



2023 TCFD Report



This 2023 Task Force on Climate-Related Financial Disclosures (TCFD) Report is the Hershey Company's ("Hershey," "we," "us," "our," "the company") voluntary disclosure on climate-related risks and opportunities. It describes how we address climate change within and through our business. The report is structured in alignment with TCFD recommendations and is designed to supplement, rather than repeat, content in our [2023 ESG Report](#).

The report provides details on Hershey governance systems and practices specifically as they pertain to climate-related issues. It presents internal risk management processes, with insights from our climate scenario planning exercise. It explains our holistic approach to ESG and preliminary understanding of what long-term climate change may mean for our business. Finally, it sets out the key metrics we use to track progress toward our [Science Based Target initiative \(SBTi\)](#)-aligned goals and address climate change in general.

Introduction

Hershey makes snacks consumers love. These products use materials and raw ingredients grown all over the world.

Climate change, extreme weather and scarcity of natural resources present risks to our products, the farmers we rely on and the local communities around them. These issues connect closely with human rights. Climate change, deforestation and water stress often affect the most vulnerable people first.

In response to the risks and opportunities facing Hershey and society, we established robust goals for our greenhouse gas (GHG) emissions reductions. These goals drive progress, keep us accountable and align our reduction efforts with leading climate science that recommends limiting global warming to 1.5°C.

We continue to increase our understanding of Hershey's climate risks and emissions profile, as well as expand disclosures and transparency in this report. Through this work, we contribute to the long-term success and sustainability of our planet, people and business.

Interconnected Issues

We are acutely aware of the myriad of interactions between climate, water, nature and society, and how balancing them is necessary for climate resiliency.

Climate scenario planning helps us analyze these interdependencies and how they impact our business. We harness systems thinking to:

- Prioritize mitigation of the highest material risks
- Choose investments that best contribute to a more sustainable, stable operating environment for our long-term success

Climate Progress

In 2023, in pursuit of our science based targets (SBTs), we invested in projects where we have the greatest carbon footprint (cocoa and dairy) and where actions are most needed for long term business resiliency. Through strategy development, business integration and pilot projects, we are applying lessons learned to achieve our goals.

We are proud of our progress while not losing sight of the work ahead. We:

- Leveraged our Energy and Water Management Steering Committee to integrate energy and water reduction commitments into our manufacturing operations; facilitating visibility and driving accountability into our business to secure results and investments and engage teams
- Continued to increase renewable electricity purchased toward our **goal of 100% renewable and zero emission electricity coverage by 2030**
- Scaled our investment, with matched funding from the U.S. Environmental Protection Agency (EPA), to reduce GHG emissions and improve water quality across dairy farms in our Pennsylvania supply chain, in partnership with our largest supplier
- Accelerated our target to achieving a deforestation and conversion-free supply chain for the cocoa, palm oil, pulp and paper (packaging), and direct soy we source by December 31, 2025 (previously 2030)
- Strengthened our forest strategy by developing a program for reforestation in our cocoa supply chain, with plans to plant 1.2 million trees in Côte d'Ivoire by the end of 2028 in connection with Hershey's Income Accelerator Program

- Initiated work to enhance our understanding of our global biodiversity footprint
- Eliminated 1.7 million pounds of packaging toward our second consecutive goal of eliminating 25 million pounds by 2030

→ **Additional details on these actions are further articulated on pages 59-82 in our [2023 ESG Report](#).**



Governance

Operating sustainably and with integrity are key drivers for how we build trust with our consumers, grow our business and make a positive impact in our society.

Our ESG governance model includes a multi-level operating structure to ensure we are aligned and taking action against the most important issues facing the company. This includes managing climate risk and allocating the right resources to drive progress within our global sustainability strategy, Our Shared Goodness Promise.

Board Oversight

Pursuant to our Corporate Governance Guidelines, ultimate responsibility for our ESG and sustainability governance oversight resides with our **Board of Directors**, which oversees all ESG matters, including our ESG strategies, priorities, progress, and risks and opportunities.

Each of our Board committees oversees certain ESG responsibilities and reporting requirements as stated in their respective Board committee charters.

- The **Finance and Risk Management Committee** reviews and oversees policies and procedures with respect to human rights, environmental stewardship and responsible sourcing/commodities practices within Hershey's supply chain. This Committee also oversees our comprehensive risk management program and has specific oversight of ESG risks, including human rights, and environmental topics. ESG is a standalone key business risk within our broader enterprise risk universe, alongside Human Capital, and Climate & Environment.
- The **Governance Committee** oversees governance of the company's ESG policies and programs, including establishment of targets, standards and other metrics used to measure and track ESG performance and progress. This includes our GHG emissions and climate-related strategies.

