

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 4, 2021
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 1-183



THE HERSHEY COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

23-0691590

(I.R.S. Employer Identification No.)

19 East Chocolate Avenue, Hershey, PA 17033
(Address of principal executive offices and Zip Code)
(717) 534-4200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, one dollar par value	HSY	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No x

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common Stock, one dollar par value—146,382,676 shares, as of April 23, 2021.
Class B Common Stock, one dollar par value—60,613,777 shares, as of April 23, 2021.

THE HERSHEY COMPANY
Quarterly Report on Form 10-Q
For the Period Ended April 4, 2021

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended	
	April 4, 2021	March 29, 2020
Net sales	\$ 2,295,948	\$ 2,037,317
Cost of sales	1,246,997	1,170,695
Gross profit	1,048,951	866,622
Selling, marketing and administrative expense	494,665	475,384
Long-lived asset impairment charges	—	7,543
Business realignment costs	1,242	895
Operating profit	553,044	382,800
Interest expense, net	36,436	36,255
Other (income) expense, net	2,414	11,533
Income before income taxes	514,194	335,012
Provision for income taxes	117,323	66,229
Net income including noncontrolling interest	396,871	268,783
Less: Net gain (loss) attributable to noncontrolling interest	1,072	(2,354)
Net income attributable to The Hershey Company	<u>\$ 395,799</u>	<u>\$ 271,137</u>
Net income per share—basic:		
Common stock	\$ 1.96	\$ 1.33
Class B common stock	\$ 1.78	\$ 1.21
Net income per share—diluted:		
Common stock	\$ 1.90	\$ 1.29
Class B common stock	\$ 1.77	\$ 1.21
Dividends paid per share:		
Common stock	\$ 0.804	\$ 0.773
Class B common stock	\$ 0.731	\$ 0.702

See Notes to Unaudited Consolidated Financial Statements.



THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	For the Three Months Ended					
	April 4, 2021			March 29, 2020		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income including noncontrolling interest			<u>\$ 396,871</u>			<u>\$ 268,783</u>
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments:						
Foreign currency translation gains (losses) during period	\$ 1,198	\$ —	1,198	\$ (51,343)	\$ —	(51,343)
Reclassification to earnings due to the sale of businesses	5,210	—	5,210	—	—	—
Pension and post-retirement benefit plans:						
Net actuarial gain and service cost	2,224	(529)	1,695	—	—	—
Reclassification to earnings	6,853	(1,867)	4,986	4,755	(548)	4,207
Cash flow hedges:						
(Losses) gains on cash flow hedging derivatives	(1,635)	287	(1,348)	5,381	(1,105)	4,276
Reclassification to earnings	3,137	(540)	2,597	2,091	(1,114)	977
Total other comprehensive income (loss), net of tax	<u>\$ 16,987</u>	<u>\$ (2,649)</u>	<u>14,338</u>	<u>\$ (39,116)</u>	<u>\$ (2,767)</u>	<u>(41,883)</u>
Total comprehensive income including noncontrolling interest			<u>\$ 411,209</u>			<u>\$ 226,900</u>
Comprehensive income (loss) attributable to noncontrolling interest			6,334			(2,462)
Comprehensive income attributable to The Hershey Company			<u>\$ 404,875</u>			<u>\$ 229,362</u>

See Notes to Unaudited Consolidated Financial Statements.

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THE HERSHEY COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	April 4, 2021 (unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,132,242	\$ 1,143,987
Accounts receivable—trade, net	634,830	615,233
Inventories	909,802	964,207
Prepaid expenses and other	183,150	254,478
Total current assets	2,860,024	2,977,905
Property, plant and equipment, net	2,298,817	2,285,255
Goodwill	1,989,462	1,988,215
Other intangibles	1,284,111	1,295,214
Other non-current assets	577,692	555,887
Deferred income taxes	28,022	29,369
Total assets	\$ 9,038,128	\$ 9,131,845
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 553,642	\$ 580,058
Accrued liabilities	717,171	781,766
Accrued income taxes	85,385	17,051
Short-term debt	64,458	74,041
Current portion of long-term debt	353,976	438,829
Total current liabilities	1,774,632	1,891,745
Long-term debt	4,094,158	4,089,755
Other long-term liabilities	673,756	683,434
Deferred income taxes	230,736	229,028
Total liabilities	6,773,282	6,893,962
Stockholders' equity:		
The Hershey Company stockholders' equity		
Preferred stock, shares issued: none in 2021 and 2020	—	—
Common stock, shares issued: 160,939,248 at April 4, 2021 and December 31, 2020	160,939	160,939
Class B common stock, shares issued: 60,613,777 at April 4, 2021 and December 31, 2020	60,614	60,614
Additional paid-in capital	1,195,748	1,191,200
Retained earnings	2,162,464	1,928,673
Treasury—common stock shares, at cost: 14,583,846 at April 4, 2021 and 13,325,898 at December 31, 2020	(994,765)	(768,992)
Accumulated other comprehensive loss	(329,006)	(338,082)
Total—The Hershey Company stockholders' equity	2,255,994	2,234,352
Noncontrolling interest in subsidiary	8,852	3,531
Total stockholders' equity	2,264,846	2,237,883
Total liabilities and stockholders' equity	\$ 9,038,128	\$ 9,131,845

See Notes to Unaudited Consolidated Financial Statements.



THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended	
	April 4, 2021	March 29, 2020
Operating Activities		
Net income including noncontrolling interest	\$ 396,871	\$ 268,783
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,897	70,624
Stock-based compensation expense	15,656	12,575
Deferred income taxes	(713)	(7,003)
Impairment of long-lived assets	—	7,543
Write-down of equity investments	2,891	11,103
Other	22,027	15,404
Changes in assets and liabilities, net of business acquisitions and divestitures:		
Accounts receivable—trade, net	(22,099)	(153,086)
Inventories	53,323	(27,907)
Prepaid expenses and other current assets	28,272	(3,913)
Accounts payable and accrued liabilities	(56,900)	636
Accrued income taxes	104,677	71,263
Contributions to pension and other benefit plans	(5,013)	(4,109)
Other assets and liabilities	(7,249)	(15,820)
Net cash provided by operating activities	609,640	246,093
Investing Activities		
Capital additions (including software)	(114,471)	(99,217)
Equity investments in tax credit qualifying partnerships	(25,064)	(11,473)
Other investing activities	2,530	21
Net cash used in investing activities	(137,005)	(110,669)
Financing Activities		
Net (decrease) increase in short-term debt	(6,079)	807,290
Repayment of long-term debt and finance leases	(85,863)	(1,086)
Cash dividends paid	(162,739)	(157,803)
Repurchase of common stock	(240,359)	(169,176)
Exercise of stock options	3,178	16,400
Net cash (used in) provided by financing activities	(491,862)	495,625
Effect of exchange rate changes on cash and cash equivalents	(3,952)	(18,671)
(Decrease) increase in cash and cash equivalents, including cash classified as held for sale	(23,179)	612,378
Less: Decrease (increase) in cash and cash equivalents classified as held for sale	11,434	(10,844)
Net (decrease) increase in cash and cash equivalents	(11,745)	601,534
Cash and cash equivalents, beginning of period	1,143,987	493,262
Cash and cash equivalents, end of period	\$ 1,132,242	\$ 1,094,796
Supplemental Disclosure		
Interest paid	\$ 27,685	\$ 27,820
Income taxes paid	14,350	14,107

See Notes to Unaudited Consolidated Financial Statements.



THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Stockholders' Equity
Balance, December 31, 2020	—	\$ 160,939	\$ 60,614	\$ 1,191,200	\$ 1,928,673	\$ (768,992)	\$ (338,082)	\$ 3,531	\$ 2,237,883
Net income					395,799			1,072	396,871
Other comprehensive income							9,076	5,262	14,338
Dividends (including dividend equivalents):									
Common Stock, \$0.804 per share					(117,699)				(117,699)
Class B Common Stock, \$0.731 per share					(44,309)				(44,309)
Stock-based compensation				15,955					15,955
Exercise of stock options and incentive-based transactions				(11,407)		14,586			3,179
Repurchase of common stock						(240,359)			(240,359)
Divestiture of noncontrolling interest								(1,013)	(1,013)
Balance, April 4, 2021	<u>\$ —</u>	<u>\$ 160,939</u>	<u>\$ 60,614</u>	<u>\$ 1,195,748</u>	<u>\$ 2,162,464</u>	<u>\$ (994,765)</u>	<u>\$ (329,006)</u>	<u>\$ 8,852</u>	<u>\$ 2,264,846</u>

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Stockholders' Equity
Balance, December 31, 2019	—	\$ 160,939	\$ 60,614	\$ 1,142,210	\$ 1,290,461	\$ (591,036)	\$ (323,966)	\$ 5,772	\$ 1,744,994
Net income (loss)					271,137			(2,354)	268,783
Other comprehensive loss							(41,775)	(108)	(41,883)
Dividends (including dividend equivalents):									
Common Stock, \$0.773 per share					(114,594)				(114,594)
Class B Common Stock, \$0.702 per share					(42,551)				(42,551)
Stock-based compensation				12,568					12,568
Exercise of stock options and incentive-based transactions				(1,648)		18,048			16,400
Repurchase of common stock						(169,176)			(169,176)
Balance, March 29, 2020	<u>\$ —</u>	<u>\$ 160,939</u>	<u>\$ 60,614</u>	<u>\$ 1,153,130</u>	<u>\$ 1,404,453</u>	<u>\$ (742,164)</u>	<u>\$ (365,741)</u>	<u>\$ 3,310</u>	<u>\$ 1,674,541</u>

See Notes to Unaudited Consolidated Financial Statements.

