



The *Goodness* Inside



2022 TCFD Report



Introduction

What's Inside

Hershey's 2022 Task Force on Climate-Related Financial Disclosures (TCFD) Report is our voluntary disclosure on climate-related risks and opportunities. It describes our approach to addressing climate change within and through our business. This report is structured in alignment with the recommendations from TCFD and is designed to supplement, rather than repeat, content found in our 2022 ESG Report.

The report contains details about our governance systems and practices specifically as they pertain to climate-related issues. We present our internal risk management processes, including insights from our inaugural climate scenario planning exercise. We describe our holistic approach to ESG and our preliminary insights into what long-term climate change may mean for our business. Finally, we share the key metrics we use to measure progress against our Science Based Target initiative (SBTi)-aligned goals and address climate change more broadly.

→ For additional information, see our [2022 ESG Report](#) and suite of supplemental ESG disclosures on [Hershey's corporate website](#).

Hershey is addressing climate change and our environmental footprint to create positive change for a brighter future and help ensure the long-term success of our business.

Our products put smiles on our consumers' faces every day. These products are made with raw ingredients and materials grown all over the world. Climate change, natural resource scarcity and extreme weather all pose risks to the snacks our consumers love as well as to the farmers and local communities on which we rely. Specifically, climate change, water stress and deforestation often negatively impact the world's most vulnerable first, demonstrating the interconnectedness of environmental issues with human rights.

Given the risks and opportunities to our business and the future of society, we have put in place robust targets for our greenhouse gas (GHG) emissions and packaging. These targets hold us accountable to making progress, while remaining aligned with leading science-based reduction requirements to keep global planetary warming to 1.5°C limits. Through these efforts, we are contributing to the long-term sustainability of our planet, people and business success.

Interconnected Issues

We recognize there is a deep interconnected system of topics related to climate change and the environment, all of which are continuously evolving. We are keenly aware of the linkages between the issues of climate change and water, in part through the results of our recent climate scenario planning and water-related assessments. Guided by these insights, we are continuing to take a systems-based approach as we consider how to apply this understanding in our strategy, programs and operations. Moreover, guided by a double materiality assessment conducted in 2022, we are sharpening our focus to address the Environmental, Social and Governance (ESG) issues where we have the greatest impact, and in turn, those issues that have a financial impact on our business.

Climate Progress

In 2022, we continued to focus on our climate and environmental goals, with the aim of further quantifying and reducing our direct and indirect impacts on climate change.

Among other steps, we:

- Formed an Energy and Water Management Steering Committee to drive energy and water reductions in our own operations.
- Completed feasibility assessments to identify further Scope 3 emission reduction opportunities, with a focus on our cocoa and dairy supply chains.
- Conducted preliminary water assessments to understand our supply chain's water impacts, risks and dependencies at the business unit and region levels. This involved assessing locations where majority of our ingredients are sourced and our own operational sites.
- More deeply examined the intersections between climate, water, land, biodiversity and community.
- Climate scenario planning informed and supported our new agroforestry initiative in cocoa-growing communities.
- Announced our third utility-scale solar power purchase agreement, scheduled to come online in 2024.
- Eliminated 4.2 million pounds of packaging toward our second consecutive goal of eliminating 25 million pounds of packaging by 2030.

These actions and others identified throughout this report demonstrate how Hershey will deliver on our Science Based Targets initiative (SBTi)-approved GHG targets as part of our overall climate strategy.



Governance

Managing 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 and taking action against the most important issues facing the company and allocating the right resources to drive progress within our global sustainability strategy, Our Shared Goodness Promise.

Board Oversight

Oversight of ESG governance resides with our Board of Directors. The Board has reviewed and approved our six ESG priorities and their associated strategies including our climate strategy and related goals.

The Board oversees progress against our ESG Priority Goals on an ongoing basis and reviews disclosures in our annual ESG Report and TCFD Report. 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 issues. 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 Hershey's ESG policies and programs, including establishment and review 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 [2022 ESG Report](#) and our [2023 Proxy Statement](#).