→ For more information on our Board committees, ESG oversight and responsibilities and approach to executive compensation, see our 2023 ESG Report and our 2024 Proxy Statement.

Board Engagement

The full Board regularly monitors and oversees progress against our climate goals and targets through ongoing updates provided by senior management. Management and ESG leaders review our ESG strategies, priorities, progress, risks and opportunities, as well as important emerging ESG trends with the Board annually.

Management and ESG leaders also provide education sessions on sustainability topics at least once per year. Recent sessions focused on cocoa as well as the changing regulatory and legal climate change reporting landscape.

To help advance the Board's understanding of global climate challenges, we had discussions throughout 2023 on the connection between the hotter temperatures and shifts in rainfall patterns in West Africa and record high global cocoa prices, which have been driven up by poor harvests in Côte d'Ivoire and Ghana. This example demonstrated how changing weather patterns impact the global cocoa harvest, which significantly affects our business.

In February 2023, we continued ongoing engagements with Hershey's Board of Directors by providing an update on our environmental strategy, including progress on our SBTs, the results of climate scenario planning and our packaging strategy.

Additionally, the August 2023 Finance and Risk Management Committee meeting also covered climate and environmental topics as part of a cocoa sustainability update.

End of year performance on all enterprise sustainability KPIs, including progress on GHG reductions and packaging, were discussed at the Governance Committee meeting in December 2023.

Executive Remuneration

Hershey has a strong culture of annual goal setting at all levels of the enterprise, and we use this practice to help advance our climate agenda.

The compensation of Hershey's executive team is tied to our ESG Priority Goals, supporting our efforts to achieve Hershey's carbon reduction goals.

Governance

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Management's Role

Hershey's ESG governance and management structure ensures that climate and other material ESG topics are identified, assessed and managed in a well-coordinated, comprehensive manner.

Accountability for ESG and sustainability resides with our Chief Executive Officer (CEO), with shared responsibility across the management team. Program strategy and operations are led by our Chief Sustainability Officer (CSO).

Our **Executive team** reviews Our Shared Goodness Promise strategies, data and progress against our commitments and targets, as well as emerging ESG and sustainability challenges and opportunities. The Executive team ensures our sustainability initiatives are aligned with business strategy and finalizes ESG-related investments.

The **Disclosure Committee**, led by our Chief Accounting Officer, is comprised of senior management in key functions, including our CSO. This committee ensures that our public disclosures, including those related to ESG and climate, are consistent, accurate, complete and timely.

Our cross-functional **Sustainability Steering Committee** is composed of key business leaders and ESG subject matter experts who meet at least quarterly to evaluate ESG strategy effectiveness and interdependencies, including those related to climate. This group provides input on investments to support ESG program deliverables and reviews progress toward goals and key performance indicators relevant to our global ESG and sustainability programs.

Our **Energy and Water Management Steering Committee**, comprised of senior leaders from across the company including manufacturing, engineering and health and safety divisions, met quarterly in 2023. It focused on driving progress towards achieving our SBT of 50% absolute reduction in Scope 1 and 2 emissions by 2030 (against a 2018 baseline) by monitoring progress and setting energy efficiency targets for our global manufacturing locations. Our CSO is a leading member of this committee and drives the agenda.

Additionally, Hershey's **Global Sustainability Team**, led by our CSO, is composed of ESG experts who manage the strategy, implementation and reporting of our global ESG and sustainability initiatives including climate change. The Global Sustainability team communicates regularly with internal and external stakeholders who provide valuable perspectives on our strategies, program decisions and focus. Notably, this group reviewed the findings of our climate scenario planning with ingredient category managers and senior leaders in our supply chain organization. These conversations help leaders understand the long-term effects of climate change on their portfolios and creates a stronger link between our climate scenario planning and investments to reduce emissions for our SBTs.

→ For more ESG governance information, see our [2023 Form 10-K](#), [2023 ESG Report](#), and [2024 Proxy Statement](#).

Risk Management

Hershey's approach to climate-related risk management is driven by identification of relevant issues and subsequent monitoring and management of the combined potential impact of those risks to our business and supply chain.

Risk identification

Our Enterprise Risk Management (ERM) program is set up to identify, evaluate, manage and mitigate the company's exposure to a wide range of risks. ESG is a standalone key business risk within our broader enterprise risk universe, alongside Climate & Environment. The ERM process is driven and coordinated by our Resiliency team.

We are beginning to weave climate resiliency into our operating decisions to drive greater emissions reduction, mitigation and adaptation strategies. That includes:

- Conducting climate scenario planning activities to examine applicable physical and transition risks quantified in financial terms
- Enabling further understanding on how climate change affects Hershey's value chain and how we can increase our overall resilience
- Informing tactical actions we need to take to build resilience in our manufacturing operations
- Aligning climate risk with other planetary risks, such as water and biodiversity impacts

Climate Scenario Planning

Climate scenario planning is a critical component to understanding and managing climate-related business risks at Hershey. While this work was led by our Global Sustainability team, ownership and execution of mitigation strategies is embedded throughout the organization with various business and process owners.

