



Powered by  
**Shared  
Goodness**

2021 TCFD REPORT



# Hershey and Climate Change

This report, published in 2022, represents Hershey's second time reporting against the **Task Force on Climate-related Financial Disclosures** (TCFD), and stands alongside our science-based targets (SBTs) for greenhouse gas (GHG) emissions reduction as the materialization of our strengthened approach to addressing climate change within and through our business.

## Strategic and Financial Implications

As a company that depends on agricultural commodities grown all over the world, we are acutely aware of the risks climate change, natural resource scarcity and extreme weather pose to our business. Specifically, climate change and deforestation often negatively impact the world's most vulnerable first, making these important environmental issues human rights issues as well. We engage regularly with our investors, customers, suppliers and other stakeholders on the increasing impacts of climate change and the role Hershey can play in mitigating and managing our impact, while also ensuring the stability and sustainability of our own business. As a result, we have committed to expanding and improving our response with transparency and accountability.

Hershey is currently undertaking a climate-related risk and opportunities assessment in partnership with The Climate Service (TCS) and Quantis. The results will help us to better identify, evaluate and quantitatively measure, in financial terms, the potential physical and transitional impacts, risks and opportunities relating to climate change. This process will help inform Hershey's strategies to mitigate the impact of climate-related risks and maximize the realization of climate-related opportunities. We anticipate including results from this analysis in next year's TCFD report.

## Governance

Managing environmental, social and governance (ESG) factors and operating with integrity are key drivers for how we build trust with our consumers and make a positive impact in our society. Our ESG governance model includes a multi-level operating structure to ensure we are aligned on the most important issues facing the company and allocating the right resources to drive progress within our Shared Goodness Promise.

In 2021, to better reflect our focus on corporate responsibility and sustainability at the Board level, our Corporate Governance Guidelines were updated to clarify our Board's role in overseeing all ESG matters, including our ESG strategies, progress, risks and opportunities. In addition, our Governance Committee's charter was expanded to include oversight of the Board's governance of our ESG policies and programs and related reporting. All of our other Board committee charters were expanded to include oversight of each committee's relevant ESG responsibilities and reporting. Accountability for managing ESG and sustainability at a management level resides with our Vice President of Global Sustainability and Corporate Communications, who reports to our Chief Supply Chain Officer.

 **For more information, see our [2021 ESG Report](#), our [2022 Proxy Statement](#), and [Hershey's 2021 Form 10-K](#).**

Underpinning Hershey's climate efforts is a holistic sustainability strategy that guides how we support and engage the remarkable people behind our brands, from farmers to employees, and deliver on our commitments to safeguard the health of the environment and support children and youth.

 **For more information, see the [Environment section of the 2021 ESG Report](#).**

## Strategy and Risk Management

Hershey evaluates climate risk in two ways: as part of our Enterprise Risk Management (ERM) program, which is overseen by Hershey's Board, and as part of our broader enterprise sustainability efforts.

Through our ERM program, climate change was identified as a risk to be managed through external benchmarking and engagement with partners across our value chain. All proposed ERM risks are presented to our Chief Financial Officer and General Counsel, who affirmed their inclusion in our ERM program.

Our Global Sustainability team is currently developing formal climate scenario planning as part of ongoing operational sustainability work, with the aim of reducing Hershey's direct and indirect impacts on climate change. A comprehensive management approach to climate change risks and impacts is embedded across the enterprise through our SBTs, which focuses on reducing our GHG footprint. We have also incorporated climate considerations into our capital allocation process to ensure capital expenditures align with our enterprise climate strategy.

Additionally, we are continuously expanding the functional areas that incorporate climate risk management as part of their responsibilities and are embedding climate considerations into enterprise decision-making.

For example:

- Our Procurement and Responsible Sourcing teams manage climate risks related to sourcing our key ingredients and materials. In our sugar, dairy and cocoa supply chains, we have instituted partnerships with our suppliers and community partners to help growing communities adopt climate-smart growing practices and access opportunities to improve on-farm climate impacts.
- We are working to proactively mitigate risks through programs and initiatives to reduce our direct carbon emissions—including our efforts to procure more energy from renewable and zero-emissions energy sources and through our energy program, which seeks to improve on-site energy efficiency and conserve water.
- Our Logistics team works with our Continuous Improvements team to identify opportunities to save costs and fuel and reduce the risks from rising energy prices related to transporting our products.

Enterprise collaboration on climate considerations has aided the identification of several climate-related risks and opportunities as potentially financially material (as detailed in the table on the next page). We are currently undertaking climate scenario planning to quantify these impacts.