Board Engagement

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

Typically, management and ESG leaders also provide deep dives on ESG issues for the full Board at least once a year, with relevant committee updates occurring frequently throughout the year.

To help advance the Board's understanding of global climate challenges, we engaged Ceres, a nonprofit sustainability advocacy organization, to lead an educational session for the entire Board in early 2022. The presentation covered climate scenario planning, investor trends related to climate change, and the SEC's proposed ruling for mandatory climate reporting. Following the presentation, Board members supported implementation of the following actions to advance Hershey's ESG agenda, and each of them was implemented in 2022:

- Enhanced levels of assurance for ESG disclosures and data.
- Inaugural climate scenario planning as a critical step in better understanding Hershey's climate-related risks and thus, informing our overarching ESG strategy.
- Completion of water assessments to understand our current water impact and dependencies.

An update on our environmental strategy, including progress on our science-based target (SBT) goals and the results of climate scenario planning, was provided to the Finance and Risk Management Committee in the second half of 2022.

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.

We have incentivized the achievement of individual and enterprise goals, including those related to our ESG Priority Goals, by incorporating performance against these goals into annual compensation. The compensation of Hershey's executive team is tied to our ESG Priority Goals, supporting our efforts to achieve Hershey's SBTi-approved GHG yearly reductions.

Governance continued

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. We further strengthened our ESG program oversight during 2022 with the formation of additional cross-functional enterprise-wide groups, ensuring we are well-positioned to achieve our SBT goals and address climate risks across our entire organization.

Accountability for ESG and sustainability resides with our **Chief Executive Officer**, with shared responsibility across the management team and program strategy and operations led by our **Chief Sustainability Officer (CSO)**. Our CSO leads our **Global Sustainability Team**. Our Global Sustainability Team, composed of ESG experts, manages the strategy, implementation and reporting of our global ESG and sustainability initiatives, including climate change and human rights. The team communicates regularly with internal and external stakeholders who provide valuable perspectives on our strategies, program decisions and focus.

Our **Executive team** conducts monthly reviews of Our Shared Goodness Promise strategy, data and progress against our commitments and targets, as well as emerging ESG and sustainability challenges and opportunities. 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 Chief Sustainability Officer. This committee ensures that our public disclosures, including those related to ESG and climate, are consistent, accurate, complete and timely.

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

Additionally, in 2022, we formed an **Energy and Water Management Steering Committee** comprised of vice presidents from across our manufacturing and engineering divisions. It meets several times throughout the year and focuses on driving progress towards achieving our SBT goals as well as climate planning and resiliency across our facilities. This committee reports to Hershey's Chief Sustainability Officer.

→ For more ESG governance information, see our [2022 ESG Report](#), [2023 Proxy Statement](#), and [2022 Form 10-K](#).



Risk Management

Climate-related risks are regularly evaluated as part of our Enterprise Risk Management process.

Our Approach

Hershey has systems to monitor and respond to acute climate crises. For longer-term evolving risks, such as those presented by climate change, we utilize our Enterprise Risk Management (ERM) program. To improve our understanding of how climate change is, and could, impact our business, now and in the future, we are exploring ways to integrate these risk insights into the business. We are learning how to better quantify the risk of climate change for our business which allows us to further build the resiliency of Hershey when it comes to impacts from climate change. Our efforts in this space include improving energy and water efficiencies at our facilities, alongside climate-driven activities in our supply chain.

Crisis Monitoring Across the Supply Chain

The impacts of climate change are being felt today, especially across our supply chain. On a weekly basis, the Procurement department’s Crisis Management team monitors the current immediate risks to our supply chain and actions being taken to mitigate the risks. These risks can include weather events, political mobilizations and physical supply chain disruptions. We are actively working to embed climate change considerations into business processes and are building our enterprise capability to understand the depth and intent of climate scenario processes.

Enterprise Risk Management

Our ERM program is designed to identify, evaluate, manage and mitigate the company’s exposure to a broad range of risks including environment and climate. Our Board oversees the ERM program, while our management team is responsible for its implementation. The Finance and Risk Management Committee of our Board reviews key enterprise risks identified through the ERM process, as well as risk mitigation plans.