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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share data or if otherwise indicated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited consolidated financial statements provided in this report include the accounts of The Hershey Company (the “Company,” “Hershey,” “we” or “us”) and our majority-owned subsidiaries and entities in which we have a controlling financial interest after the elimination of intercompany accounts and transactions. We have a controlling financial interest if we own a majority of the outstanding voting common stock and minority shareholders do not have substantive participating rights, we have significant control through contractual or economic interests in which we are the primary beneficiary or we have the power to direct the activities that most significantly impact the entity’s economic performance. We use the equity method of accounting when we have a 20% to 50% interest in other companies and exercise significant influence. Other investments that are not controlled, and over which we do not have the ability to exercise significant influence, are accounted for under the cost method. Both equity and cost method investments are included as Other non-current assets in the Consolidated Balance Sheets.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial reporting and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. The financial statements reflect all adjustments (consisting of normal recurring adjustments) which are, in our opinion, necessary for a fair presentation of the results of operations, financial position, and cash flows for the indicated periods.

Operating results for the quarter ended April 4, 2021 may not be indicative of the results that may be expected for the year ending December 31, 2021 because of seasonal effects on our business. These financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2020 (our “2020 Annual Report on Form 10-K”), which provides a more complete understanding of our accounting policies, financial position, operating results and other matters.

COVID-19

On March 11, 2020, the World Health Organization designated coronavirus disease 2019 (“COVID-19”) as a global pandemic. We continue to actively monitor COVID-19 and its potential impact on our operations and financial results. Employee health and safety remains our first priority while we continue our efforts to support community food supplies. Since the onset of COVID-19, there has been minimal disruption to our supply chain network, and all our manufacturing plants are currently open. We are also working closely with our business units, contract manufacturers, distributors, contractors and other external business partners to minimize the potential impact on our business.

The ultimate impact that COVID-19 will have on our consolidated financial statements remains uncertain and ultimately will be dictated by the length and severity of the pandemic, as well as the economic recovery and actions taken in response by local, state and national governments around the world, including the distribution of vaccinations. We will continue to evaluate the nature and extent of these potential impacts to our business and consolidated financial statements.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU is intended to simplify various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifying certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for annual periods beginning after December 15, 2020 and interim periods within those annual periods, with early adoption permitted. An entity that elects early adoption must adopt all the amendments in the same period. Most amendments within this ASU are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We adopted the



THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

provisions of this ASU in the fourth quarter of 2020. Adoption of the new standard did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU is intended to provide temporary optional expedients and exceptions to the GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. Entities may apply this ASU upon issuance through December 31, 2022 on a prospective basis. We are currently evaluating the impact of the new standard on our consolidated financial statements and related disclosures.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on our consolidated financial statements or disclosures.

2. BUSINESS DIVESTITURE

2021 Activity

In January 2021, we completed the divestiture of Lotte Shanghai Foods Co., Ltd. ("LSFC"), which was previously included within the International and Other segment results in our consolidated financial statements. Total proceeds from the divestiture and the impact on our consolidated financial statements were immaterial and were recorded in the selling, marketing and administrative ("SM&A") expense caption within the Consolidated Statements of Income.

3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying value of goodwill by reportable segment for the three months ended April 4, 2021 are as follows:

	North America	International and Other	Total
Balance at December 31, 2020	\$ 1,970,445	\$ 17,770	\$ 1,988,215
Foreign currency translation	1,529	(282)	1,247
Balance at April 4, 2021	<u>\$ 1,971,974</u>	<u>\$ 17,488</u>	<u>\$ 1,989,462</u>

The following table provides the gross carrying amount and accumulated amortization for each major class of intangible asset:

	April 4, 2021		December 31, 2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Trademarks	\$ 1,211,784	\$ (113,679)	\$ 1,211,086	\$ (104,939)
Customer-related	204,560	(52,982)	204,101	(49,616)
Patents	8,671	(8,671)	8,556	(8,542)
Total	<u>1,425,015</u>	<u>(175,332)</u>	<u>1,423,743</u>	<u>(163,097)</u>
Intangible assets not subject to amortization:				
Trademarks	34,428		34,568	
Total other intangible assets	<u>\$ 1,284,111</u>		<u>\$ 1,295,214</u>	

Total amortization expense for the three months ended April 4, 2021 and March 29, 2020 was \$11,621 and \$11,640, respectively.



THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

4. SHORT AND LONG-TERM DEBT

Short-term Debt

As a source of short-term financing, we utilize cash on hand and commercial paper or bank loans with an original maturity of three months or less. We maintain a \$1.5 billion unsecured revolving credit facility with the option to increase borrowings by an additional \$500 million with the consent of the lenders. This facility is scheduled to expire on July 2, 2024; however, we may extend the termination date for up to two additional one-year periods upon notice to the administrative agent under the facility.

The credit agreement contains certain financial and other covenants, customary representations, warranties and events of default. As of April 4, 2021, we were in compliance with all covenants pertaining to the credit agreement, and we had no significant compensating balance agreements that legally restricted these funds. For more information, refer to the Consolidated Financial Statements included in our 2020 Annual Report on Form 10-K.

In addition to the revolving credit facility, we maintain lines of credit with domestic and international commercial banks. We had short-term foreign bank loans against these lines of credit for \$64,458 at April 4, 2021 and \$74,041 at December 31, 2020. Commitment fees relating to our revolving credit facility and lines of credit are not material.

At April 4, 2021 and December 31, 2020, we had no outstanding commercial paper.

Long-term Debt

Long-term debt consisted of the following:

Debt Type and Rate	Maturity Date	April 4, 2021	December 31, 2020
8.800% Debentures (1)	February 15, 2021	\$ —	\$ 84,715
3.100% Notes	May 15, 2021	350,000	350,000
2.625% Notes	May 1, 2023	250,000	250,000
3.375% Notes	May 15, 2023	500,000	500,000
2.050% Notes	November 15, 2024	300,000	300,000
0.900% Notes	June 1, 2025	300,000	300,000
3.200% Notes	August 21, 2025	300,000	300,000
2.300% Notes	August 15, 2026	500,000	500,000
7.200% Debentures	August 15, 2027	193,639	193,639
2.450% Notes	November 15, 2029	300,000	300,000
1.700% Notes	June 1, 2030	350,000	350,000
3.375% Notes	August 15, 2046	300,000	300,000
3.125% Notes	November 15, 2049	400,000	400,000
2.650% Notes	June 1, 2050	350,000	350,000
Finance lease obligations (see Note 7)		80,451	80,755
Net impact of interest rate swaps, debt issuance costs and unamortized debt discounts		(25,956)	(30,525)
Total long-term debt		4,448,134	4,528,584
Less—current portion		353,976	438,829
Long-term portion		\$ 4,094,158	\$ 4,089,755

(1) In February 2021, we repaid \$84,715 of 8.800% Debentures due upon their maturity.



THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Interest Expense

Net interest expense consists of the following:

	Three Months Ended	
	April 4, 2021	March 29, 2020
Interest expense	\$ 38,763	\$ 39,256
Capitalized interest	(1,717)	(1,417)
Interest expense	37,046	37,839
Interest income	(610)	(1,584)
Interest expense, net	<u>\$ 36,436</u>	<u>\$ 36,255</u>

5. DERIVATIVE INSTRUMENTS

We are exposed to market risks arising principally from changes in foreign currency exchange rates, interest rates and commodity prices. We use certain derivative instruments to manage these risks. These include interest rate swaps to manage interest rate risk, foreign currency forward exchange contracts to manage foreign currency exchange rate risk, and commodities futures and options contracts to manage commodity market price risk exposures.

In entering into these contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. We mitigate this risk by entering into exchanged-traded contracts with collateral posting requirements and/or by performing financial assessments prior to contract execution, conducting periodic evaluations of counterparty performance and maintaining a diverse portfolio of qualified counterparties. We do not expect any significant losses from counterparty defaults.

Commodity Price Risk

We enter into commodities futures and options contracts and other commodity derivative instruments to reduce the effect of future price fluctuations associated with the purchase of raw materials, energy requirements and transportation services. We generally hedge commodity price risks for 3- to 24-month periods. Our open commodity derivative contracts had a notional value of \$194,068 as of April 4, 2021 and \$279,843 as of December 31, 2020.

Derivatives used to manage commodity price risk are not designated for hedge accounting treatment. Therefore, the changes in fair value of these derivatives are recorded as incurred within cost of sales. As discussed in [Note 13](#), we define our segment income to exclude gains and losses on commodity derivatives until the related inventory is sold, at which time the related gains and losses are reflected within segment income. This enables us to continue to align the derivative gains and losses with the underlying economic exposure being hedged and thereby eliminate the mark-to-market volatility within our reported segment income.

