to tell us more about your experience

We draw insights and make recommendations based on the interactions we have with our consumers including calls, emails, letters, and social media posts and messages. We provide these insights and recommendations to Marketing, Quality, Nutrition, Public Relations, Packaging and Legal on a monthly or as-needed basis. Our constituents then use this information to gauge the success of new and changed products, support business decisions, monitor product quality and assess consumer response to corporate issues. The specific content and key conclusions of these communications is proprietary information.

PR8 In 2011, THC experienced a breach in security of our Hershey's Kitchen website, which allowed for the exposure of user data information. The company dealt with the issue swiftly and concisely, conducted a thorough investigation and reviewed the recipes on the site to ensure their quality. Although we determined that no consumer information was compromised, we informed all individuals who were registered to the site and outlined steps to help consumers ensure security whenever using the Internet and email.

No financial information was stored on the same server as our recipes. There were no elevated complaints related to this incident.

A scenic view of Hersheypark amusement park from a hillside covered in white blossoms. The foreground is filled with branches of a blossoming tree. In the background, the park's roller coasters and other attractions are visible against a backdrop of buildings and trees.

Your feedback is important, please take this [brief survey](#) to let us know how we are doing. In addition, you may [contact us](#) with specific comments or questions.