Climate change is included in our enterprise ERM risk register.

Beginning in 2022, Hershey undertook climate scenario planning to gain a better understanding of potential risks related to climate change. This was an in-depth review, coordinated internally, to fully understand the breadth of the impact of climate change to our business, both now and for decades to come.

Physical Risks

Climate Risk Assessment Methodology

We utilized rigorous qualitative and quantitative methods grounded in the best available climate science, working in partnership with Quantis, a leading sustainability consultancy, and the [S&P Global Climonomics](#) tool.

Qualitative Research

Our qualitative research included engaging diverse internal and external stakeholders through structured interviews and via a survey to identify top physical and transition risks. This was followed by a more in-depth survey to understand the perceived level of impact and potential timeframe for each identified risk and opportunity. The most significant physical risks revealed by our analysis are disruption and uncertainty within our supply chain. We also identified transition risks, such as competition for and rising costs of sustainably sourced ingredients, and the potential implications of a carbon tax.

An overview of Hershey’s approach to climate scenario planning (CSP)



Risk Management continued

Climate Impacts at Hershey - insights gained during our survey

“There’s always been severe weather but it’s happening more frequently.”

“Drought, excessive rains and other climate events are already impacting production and logistics in agricultural supply chains in Latin America and Southeast Asia.”

“We’ve already seen them - from hurricanes, tornadoes and cold weather in the Southeastern U.S....These may likely be more acute type risks / events earlier on but could continue to grow in terms of impact to the business.”

“You can prepare for events as they impact specific facilities but less so with respect to events that impact regions and commodity supply. Just-in-time manufacturing is particularly vulnerable to these types of risks.”

“The company is addressing Hershey’s impact on climate; now we must prepare for climate’s impact on Hershey.”

Quantitative Research via Climate Scenario Modeling

To refine and validate the results of our qualitative research, we utilized the [S&P Global Climanomics](#) tool to undertake a rigorous quantitative analysis of physical climate change risks to our facilities and ingredient assets. By mapping more than 350 facility locations and sourcing regions for key ingredients¹ on the Climanomics platform, we were able to identify and measure climate risks across these assets and sourcing dependencies in our portfolio.

Our preliminary analysis focused on the impacts of physical risks under three scenarios for physical climate risk: the Intergovernmental Panel on Climate Change’s (IPCC) Representative Concentration Pathways (RCPs) 2.6, 4.5 and 8.5 scenarios.² Climate change is an issue that spans decades, therefore broad time horizons were applied to our climate impact modelling based on the speed of onset by the decades of 2020, 2030 and 2040.

Preliminary Findings

Based on the physical risk findings of our qualitative and quantitative research, we have initiated dialogue on potential mitigation and adaptation strategies that could enhance our business resilience. Key insights include:

- The top drivers of climate risk for Hershey are extreme temperatures, drought and water stress.
- Financial risk is manageable in the near-term but accelerates in the 2030s.
- There is a relatively greater impact of climate change on our ingredient supply chains versus the impact to our facilities across multiple scenarios.

- Cocoa and dairy are the ingredients likely to be the most affected, with potential impacts to yield due to extreme temperatures and drought.
- Extreme temperature is expected to have the greatest impact on our facilities in the U.S. and Canada, whereas water stress will likely cause greatest impact on our facilities in Brazil, India and Mexico.
- Our SBT investments show strong alignment to areas of risk identified in climate scenario planning across all scopes.
- Future programmatic work in water and biodiversity conservation can also support further mitigation as an ecological buffer from climate shocks.

Case Study

Understanding Climate Risks in Our Dairy Supply Chain

We looked deeper into our dairy supply chain as our first case study in climate scenario risk analysis. It showed that physical risks are projected to escalate in the 2030s and 2040s, with the most material risks being temperature extremes and drought. As these risks increase in severity and likelihood, they will have a multiplier effect on the physical and transition risks facing the dairy industry. For example, as temperature increases, cows have physiological responses that could affect milk production. Additionally, drought could disrupt feed availability and increase costs. Informed by these insights, we have already initiated conversations to explore options for managing these risks. We know that climate resiliency overlaps with our strategy to reduce emissions in our dairy supply chain and plan to evaluate if these actions will be sufficient to address potential climate risks.