Beginning in 2022, Hershey undertook an in-depth climate scenario risk analysis to understand the breadth of the impact of climate change on our business, both now and for decades to come.

In 2023, we built on that analysis by sharing the insights across our organization. We showed the connection between how climate change will impact our business in the future and how we counter that through our carbon abatement strategies which improve resilience – for Hershey and the planet.

Integrating risk insights from climate scenario planning into business processes improved our understanding of present and potential future impacts of climate change on our business.

Further quantifying the risks and impacts identified in our initial climate scenario analysis solidified the importance of creating a climate-resilient supply chain.

→ **For more details on our climate scenario planning methodology, and potential financial impacts arising from physical risks and transition risks, see pages 6-8 within this TCFD Report.**

Taking Action in our Supply Chain

The largest climate change risks and business impacts are related to our five priority ingredients and materials (cocoa, dairy, sugar, palm, pulp and paper).

We feel the effects of climate change in our supply chain today in the form of:

- Physical supply chain disruptions
- Weather events
- Geopolitical risk factors

Our Procurement Crisis Management team monitors the current immediate risks to our supply chain and the actions being taken to mitigate those risks.

In 2023, we worked with our ingredient buyers and category managers to consider the longer term climate risks to their respective ingredient supply chains. Together, we identified connections between risk mitigation and existing actions toward our SBTs.

We are continuing work with our procurement team to:

- Embed climate change considerations into our business processes and sourcing strategies
- Increase investments in commodities impacted by climate change, including cocoa agroforestry, sustainable dairy solutions and regenerative agricultural practices in sugar
- Establish ingredient-specific climate roadmaps to further support progress in achieving our SBTs

In 2023, we sourced 86% of priority ingredients and materials from responsible and sustainable sources, working towards our goal of 100% by 2025.

→ **Learn more about Hershey's Climate Action on page 66 in our 2023 ESG Report.**

Manufacturing and Operations Impact

Risks and impact extend beyond our supply chain to Hershey manufacturing and operations. Understanding the steps that will improve business resiliency is a key output from our climate scenario work. We are leveraging the insights to help frame the necessary steps in our manufacturing operations, including how to decrease our energy demands and vulnerability to increasing utility prices.

Within our own operations and facilities, we focus efforts on improving energy and water use, and setting ambitious targets to achieve them.

→ **Learn more about Reducing Emissions in Our Operations on page 63 in our 2023 ESG Report.**



Our approach to Climate Scenario Planning (CSP) continues to evolve.

Qualitative and Quantitative Inputs

We seek to apply rigorous qualitative and quantitative methods founded on the best available climate science. In 2022-2023 we partnered with Quantis on our initial approach which continues to inform our risk management and GHG emission reduction strategy.

We engaged a diverse set of internal and external stakeholders, both in structured interviews and through a survey, to help identify top physical and transition risks.

In 2022, we also invested in the S&P Global Climonomics tool to quantify and analyze physical risks at over 350 facilities and key ingredient sourcing locations. Our preliminary analysis focused on the impacts of physical risks under Intergovernmental Panel on Climate Change’s (IPCC) Representative Concentration Pathways (RCPs) 2.6, 4.5 and 8.5 scenarios for decades 2020-2040. We used this analysis to ground ourselves in the material financial risks to our business from the impending impacts of climate change. This analysis contextualized our locations through specific risks such as temperature extremes, weather events, or water stress. It helped narrow our focus and uncover our most at-risk assets.

In 2023, we leveraged our prior analysis to inform our mitigation strategies, focus internal engagement and augment supply chain resiliency planning. We strengthened our climate resiliency strategies and pathways to our SBTs, both of which support the future of the ingredients we need to make our products for years to come.

Building on our Preliminary Findings

The most significant physical risks distinguished by our analysis are disruption and uncertainty within our supply chain, due to:

- Extreme temperatures
- Drought
- Water stress

→ Learn more about our potential financial impacts arising from physical risks on page 7 within this TCFD Report.

We also identified transition risks, such as:

- Competition for and rising costs of sustainably sourced ingredients
- The potential implications of a carbon tax

→ Learn more about our potential financial impacts arising from transition risks on page 8 within this TCFD Report.