Foreign Exchange Price Risk

We are exposed to foreign currency exchange rate risk related to our international operations, including non-functional currency intercompany debt and other non-functional currency transactions of certain subsidiaries. Principal currencies hedged include the euro, Canadian dollar, Japanese yen, British pound, Brazilian real, Malaysian ringgit, Mexican peso and Swiss franc. We typically utilize foreign currency forward exchange contracts to hedge these exposures for periods ranging from 3 to 12 months. The contracts are either designated as cash flow hedges or are undesignated. The net notional amount of foreign exchange contracts accounted for as cash flow hedges was \$146,323 at April 4, 2021 and \$130,131 at December 31, 2020. The effective portion of the changes in fair value on these contracts is recorded in other comprehensive income and reclassified into earnings in the same period in which the hedged transactions affect earnings. The net notional amount of foreign exchange contracts that are not designated as accounting hedges was \$6,117 at April 4, 2021 and \$2,519 at December 31, 2020. The change in fair value on these instruments is recorded directly in cost of sales or selling, marketing and administrative expense, depending on the nature of the underlying exposure.



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Interest Rate Risk

We manage our targeted mix of fixed and floating rate debt with debt issuances and by entering into fixed-to-floating interest rate swaps in order to mitigate fluctuations in earnings and cash flows that may result from interest rate volatility. These swaps are designated as fair value hedges, for which the gain or loss on the derivative and the offsetting loss or gain on the hedged item are recognized in current earnings as interest expense (income), net. In December 2020, our fixed-to-floating interest rate swap matured in connection with the repayment of certain long-term debt upon its maturity. Therefore, as of April 4, 2021 and December 31, 2020, we had no open interest rate swap derivative instruments in a fair value hedging relationship.

In order to manage interest rate exposure, in previous years we utilized interest rate swap agreements to protect against unfavorable interest rate changes relating to forecasted debt transactions. These swaps, which were settled upon issuance of the related debt, were designated as cash flow hedges and the gains and losses that were deferred in other comprehensive income are being recognized as an adjustment to interest expense over the same period that the hedged interest payments affect earnings.

Equity Price Risk

We are exposed to market price changes in certain broad market indices related to our deferred compensation obligations to our employees. To mitigate this risk, we use equity swap contracts to hedge the portion of the exposure that is linked to market-level equity returns. These contracts are not designated as hedges for accounting purposes and are entered into for periods of 3 to 12 months. The change in fair value of these derivatives is recorded in selling, marketing and administrative expense, together with the change in the related liabilities. The notional amount of the contracts outstanding at April 4, 2021 and December 31, 2020 was \$21,299 and \$30,194, respectively.

The following table presents the classification of derivative assets and liabilities within the Consolidated Balance Sheets as of April 4, 2021 and December 31, 2020:

	April 4, 2021		December 31, 2020	
	Assets (1)	Liabilities (1)	Assets (1)	Liabilities (1)
Derivatives designated as cash flow hedging instruments:				
Foreign exchange contracts	\$ 1,542	\$ 6,139	\$ 2,388	\$ 5,522
Derivatives not designated as hedging instruments:				
Commodities futures and options (2)	1,881	844	3,299	1,648
Deferred compensation derivatives	1,554	—	3,630	—
Foreign exchange contracts	230	—	176	93
	<u>3,665</u>	<u>844</u>	<u>7,105</u>	<u>1,741</u>
Total	<u>\$ 5,207</u>	<u>\$ 6,983</u>	<u>\$ 9,493</u>	<u>\$ 7,263</u>

- (1) Derivatives assets are classified on our Consolidated Balance Sheets within prepaid expenses and other as well as other non-current assets. Derivative liabilities are classified on our Consolidated Balance Sheets within accrued liabilities and other long-term liabilities.
- (2) As of April 4, 2021, amounts reflected on a net basis in liabilities were assets of \$26,173 and liabilities of \$24,651, which are associated with cash transfers receivable or payable on commodities futures contracts reflecting the change in quoted market prices on the last trading day for the period. The comparable amounts reflected on a net basis in assets at December 31, 2020 were assets of \$32,674 and liabilities of \$29,376. At April 4, 2021 and December 31, 2020, the remaining amount reflected in assets and liabilities related to the fair value of other non-exchange traded derivative instruments, respectively.