¹ Including cocoa, dairy, sugar, peanuts, palm, corn, wheat, almonds, pecans, and soy

² Reference name for the pathways: RCP 2.6 (Paris-aligned), RCP 4.5 (Intermediate), RCP 8.5 (Business as usual)

Risk Management continued

Potential financial impact arising from physical risks

Potential financial impact across time horizons based on IPCC's RCP 4.5 Scenario. The RCP 4.5 scenario is considered to be a moderate scenario that assumes a conservative middle between business as usual and radical action to reduce emissions.

Physical risk type ¹	Example impact associated with the risk	Impact across time horizon			Financial impact		
		Short-term (2020-2030)	Medium-term (2030-2040)	Long-term (2040-2050)	Category	Impact	Examples of how the risk manifests
Temperature extremes	Price fluctuations for key commodities due to temperature extremes or crop diseases, including the direct effect as well as via the pricing of futures contracts	Medium	High	Very high	Cost of goods sold	↑	Increased volatility of pricing contracts due to increased scarcity of raw ingredients
Drought	Impacts on the crop yield or quality of key raw materials	Low	High	Very high	Cost of goods sold	↑	Reduced crop yield due to decreased rainfall and water irrigation capabilities
Water stress	Demand for water increases as the climate warms	Very low	Low	High	Cost of operations	↑	Water becomes increasingly expensive as scarcity results in pressure on demand
Flood (e.g., coastal flooding, tropical cyclone, and fluvial flooding)	Precipitation events may become more severe, such as increased frequency and impact of tropical storms and cyclones	Very low	Very low	Very low	Cost of operations	↑	Hurricanes and floods could shutdown facilities and damage farms that produce ingredients sourced by Hershey

Magnitude of financial impact²

Very low
Low
Medium
High
Very high

¹ Wildfire is not included as the impact has been assessed as zero.

² According to absolute risk, which is a function of hazard, vulnerability, and asset value.

Risk Management continued

Transition Risks

We also seek to understand climate-related transition risks and completed a preliminary analysis of the impacts of carbon pricing in 2022. 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, which is designed to be consistent with limiting the global temperature rise to 1.5°C, we assessed the risk of carbon pricing for insight into how actions to reduce facility emissions could also support future carbon cost avoidance.

Preliminary Findings

- 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.
- Investments to deliver our SBT goals 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.

What’s Next

Climate scenario planning is an ongoing risk management and opportunity identification process. We have begun sharing the results of our scenario planning with our leadership, procurement, and finance teams, with support from our Enterprise Risk Management team, and we aim to strengthen climate governance and future programming. The preliminary assessments have built a foundational understanding of how to position the business to withstand different climate futures over the medium to long-term time horizons. We will continue to refine the initial models as our business grows and expands.

Potential financial impact arising from transition risks

Transition risk type	Example impact associated with the risk	Financial impact		Examples of how the risk manifests
		Category	Impact	
Market risk	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 grow in past economic recessions due to consumers’ desire for “affordable” luxuries and comfort foods during those times
Reputation risk	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
Policy risk	Changing regulations, such as a carbon tax that increases the price of energy derived from fossil fuels	Operating / compliance costs	↑	Higher taxes and other costs associated with energy usage could result in higher operating costs for Hershey
		Capital expenditure	↑	To comply with new regulations, Hershey may need to make emergency infrastructure changes and may not fully benefit from the useful lives of infrastructure investments made in the past

Strategy

We seek to reduce our emissions and do our part to meet the Paris Agreement adopted at the UN Climate Change Conference (COP21) and the needs of the world.

Our Approach

Our climate approach and ESG priorities are embedded within our company's Shared Goodness Promise, our global sustainability strategy, and our aspiration to be a Leading Snacking Powerhouse. We view climate action as an imperative for the future of Hershey, our customers and the communities in which we operate. From how we manage our own facilities and the way we procure our ingredients to the many strategic partnerships we nurture, our entire organization is working toward a more sustainable future.