Risk Management

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Potential financial impacts arising from physical risks

Based on our preliminary physical risk modelling, near-term financial risk is manageable but accelerates in 2030 across all scenarios. In the IPCC’s RCP 4.5 scenario, which is often described as the most probable baseline scenario, we estimate potential financial impacts ranging upwards of \$40-50 million annually for facilities and upwards of \$80 million in ingredients, beginning in 2030. Key contributors to these risks arise from extreme temperatures, water stress and drought. Climate change has a relatively greater impact on ingredient supply chains than on our facilities across multiple scenarios. Potential financial impacts across time horizons based on the RCP 4.5 Scenario are outlined below. The RCP 4.5 Scenario is considered a moderate scenario that assumes a conservative middle between business as usual and radical action to reduce emissions.

Financial Impact across time horizon					Emissions (million tCO ₂ e) ¹			
Impact of Climatic Change upon the Business		Short-term (2020-2030)	Medium-term (2030-2040)	Long-term (2040-2050)	Mitigation Strategy under Hershey’s emission reduction roadmap	2018	2023	2030 ⁴
Sourcing our Ingredients	<ul style="list-style-type: none"> Price fluctuations for key commodities Impact on crop yield or quality of key raw materials Temperature increases affect milk production. Drought could disrupt cow feed availability and increase costs 				<ul style="list-style-type: none"> The single, most significant action Hershey can take towards delivering on our ambition is to achieve a deforestation and conversion-free supply chain for 100% of the cocoa and palm we source (via mass balance) by 2025 Support farmers in implementing agroforestry and increasing climate resiliency and productivity without increasing land use change through Hershey’s Income Accelerator Program Invest in research and development (R&D) in cocoa sustainability to improve farmer livelihood and overcome climate variability, leveraging both internal resources and external partnerships. Advance regenerative agricultural initiatives such as use of cover crops and reduced tillage Invest and collaborate with farmers in the implementation of manure management solutions, soil health practices, enteric methane inhibitors, nutrient management and riparian forest buffers 	6.9	6.4	4.9
		Cocoa						
		Sugar						
		Dairy						
Palm								
Manufacturing our Products	Increase in energy and water costs as demand increases as the climate warms				<ul style="list-style-type: none"> Increase our energy efficiency through programmatic improvements and capital investments in technology Lean into green building design as a way to moderate our impact as we grow Switch to 100% renewable electricity by 2030 (80% achieved in 2023) Set water reduction targets for our operational facilities located in the areas of highest water stress 	0.4	0.3	0.2
Packaging our Products	Precipitation events may become more severe, such as increased frequency and impact of tropical storms and cyclones that could shutdown facilities or potentially damage packaging materials.				<ul style="list-style-type: none"> Reduce unnecessary packaging materials, improve recyclability and use more recycled materials to help us to achieve our SBTs Reduce packaging weight by an additional 25 million pounds by 2030 (15.4 million pounds eliminated in 2023) Improve packaging processes to be even more efficient through less energy use and reduced waste Engage with suppliers to reduce emissions from upstream packaging manufacturing 	0.4	0.6	0.4
Transporting and Selling our Products to Customers	<ul style="list-style-type: none"> Increase in transportation costs as demand increases for refrigerated trucks Impacts to distribution centers and ports from sea level rise and extreme weather events 	Out of Scope ²			<ul style="list-style-type: none"> Improve year-on-year fuel efficiency Identify network optimization opportunities, with the goal to reduce the number of trucks and the distances our products move Explore the role of innovation and electrification for vehicle movements 	0.2	0.2	0.2
Packaging disposal and end-of-life	Increase in cost of recycled packaging materials due to constraint in supplies (e.g., recycled polyethylene)	Out of Scope ²			<ul style="list-style-type: none"> Drive circularity by using more recycled materials across our portfolio Cross-industry collaboration to support the collection and management of packaging at scale Reduce and improve the recyclability of our retail display packaging 	0.1	0.1	0.1

1 Hershey’s 2023 GHG emissions data. See 2023 ESG Report for details. This table is a snapshot of present possibilities for reduction enabled by the mitigation strategies. We expect the specific numbers to change over time as we adjust for the growth of our business and as GHG emissions accounting standards evolve.

2 Categories that are “Out of Scope” are excluded from Hershey’s climate scenario analysis.

3 According to ranges of potential modeled average annual loss from the output of S&P Global Climonomics tool, which is a function of hazard, vulnerability, and asset value.

4 2030 values are forecasted based on what is necessary to meet FLAG and non-FLAG targets.

Magnitude of financial impact³



Risk Management

continued

Potential financial impacts arising from transition risks by 2050

We also seek to understand climate-related transition risks, which the EPA defines as “risks related to the transition to a lower carbon economy.” In evaluating the financial risk of changing regulations, such as carbon taxes, we see the potential for these risks to occur in the near term, and for their annual impact to be in the range of \$10-25 million (for carbon taxes).¹ We are currently developing a robust methodology for evaluating this impact.