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Income Statement Impact of Derivative Instruments

The effect of derivative instruments on the Consolidated Statements of Income for the three months ended April 4, 2021 and March 29, 2020 was as follows:

	Non-designated Hedges		Cash Flow Hedges			
	Gains (losses) recognized in income (a)		Gains (losses) recognized in other comprehensive income ("OCI")		Gains (losses) reclassified from accumulated OCI ("AOCI") into income (b)	
	2021	2020	2021	2020	2021	2020
Commodities futures and options	\$ 13,679	\$ (77,092)	\$ —	\$ —	\$ —	\$ —
Foreign exchange contracts	138	(3,322)	(1,635)	5,381	(172)	253
Interest rate swap agreements	—	—	—	—	(2,965)	(2,344)
Deferred compensation derivatives	1,554	(5,759)	—	—	—	—
Total	\$ 15,371	\$ (86,173)	\$ (1,635)	\$ 5,381	\$ (3,137)	\$ (2,091)

- (a) Gains (losses) recognized in income for non-designated commodities futures and options contracts were included in cost of sales. Gains (losses) recognized in income for non-designated foreign currency forward exchange contracts and deferred compensation derivatives were included in selling, marketing and administrative expenses.
- (b) Gains (losses) reclassified from AOCI into income for foreign currency forward exchange contracts were included in selling, marketing and administrative expenses. Losses reclassified from AOCI into income for interest rate swap agreements were included in interest expense.

The amount of pretax net losses on derivative instruments, including interest rate swap agreements and foreign currency forward exchange contracts expected to be reclassified into earnings in the next 12 months was approximately \$16,457 as of April 4, 2021. This amount is primarily associated with interest rate swap agreements.

Fair Value Hedging Relationships

For the three months ended April 4, 2021, we had no interest rate swap derivative instruments in a fair value hedging relationship. For the three months ended March 29, 2020, we recognized a net pretax benefit to interest expense of \$151 relating to our fixed-to-floating interest swap arrangements.

6. FAIR VALUE MEASUREMENTS

Accounting guidance on fair value measurements requires that financial assets and liabilities be classified and disclosed in one of the following categories of the fair value hierarchy:

Level 1 – Based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Based on observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Based on unobservable inputs that reflect the entity's own assumptions about the assumptions that a market participant would use in pricing the asset or liability.

We did not have any Level 3 financial assets or liabilities, nor were there any transfers between levels during the periods presented.



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The following table presents assets and liabilities that were measured at fair value in the Consolidated Balance Sheets on a recurring basis as of April 4, 2021 and December 31, 2020:

	Assets (Liabilities)			
	Level 1	Level 2	Level 3	Total
April 4, 2021:				
Derivative Instruments:				
Assets:				
Foreign exchange contracts (1)	\$ —	\$ 1,772	\$ —	\$ 1,772
Deferred compensation derivatives (2)	—	1,554	—	1,554
Commodities futures and options (3)	1,881	—	—	1,881
Liabilities:				
Foreign exchange contracts (1)	—	6,139	—	6,139
Commodities futures and options (3)	844	—	—	844
December 31, 2020:				
Assets:				
Foreign exchange contracts (1)	\$ —	\$ 2,564	\$ —	\$ 2,564
Deferred compensation derivatives (2)	—	3,630	—	3,630
Commodities futures and options (3)	3,299	—	—	3,299
Liabilities:				
Foreign exchange contracts (1)	—	5,615	—	5,615
Commodities futures and options (3)	1,648	—	—	1,648

(1) The fair value of foreign currency forward exchange contracts is the difference between the contract and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign currency forward exchange contracts on a quarterly basis by obtaining market quotes of spot and forward rates for contracts with similar terms, adjusted where necessary for maturity differences.

(2) The fair value of deferred compensation derivatives is based on quoted prices for market interest rates and a broad market equity index.

(3) The fair value of commodities futures and options contracts is based on quoted market prices.

Other Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair values as of April 4, 2021 and December 31, 2020 because of the relatively short maturity of these instruments.

The estimated fair value of our long-term debt is based on quoted market prices for similar debt issues and is, therefore, classified as Level 2 within the valuation hierarchy. The fair values and carrying values of long-term debt, including the current portion, were as follows:

	Fair Value		Carrying Value	
	April 4, 2021	December 31, 2020	April 4, 2021	December 31, 2020
Current portion of long-term debt	\$ 354,979	\$ 443,215	\$ 353,976	\$ 438,829
Long-term debt	4,245,247	4,479,499	4,094,158	4,089,755
Total	\$ 4,600,226	\$ 4,922,714	\$ 4,448,134	\$ 4,528,584

Other Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, GAAP requires that, under certain circumstances, we also record assets and liabilities at fair value on a nonrecurring basis.



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During the three months ended April 4, 2021, we recorded no impairment charges. During the three months ended March 29, 2020, we recorded the following impairment charges, which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy:

	2020
Adjustment to disposal group (1)	\$ 4,600
Other asset write-down (2)	2,943
Long-lived asset impairment charges	\$ 7,543

- (1) In connection with the sale of the LSFC joint venture (disposal group previously classified as held for sale), we recorded impairment charges to adjust long-lived asset values. The fair value of the disposal group was supported by potential sales prices with third-party buyers. The sale of the LSFC joint venture was completed in January 2021.
- (2) In connection with a previous sale, the Company wrote-down certain receivables deemed uncollectible.