By taking a broader view of natural systems, we're finding new ways to reduce GHG emissions, which in turn, helps the environment in many other ways, such as improving watershed health, promoting biodiversity, and restoring and protecting soils.

Climate Strategy

Our climate strategy is multi-faceted but powered by two key drivers: reducing our carbon footprint and understanding and managing our climate risk.

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

We undertook preliminary climate scenario planning as a tool to understand the interconnected impacts of climate change including the intersections with water on our activities and operations so that we can protect the future integrity of the company and make strategic, future-proof choices.

Reducing Our Carbon Footprint

Scope 1 and 2 Emissions

We plan to accomplish our Scope 1 and Scope 2 SBT goals and make ongoing progress beyond that through the two levers of continuous improvement in energy efficiency of facilities, and sourcing more renewable energy as the business continues to grow.

Our year-on-year progress will not always be linear and in 2022 we saw some regression in our reported emissions performance. We anticipated and modeled this temporary change in our progress as part of Mergers and Acquisitions (M&A) activity executed to support our business growth. We believe we can be a better environmental steward of new assets and remain committed to our SBT goals.

Energy Efficiency - Boosting energy efficiency, particularly in the use of electricity and natural gas, is a core part of our emissions reduction plan. These efforts are managed by our engineering and supply chain function and overseen by the Energy and Water Management Steering Committee.

Real Estate Portfolio - We view the management of our real estate portfolio as another avenue for reducing our emissions and are leaning into LEED design to moderate our impact as we grow and as an enabler to future growth. We are focused on designing energy and water efficient buildings.

Renewable Energy - Increased use of renewable energy is another critical element in our emissions reduction plan. In 2022, we sourced 77% of our electricity consumption from renewable and zero emission sources, helping us make progress towards our Scope 1 and 2 commitments.

→ **Additional information about our renewable energy projects is found in the Renewable Energy section on page 67 in our 2022 ESG Report.**

Scope 3 Emissions in Our Value Chain

To tackle our Scope 3 SBT, we are building roadmaps for GHG reductions in our biggest emissions areas, many of which involve agriculture and land use change. These roadmaps will include specific, measurable, and time-bound actions across major emissions sources in ingredients such as cocoa, dairy, and sugar and in functional areas such as logistics.

Strategy continued

The Power of Collaboration

Reducing emissions in a complex value chain is a huge challenge that requires collaboration. We cannot accomplish our SBT goals alone, it requires Togetherness, which is one of Hershey's values. We listen closely to suppliers, partners and climate experts to understand obstacles and identify the most meaningful actions to address these challenges. We partner with key stakeholders to co-design our priority ingredient roadmaps. We also engage with farmers and cooperatives on collective problem-solving and alignment with what's important to them, resulting in even greater outcomes.

We then prioritize the actions identified by modeling their carbon reduction potential. In addition, we assess feasibility through follow-up conversations with farming communities and with internal stakeholders to ensure alignment with Hershey's business strategy. This process of stakeholder engagement and refinement enhances the quality, success and long-term permanence of interventions in the value chain where we depend on, and leverage, coordinated approaches toward shared goals.

The Link with Climate Scenario Planning

Our work in climate scenario planning showed significant impacts in the areas of cocoa and dairy, confirming we're focused in the right areas of our Scope 3 emissions reduction efforts. We modeled projections of extreme temperature increases and drought across cocoa growing regions, and our findings indicated acute and chronic impacts to yield. We feel confident that the investments identified in our climate strategy, including continuous improvement in energy and water efficiency, large-scale tree planting and adoption of agroforestry practices, will help buffer against climate shocks and improve future resilience.

→ For more information on our climate transition strategies related to cocoa and dairy, see pages 68-70 in our [2022 ESG Report](#).