Transition risk type	Value Chain	Example of impacts associated with risk assuming no mitigation	Speed of Onset	Financial impact in a Low Carbon Economy ²	Mitigation Strategy in relation to Hershey’s emission reduction roadmap
Policy	Operations	Changing regulations, such as a carbon tax that increases the price of energy derived from fossil fuels	Near Term	Disclosed above	Investments to deliver our SBTs are anticipated to offset the likely impact of carbon pricing over the long-term. This includes our investments in operational energy efficiency and renewable energy which will be critical to reducing our financial exposure to carbon pricing.
	Cocoa Sourcing	Increased compliance costs and other impacts to the business, sourcing practices and supply chain partners from new regulations, such as the EU deforestation regulation	Very Soon	Medium-High	Together with partners, we are implementing effective approaches to independent verification to mitigate deforestation risk, including an investment in 2023 for satellite monitoring of land-use change, and exploring emerging techniques, such as real-time collection of information from workers via mobile apps.
	Packaging	New regulations that increase the liability and cost of packaging materials	Near Term	High	We must maintain food quality and safety, while pushing for greater circularity. We are reducing unnecessary packaging materials, improving recyclability and using more recycled materials. Since packaging is a significant portion of the goods we buy, all these actions help us to achieve our SBTs. To overcome complexities around recyclability, partnerships are essential.
	Transportation	Rising transportation fuel costs as a greater proportion of supply chain cost	Near Term	Medium-High	We are developing a detailed climate roadmap for logistics in 2024 with specific, measurable and time-bound actions to reduce emissions and support our ongoing measures to improve fuel and distribution efficiency. The investments could help insulate from price volatility in fossil fuels.
Market	Ingredient Sourcing	Higher ingredient costs due to increased competition for ingredients and materials that are certified or have other sustainable attributes	Very Soon	High	We are developing strategies to communicate our expectations to suppliers and strengthen their sustainability management to drive climate action across the value chain.
	Brand and portfolio	Impacts on the general macroeconomic conditions that influence discretionary consumer spending and impulse purchases, such as volatility in food and energy costs	Very Soon	Medium	Given the risks that unabated climate change may slow global economic growth, our business could be harmed by decreases in consumer discretionary spending. Alternatively, we have seen our business grow in past economic recessions due to consumers’ desire for “affordable” luxuries and comfort foods during those times.
Reputation	Brand and portfolio	If consumers see Hershey’s business as threatening to climate progress, we could lose consumer trust or face boycotts	Long Term	Low	More consumers are seeking plant-based and sustainable treats, and we are meeting that preference with the addition of plant-based offerings. We launched plant-based versions of our Hershey’s Milk Chocolate with Almonds and Sea Salt Bar and Reese’s Peanut Butter Cups in 2023.
Technology	Operations	Risks associated with failure to adopt new technologies or investment into unverified or failed technologies	Long Term	Low	Hershey has made significant investments into digital transformation and automation in our facilities in 2023.

¹ Carbon pricing was identified as a “highly likely” transition risk in our qualitative research as it is a key policy driver for a faster transition to a low-carbon economy. Using the International Energy Agency’s Net Zero Emissions (NZE) by 2050 scenario, we assessed the risk of carbon pricing for insight into how actions to reduce facility emissions could also support future carbon cost avoidance. Under the NZE scenario, the carbon price (\$/per metric ton of CO₂e) could be \$75 in 2025 then nearly double to \$130 in 2030 for Hershey’s North American facilities. For Hershey’s International facilities, the potential carbon price ranges from \$3 to \$90.

² Aligned with the International Energy Agency’s Net Zero Emissions by 2050 scenario, which is designed to be consistent with limiting the global temperature rise to 1.5°C.

Risk Management

continued

Intersection of climate, water and nature

Creating a more resilient world requires work on many fronts as issues are deeply interconnected.

Acting on the Critical Issue of Water

The interconnected nature of climate change and water risk is well known. Water stress already affects our facilities in India and Mexico – these facilities have operated in drought conditions in recent years.

→ Learn more in [Creativity in a Water Crisis](#), on page 73 of our [2022 ESG Report](#).

We further enhanced our water resiliency efforts in 2023, turning insights from our risk assessment and the [Science Based Targets Network \(SBTN\)](#) pilot we conducted in 2021-2022 into action. We researched the environmental conditions in the water basins where we manufacture our products. In partnership with Quantis, we prioritized where to act and set a risk profile for our sites using a data-driven approach which considered water availability, water quality and the size of our business footprint. We also gathered input from several stakeholders to evaluate our impact and ambition on water.

Upon completion of our analysis, we reviewed our approach with the [World Resources Institute \(WRI\)](#) using the [Aqueduct Water Risk Atlas](#). This step provided confidence that we are starting in the areas where action is most needed and we can have the most impact.