7. LEASES

We lease office and retail space, warehouse and distribution facilities, land, vehicles, and equipment. We determine if an agreement is or contains a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are based on the estimated present value of lease payments over the lease term and are recognized at the lease commencement date.

As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate in determining the present value of lease payments. The estimated incremental borrowing rate is derived from information available at the lease commencement date.

Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. A limited number of our lease agreements include rental payments adjusted periodically for inflation. Our lease agreements generally do not contain residual value guarantees or material restrictive covenants.

For real estate, equipment and vehicles that support selling, marketing and general administrative activities the Company accounts for the lease and non-lease components as a single lease component. These asset categories comprise the majority of our leases. The lease and non-lease components of real estate and equipment leases supporting production activities are not accounted for as a single lease component. Consideration for such contracts are allocated to the lease component and non-lease components based upon relative standalone prices either observable or estimated if observable prices are not readily available.

The components of lease expense for the three months ended April 4, 2021 and March 29, 2020 were as follows:

Lease expense	Classification	Three Months Ended	
		April 4, 2021	March 29, 2020
Operating lease cost	Cost of sales or SM&A (1)	\$ 11,466	\$ 10,544
Finance lease cost:			
Amortization of ROU assets	Depreciation and amortization (1)	2,062	2,030
Interest on lease liabilities	Interest expense, net	1,112	1,122
Net lease cost (2)		\$ 14,640	\$ 13,696

- (1) Supply chain-related amounts were included in cost of sales.
- (2) Net lease cost does not include short-term leases, variable lease costs or sublease income, all of which are immaterial.



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Information regarding our lease terms and discount rates were as follows:

	April 4, 2021	December 31, 2020
Weighted-average remaining lease term (years)		
Operating leases	12.4	12.5
Finance leases	30.1	30.1
Weighted-average discount rate		
Operating leases	3.7 %	3.8 %
Finance leases	5.9 %	5.9 %

Supplemental balance sheet information related to leases were as follows:

Leases	Classification	April 4, 2021	December 31, 2020
Assets			
Operating lease ROU assets	Other non-current assets	\$ 219,789	\$ 224,268
Finance lease ROU assets, at cost	Property, plant and equipment, gross	101,247	101,426
Accumulated amortization	Accumulated depreciation	(14,852)	(13,361)
Finance lease ROU assets, net	Property, plant and equipment, net	86,395	88,065
Total leased assets		\$ 306,184	\$ 312,333
Liabilities			
Current			
Operating	Accrued liabilities	\$ 34,714	\$ 36,578
Finance	Current portion of long-term debt	4,709	4,868
Non-current			
Operating	Other long-term liabilities	179,783	181,871
Finance	Long-term debt	75,742	75,887
Total lease liabilities		\$ 294,948	\$ 299,204

The maturity of our lease liabilities as of April 4, 2021 were as follows:

	Operating leases	Finance leases	Total
2021 (rest of year)	\$ 33,348	\$ 6,533	\$ 39,881
2022	30,542	7,358	37,900
2023	20,910	5,261	26,171
2024	15,469	4,691	20,160
2025	13,886	4,725	18,611
Thereafter	160,428	161,394	321,822
Total lease payments	274,583	189,962	464,545
Less: Imputed interest	60,086	109,511	169,597
Total lease liabilities	\$ 214,497	\$ 80,451	\$ 294,948



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Supplemental cash flow and other information related to leases were as follows:

	Three Months Ended	
	April 4, 2021	March 29, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 10,932	\$ 11,356
Operating cash flows from finance leases	1,112	1,123
Financing cash flows from finance leases	1,148	1,086
ROU assets obtained in exchange for lease liabilities:		
Operating leases	\$ 5,211	\$ 8,733
Finance leases	436	1,914

8. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

We invest in partnerships which make equity investments in projects eligible to receive federal historic and renewable energy tax credits. The tax credits, when realized, are recognized as a reduction of tax expense under the flow-through method, at which time the corresponding equity investment is written-down to reflect the remaining value of the future benefits to be realized. The equity investment write-down is reflected within other (income) expense, net in the Consolidated Statements of Income (see [Note 18](#)).

Additionally, we acquire ownership interests in emerging snacking businesses and startup companies, which vary in method of accounting based on our percentage of ownership and ability to exercise significant influence over decisions relating to operating and financial affairs. These investments afford the Company the rights to distribute brands that the Company does not own to third-party customers primarily in North America. Net sales and expenses of our equity method investees are not consolidated into our financial statements; rather, our proportionate share of earnings or losses are recorded on a net basis within other (income) expense, net in the Consolidated Statements of Income.