## Potential Financial Impact

RISK	DESCRIPTION	CATEGORY	IMPACT	DETAIL
<b>Physical Risks (Acute)</b>	Price fluctuations for key commodities due to extreme weather or crop diseases, including the direct effect as well as via the pricing of futures contracts	Cost of Sales	↑	Increased volatility in pricing contracts and likely increase in costs of acquiring production materials due to increased scarcity of raw ingredients
<b>Physical Risks (Acute)</b>	Disruption to our global manufacturing operations or supply chain	Capital Expenditures	↑	Both in terms of the potential need to increase infrastructure spending on improvements to protect our properties and assets from changing weather patterns, as well as risks of increasing costs of capital due to climate's potential macro impacts on our creditors
		Operating Costs	↑	We could face risks in finding affordable insurance contracts to cover our properties against extreme weather events
<b>Physical Risks (Chronic)</b>	Impacts on the crop yield or quality of key raw materials, which could potentially cause Hershey to have increases in raw material and energy costs along with challenges in obtaining adequate ingredients and supplies	Cost of Sales	↑	Risks that prices for existing commodity supply increase or that we have to invest more in research and development to find or develop ingredient alternatives
		Net Revenue	↓	Risks that we are not able to make as much finished product to sell
<b>Transition Risks</b>	Market Risks: impacts on the general macroeconomic conditions that influence discretionary consumer spending and impulse purchases, such as volatility in food and energy costs	Net Revenue	↑ ↓	Given the risks that unabated climate change may slow global economic growth, our business could be harmed by decreases in discretionary spending. Alternatively, we have seen our business perform strongly in past economic recessions due to consumers' desires for "affordable" luxuries and comfort foods during those times
<b>Transition Risks</b>	Reputation Risks: adverse impacts on the company's reputation or long-term viability resulting from issues or incidents relating to Hershey's approach and response to the impacts of climate change, including water scarcity	Competitiveness and Net Revenue	↓	If consumers see Hershey's business as threatening to climate progress, or find our climate-related statements untrustworthy, we could lose consumer trust or face boycotts
<b>Transition Risks</b>	Policy Risks: changing regulations, such as a carbon tax that increases the price of energy derived from fossil fuels	Operating Costs/ Compliance Costs	↑	Risks that our operating expenses will increase due to higher taxes and other costs associated with energy usage
		Capital Expenditures	↑	Risks that we need to make emergency infrastructure changes to comply with new regulations. Also, risks that we do not get to benefit from the full useful lives of infrastructure investments made in the past

### OPPORTUNITIES

- Increasing our operational efficiency and resilience throughout manufacturing and logistics with a priority on assets that are of highest climate-change risk.
- Strengthening partnerships with our customers as well as supplier communities who are also looking to reduce their climate impacts.
- Conducting consumer research about the intersection of consumer interests in ESG topics.

## Metrics and Targets

### Emissions and Energy

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

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

In 2021, we launched a companywide energy program and joined the ENERGY STAR® Challenge for Industry, which tasks companies with reducing energy intensity by 10% within five years. Additionally, in 2021, we made substantial progress toward our Scope 1 and Scope 2 emissions target by investing in several solar farms and reducing energy intensity in manufacturing, including transitioning away from coal use to biofuel in India.



**For more information, see pages 49 – 51 and pages 57 – 59 in our 2021 ESG Report.**

### Water

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

In 2020, we joined the Science Based Targets Network's (SBTN) Corporate Engagement Program to stay aligned with emerging best practices in water stewardship and the planned release of guidance for SBTs for nature.

We are currently participating in SBTN's self-guided pilot to better understand a path for Hershey to minimize its water impacts, identify opportunities to support collective solutions in priority areas and more deeply examine the intersections between climate, water, land, biodiversity and community.

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



**For more information, see pages 54 – 55 and page 61 in our 2021 ESG Report.**

### Packaging

Our previous goal to eliminate 25 million pounds of packaging was achieved five years ahead of schedule in 2020. We have since expanded our commitment to eliminate an additional 25 million pounds of packaging by 2030. We also committed to eliminating hard-to-recycle PVC by the end of 2022 and ensuring 100% of our plastic packaging is recyclable, reusable or compostable by 2030.



**For more information, see page 53 and page 60 in our 2021 ESG Report.**

### Data and Assurance

Environmental data, including Hershey's Scope 1, 2 and 3 emissions data, has been assured by Quantis, an [independent verifier](#).



**For more information, see page 93 in our 2021 ESG Report.**

### Forward-looking Statements

This ESG Report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Many of these forward-looking statements can be identified by the use of words such as "anticipate," "assume," "believe," "continue," "estimate," "expect," "forecast," "future," "intend," "plan," "potential," "predict," "project," "strategy," "target" and similar terms, and future or conditional tense verbs like "could," "may," "might," "should," "will" and "would," among others.

These forward-looking statements reflect our current assumptions and expectations, including statements regarding our environmental, social and governance targets, goals, commitments and programs and other business plans, initiatives and objectives. We are subject to changing economic, competitive, regulatory and technological risks and uncertainties that could have a material impact on our actual future results.

For information on factors that could cause our actual results to differ materially from the forward-looking statements, please see The Hershey Company's filings with the Securities and Exchange Commission, including our most recent annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. The Hershey Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect actual results, changes in expectations or events or circumstances after the date of this ESG Report.