Now we are taking the next step in our water journey. We set water reduction targets for our manufacturing facilities in Monterrey and Guadalajara, Mexico and Mandideep, India – Hershey's priority manufacturing locations where our research shows water is most scarce. The targets are designed to facilitate water use reduction initiatives to optimize water use and invest in innovative water conservation methods. We will share learnings and best practices with all Hershey manufacturing sites.

We are also investing in reducing the water footprint at other Hershey locations, including our headquarters in Hershey, Pennsylvania, where we achieved 46% reduction (since 2022) through ongoing investments in new equipment.

Beyond Hershey, we have begun engaging peers and partners to further improve the watersheds that support our business. We are planning future collective actions and restoration projects to mitigate long-term climate risk.

Our models indicate cocoa yields and dairy production are likely to be most impacted financially by the physical impacts of climate change. One way we are mitigating this risk is through our [Sustainable Dairy PA](#) initiative. The initiative is entering the scaling phase, with a \$1 million Hershey investment matched by a \$1 million grant from the EPA in 2023. The funding will help Pennsylvania dairy farmers that supply us to accelerate their sustainability efforts by investing in their implementation of manure management solutions, soil health practices, nutrient management and riparian forest buffers.

→ Learn more about [Water: An Invaluable Resource](#) on pages 67-68 of our [2023 ESG Report](#).

→ Learn more about [Expanding Dairy Initiatives](#) on page 65 of our [2023 ESG Report](#).

The Biodiversity Connection

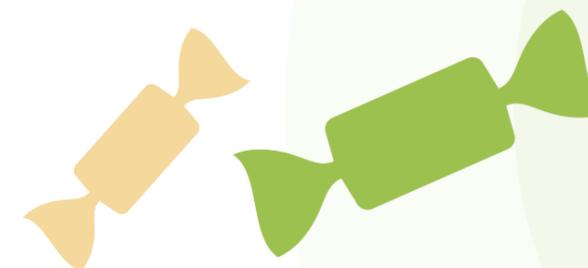
In 2023 we launched a biodiversity assessment with The Biodiversity Consultancy (TBC) to better understand our biodiversity footprint and how we can tackle the biodiversity challenges facing us.

Following current best practice frameworks for nature, and the preliminary steps outlined by SBTN and the Taskforce on Nature-related Financial Disclosures (TNFD), TBC conducted an impacts and dependencies screening using the [SBTN Materiality Screening Tool](#) and [High Impact Commodity List](#).

This screening is helping us prioritize which business areas and commodities to target for a deeper biodiversity assessment. Sugar, cocoa, corn, dairy and palm were identified as having the highest biodiversity footprint with land use impact for ingredients. For our operational activities, water was identified as having the highest dependencies.

These insights are also helping us to construct programs and investments focused on building our resiliency against climate change, water stress and biodiversity loss.

→ Learn more about [The Significance of Biodiversity](#) on pages 69-70 of our [2023 ESG Report](#).



Strategy

We are unlocking progress by taking actions that foster resilience and embedding these efforts into existing initiatives. Building enterprise climate resilience coupled with emissions reduction is vital to our long-term success.

Our Approach

Our climate approach and ESG priorities are integrated into Our Shared Goodness Promise, our global sustainability strategy, and our goal to be a Leading Snacking Powerhouse. We see climate action as essential for the future of Hershey, our customers and the communities where we operate. From how we procure our ingredients and manage our facilities to the many strategic partnerships we cultivate, our entire company works toward making our business stronger while saving costs and creating resilience for a more sustainable future.

We take a broad view of natural systems to find new ways to reduce GHG emissions and build climate resiliency. In turn, this helps the environment in many other ways that also support our business and the global economy. These include promoting biodiversity, improving watershed health, and restoring and protecting soils.

Examples of our systems thinking include:

- Working with farmers to transition to more sustainable farming activities, such as manure management solutions and riparian forest buffers
- Supporting regenerative agriculture practices, like reduced tillage, nutrient management and cover crops
- Investments in agroforestry and reforestation
- Continuous improvement in energy efficiency in our own operations

Climate Strategy

Our climate strategy is focused on achieving resilience and has two key drivers:

- Reducing our carbon footprint
- Understanding and managing our climate risk

We have ambitious SBTs to reduce our absolute Scope 1 and Scope 2 emissions by 50% and our absolute Scope 3 emissions by 25% by 2030 against a 2018 baseline. Our targets have been approved by the SBTi and are consistent with levels required to meet the Paris Agreement's most ambitious goals.

Reducing Our Carbon Footprint

Scope 1 and 2 Emissions

We plan to accomplish our Scope 1 and 2 goals through two levers:

- Continuous improvement in our facilities' energy performance
- Sourcing more renewable energy as the business continues to grow

Year-on-year progress will not always be linear. After some regression in 2022, we made positive progress on our emissions performance in 2023.