Exploring the Potential of Agroforestry

We believe that agroforestry offers significant potential as one part of our overall approach to address the interrelated impacts of climate change, water stress and deforestation. Current pilots and feasibility studies include:

- **Cocoa Agroforestry initiative (feasibility phase)** - Our partnership with PUR and suppliers Blommer and Sucden seeks to achieve carbon sequestration through farmer-centered engagement focusing on community-run, high-impact agroforestry models in cocoa-growing communities. Feasibility studies are being conducted in Côte d'Ivoire in 2023.
- **Sugar Beet Regenerative Agricultural Initiative (pilot phase)** - Our partnership with the [Soil and Water Outcomes Fund](#) and supplier United Sugar provides financial incentives directly to farmers who transition to on-farm conservation practices such as no-till farming and planting cover crops, which reduces erosion, improves soil health and sequesters carbon.
- **Sustainable Dairy PA initiative (scaled pilot phase)** - We are partnering with the [Alliance for the Chesapeake Bay](#) and supplier Land O'Lakes to make on-farm improvements to reduce emissions and improve waterways in the Pennsylvania area.

Case Study

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 SBT goals. In coordination with suppliers, we are partnering with [PUR](#), a global leader in nature-based impact projects, to undertake feasibility assessments in 2023. Our goal is to design farmer-centered agroforestry projects with selected communities in Côte d'Ivoire, with the aim to start tree planting in 2024.

→ Learn more about ongoing tree planting efforts in [Harnessing the Power of Trees](#) on page 77 in our [2022 ESG Report](#).



Metrics and Targets

As part of our ESG program, Hershey uses several metrics to monitor progress toward our SBT goals and other climate-related goals.

The challenge of addressing climate change is complex, with many interdependencies. Given the interconnectedness between climate, water and packaging, we are addressing all three issues to support our climate strategy.

Greenhouse Gas Emissions

We disclose extensive GHG emissions data and progress against our SBT goals in our 2022 ESG Report. This data and progress against our goals is used to assess and manage Hershey's climate-related risks and opportunities. As we continue to strengthen our approach to managing climate change, we continuously evaluate possible disclosure of additional metrics according to the TCFD Guidance on Metrics, Targets and Transition Plans.

→ For more information, see [Acting on Climate Change on pages 65-66](#), and [GHG emissions and climate-related data on pages 81-89](#) in our [2022 ESG Report](#).

Water

As a company that depends on agricultural commodities grown all over the world, water is critical to our operations. This includes our reliance on water for producing our agricultural ingredients and for our manufacturing processes. An initial assessment in 2021 identified two material water risks: reliance on water for agricultural products in the value chain (high risk) and water used for manufacturing (medium risk). Through an additional assessment following the Science Based Targets Network (SBTN) methodology, we know that nearly 100% of Hershey's global water footprint takes place upstream in agriculture and packaging. Based on a water stress areas sourcing assessment, approximately 14% of our food ingredients in 2022 were sourced from regions with high or extremely high baseline water stress.

Our understanding of the interdependencies between our water use, risks and impacts and climate impacts were further informed through the results of our climate scenario planning in 2022. These findings demonstrated fundamental linkages between climate change and water and provided us insight on how the linked risks may develop over time. From this analysis, we continue to identify mitigation and adaptation strategies that enhance our business resilience.

Through the SBTN Corporate Engagement Program, we participated in a self-guided pilot to better understand a path for Hershey to minimize our 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.

→ Learn more about our water-related efforts and metrics on [pages 72-75](#), and in our [Water Impact data table on page 86](#) of our [2022 ESG Report](#).

Packaging

Packaging waste is a global issue, and we aim to use our expertise and resources to help provide solutions that both deliver on food safety and reduce waste in the environment. Increasing our proportion of sustainable packaging and ensuring responsible production and disposal play an important part in reducing our Scope 3 emissions. In 2022, we made progress on our packaging goals:

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

→ For more information, see [Making Progress on Packaging on page 71](#) and our [Packaging data table on page 86](#) of our [2022 ESG Report](#).

About this Report

Data and Assurance

Our EY limited assurance statement, and Quantis, third-party data verification letter are available on pages 127-131 of our [2022 ESG Report](#).

Forward Looking Statements

Hershey's 2022 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.