We recognize the significance of climate considerations in expanding our business through mergers and acquisitions. Once we acquire a business, we acquire its GHG footprint all the way back to our baseline year of 2018 and are responsible for future emissions. Recognizing this, we are integrating our North America Salty Snacks segment into Hershey's energy and water management program.

In 2023, Hershey acquired two manufacturing facilities from Weaver Popcorn Manufacturing, a leader in popcorn production and co-packing and a co-manufacturer of Hershey's *SkinnyPop* brand. The acquired operations were 7% of Hershey's Scope 1 & 2 GHG emissions footprint in 2023.

Learning from integrating these operations, potential acquisitions are now modeled into our GHG emissions forecast. This entails:

- Incorporating estimated costs for managing the acquired business's emissions into our climate financial model
- Integrating those emissions into our climate strategy

This helps ensure corporate growth is properly accounted for as we implement programs and strategies to deliver our SBTs.

Energy Efficiency — Enhancing energy efficiency, particularly in electricity and natural gas usage, is central to our emissions reduction plan. Our engineering and supply chain function manages these efforts, overseen by the Energy and Water Management Steering Committee.

Real Estate Portfolio — We consider how we manage our portfolio to be another avenue to reduce emissions. We emphasize green building design, such as LEED, and are focused on incorporating energy- and water-efficiency into leased and owned new buildings.

Renewable Energy — Increasing the renewable energy we use is another key element of our emissions reduction plan. In 2023, we progressed toward our Scope 1 and 2 goals, sourcing 80% of our electricity consumption from renewable and zero emission sources.

→ For more on our renewable energy projects see **Purchasing Renewable Energy** on page 63 of our **2023 ESG Report**.

Scope 3 Emissions in Our Value Chain

We are formally updating our SBTs for GHG emissions, reflecting changes in our business and aligning with the new Forest, Land and Agriculture Guidance (FLAG). In 2024, we will transition our current commitment to reduce our absolute Scope 3 emission by 25% to new SBTs to meet the requirement of SBTi's FLAG. As of Q1 2024, our updated Scope 3 targets are under review by the Science Based Targets initiative (SBTi).¹

We are creating roadmaps in our most significant emissions areas to tackle our Scope 3 goal. Many of these areas involve agriculture and land use change. The roadmaps will include specific, measurable, time-bound actions across major emissions sources in ingredients such as cocoa, dairy and sugar, as well as non-FLAG areas such as logistics and packaging.

¹ In accordance with the Greenhouse Gas (GHG) Protocol and the Science Based Targets initiative (SBTi) for setting science-based targets for Forest, Land, and Agriculture (FLAG) related GHG emissions and removals. This meets the highest ambition level currently recognized by the SBTi and aligns with the goals of the Paris Climate Agreement to limit global warming to 1.5°C below pre-industrial levels.

Strategy

continued

The Power of Collaboration

In a complex value chain, reducing emissions is a challenge that requires partnerships and collaboration. We co-create priority ingredient roadmaps with key internal stakeholders. We solve problems collaboratively to overcome obstacles, which leads to better and more meaningful outcomes for internal and external stakeholders.

We are also increasing engagement with our suppliers on the pathway to decarbonization and plan to continue this collaboration in 2024.

The process of engaging stakeholders, coordinating approaches to shared goals and collaboratively refining plans increases the quality, success and long-term permanence of interventions in the value chain.

→ For more information, see [Stakeholder Engagement and Select Memberships and Partnerships on page 9 in our 2023 ESG Report](#).

The Link With Climate Scenario Planning

Our climate scenario planning showed significant impacts in cocoa and dairy, confirming our focus for Scope 3 reductions is in the right areas. We modeled projections for drought and extreme temperature increases across cocoa growing regions. This indicated likely acute and chronic impacts to yield, which we are already experiencing in West Africa. We are confident the investments identified in our climate strategy, including our efforts to restore forest ecosystems such as large-scale tree planting and promoting adoption of agroforestry practices, will help safeguard against climate shocks and develop future resilience.

→ For more information, see [Reducing Emissions in Our Value Chain on pages 64-65 and Hershey's Climate Action on page 66 in our 2023 ESG Report](#).

Exploring the Potential of Agroforestry

In line with our emphasis on systems thinking, we are targeting agroforestry as an approach to address the interrelated impacts of climate change, water stress and deforestation.

Current pilots and feasibility studies include a **Cocoa Agroforestry initiative (implementation phase)** with PUR, and suppliers Blommer and Sucden. We are engaging farmers in agroforestry models to sequester carbon and mitigate climate risks to cocoa-growing communities. Feasibility studies were completed in Côte d'Ivoire in 2023 and tree planting is planned to start in 2024.

Supporting the transition to Regenerative Agriculture

At Hershey, regenerative agriculture includes farming practices that restore soil and ecosystem health, and leaves our land, waters and climate in better shape for future generations. Current projects include:

- **Sugar Beet Regenerative Agricultural Initiatives (pilot phase)** – This collaboration with the [Soil and Water Outcomes Fund](#) and supplier United Sugar provides financial incentives directly to farmers to transition to on-farm conservation practices such as planting cover crops and no-till farming. These practices reduce erosion, improve soil health and sequester carbon.
- **Sugar Beet Trusted Advisor Partnership (implementation phase)** – This project seeks to accelerate adoption of stewardship practices in North Dakota. Wind and water erosion have stripped the state of 50% of its topsoil in some areas, resulting in annual productivity losses in the tens of millions of dollars over the past 50 years. The model is to build the knowledge and capacity of Certified Crop Advisors to promote soil health practices, such as reduced tillage and cover cropping.

- **Sustainable Dairy PA initiative (scale-up phase)** – Our partnership with the [Alliance for the Chesapeake Bay](#) and supplier Land O'Lakes to help farmers in Pennsylvania adopt methods that reduce emissions and improve waterways has moved to a new phase. It is now scaling up, using fresh funding of \$1 million each from Hershey and the U.S. Environmental Protection Agency.

→ Learn more about our dairy and sugar programs related to regenerative agriculture on pages 49-50 in our [2023 ESG Report](#).

Improving Cocoa Resilience through Agroforestry

Climate adaptation will be critical for the future of Hershey's supply chain. Tree planting is a key adaptation strategy cocoa-growing communities can use to mitigate climate shocks such as extreme heat and water stresses and improve future resilience. For these reasons, tree planting through community-run agroforestry and reforestation is one of the key levers of our dual strategy to enhance climate resiliency and reduce emissions toward our SBTs.

With suppliers, we partnered with [PUR](#), a global leader in nature-based impact projects, to undertake feasibility assessments in 2023. Select cocoa-growing cooperatives were chosen for project implementation, in connection with Hershey's multi-faceted income-accelerator program.

The agroforestry element is to be implemented in 2024. Before the end of 2028, the project aims to plant 1.2 million trees within the Hershey supply-shed in Côte d'Ivoire.

→ Learn more about our agroforestry project in [Building Cocoa Resiliency in Côte d'Ivoire on page 61 of our 2023 ESG Report](#).

Metrics and Targets

We are unlocking progress by pivoting towards actions that foster resilience and embedding these efforts into existing initiatives. Building climate resilience is a stronger business case than acting on carbon reductions alone. As such, Hershey uses multiple metrics to monitor progress toward our climate-related goals.

Addressing climate change is a complex challenge, with many interdependencies. Given the interconnectedness of climate, water and packaging, we coordinate work across all three issues to advance our climate strategy.

Greenhouse Gas Emissions

We disclose extensive GHG emissions data and report progress against our SBTs in our 2023 ESG Report. Both data and progress are used to assess and manage our climate-related risks and opportunities.

As we keep strengthening our approach to managing climate change, we continuously evaluate possible disclosure of additional metrics based on the TCFD Guidance on Metrics, Targets and Transition Plans.

→ **For more information, see Action on Climate Change on page 60 and GHG emissions data on pages 74-76 of our [2023 ESG Report](#).**

Water and Nature

We cannot manufacture the products our consumers love without water.

In 2024, we announced a new goal of delivering a 20% absolute water use reduction at priority sites where water is most scarce by 2030 (against a 2018 baseline).

Furthermore, Hershey depends on agricultural commodities grown all over the world. We have invested in regenerative agriculture projects that protect and restore water resources as we continue to explore water stewardship opportunities for enhanced business resiliency.

→ **Learn more about our water-related efforts on pages 67-68 and see our Water Impact data on page 78 of our [2023 ESG Report](#).**

Packaging

We're changing packaging to create a more sustainable future, while keeping the goodness inside: safety, quality and a consumer experience that delights. We are reducing unnecessary materials, seeking recycled alternatives and increasing recyclability, which plays an important role in reducing our Scope 3 emissions.

→ **For more information, see Making Progress on Packaging on page 71 and the Packaging data table on page 77 of our [2023 ESG Report](#).**

About this Report

Data and Assurance

Select environmental data referenced in this 2023 TCFD Report has been verified by Quantis, an independent verifier. Additional environmental data has received limited assurance by EY. Both statements are available on the Hershey corporate website.

- [2023 EY Limited Assurance Statement](#)
- [2023 Quantis Data Verification Statement](#)

Forward Looking Statements

Hershey's 2023 TCFD 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 publication.

Future of TCFD

As of May 8, 2024, TCFD was absorbed by the International Sustainability Standards Board (ISSB), the standard-setting body within the International Financial Reporting Standards (IFRS) Foundation.