Both equity and cost method investments are reported within other non-current assets in our Consolidated Balance Sheets. We regularly review our investments and adjust accordingly for capital contributions, dividends received and other-than-temporary impairments. Total investments in unconsolidated affiliates was \$60,982 and \$52,351 as of April 4, 2021 and December 31, 2020, respectively.

9. BUSINESS REALIGNMENT ACTIVITIES

We periodically undertake business realignment activities designed to increase our efficiency and focus our business in support of our key growth strategies. Costs associated with business realignment activities are classified in our Consolidated Statements of Income as follows:

	Three Months Ended	
	April 4, 2021	March 29, 2020
Cost of sales	\$ 3,995	\$ —
Selling, marketing and administrative expense	1,690	—
Business realignment costs	1,242	895
Costs associated with business realignment activities	\$ 6,927	\$ 895



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Costs recorded by program during the three months ended April 4, 2021 and March 29, 2020 related to these activities were as follows:

	Three Months Ended	
	April 4, 2021	March 29, 2020
International Optimization Program:		
Severance	\$ 1,624	\$ —
Other program costs	5,303	—
Margin for Growth Program:		
Severance	—	757
Other program costs	—	138
Total	\$ 6,927	\$ 895

The following table presents the liability activity for costs qualifying as exit and disposal costs for the three months ended April 4, 2021:

	Total
Liability balance at December 31, 2020 (1)	\$ 12,748
2021 business realignment charges (2)	2,455
Cash payments	(9,116)
Liability balance at April 4, 2021 (1)	<u>\$ 6,087</u>

(1) The liability balances reflected above are reported within accrued liabilities and other long-term liabilities.

(2) The costs reflected in the liability roll-forward represent employee-related and certain third-party service provider charges.

2020 International Optimization Program

In the fourth quarter of 2020, we commenced a program ("International Optimization Program") to streamline resources and investments in select international markets, including the optimization of our China operating model that will improve our operational efficiency and provide for a strong, sustainable and simplified base going forward.

The International Optimization Program is expected to be completed by mid-2022, with total pre-tax costs anticipated to be \$50,000 to \$75,000. Cash costs are expected to be \$40,000 to \$65,000, primarily related to workforce reductions of approximately 350 positions outside of the United States, costs to consolidate and relocate production, and third-party costs incurred to execute these activities. The costs and related benefits of the International Optimization Program relate to the International and Other segment. However, segment operating results do not include these business realignment expenses because we evaluate segment performance excluding such costs.

For the three months ended April 4, 2021, we recognized total costs associated with the International Optimization Program of \$6,927. These charges predominantly included third-party charges in support of our initiative to transform our China operating model, as well as severance and employee benefit costs. Since inception, we have incurred pre-tax charges to execute the program totaling \$36,270.

Margin for Growth Program

In the first quarter of 2017, the Company's Board of Directors ("Board") unanimously approved several initiatives under a single program focused on improving global efficiency and effectiveness, optimizing the Company's supply chain, streamlining the Company's operating model and reducing administrative expenses to generate long-term savings. This project was completed in mid-2020.

For the three months ended March 29, 2020, we recognized total costs associated with the Margin for Growth Program of \$895. These charges included employee severance, largely relating to initiatives to improve the cost structure of our corporate operating model as part of optimizing our global supply chain. In addition, we incurred other program costs, which related primarily to third-party charges in support of our initiative to improve global efficiency and effectiveness.



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The costs and related benefits of the Margin for Growth Program relate approximately 63% to the North America segment and 37% to the International and Other segment. However, segment operating results do not include these business realignment expenses because we evaluate segment performance excluding such costs.

10. INCOME TAXES

The majority of our taxable income is generated in the United States and taxed at the United States statutory rate of 21%. The effective tax rates for the three months ended April 4, 2021 and March 29, 2020 were 22.8% and 19.8%, respectively. Relative to the statutory rate, the 2021 effective tax rate was impacted by state taxes, partially offset by investment tax credits and the benefit of employee share-based payments.

Hershey and its subsidiaries file tax returns in the United States, including various state and local returns, and in other foreign jurisdictions. We are routinely audited by taxing authorities in our filing jurisdictions, and a number of these audits are currently underway, including multi-year audits at various stages of review in Malaysia, Mexico and the United States. The outcome of tax audits cannot be predicted with certainty, including the timing of resolution or potential settlements. If any issues addressed in our tax audits are resolved in a manner not consistent with management's expectations, we could be required to adjust our provision for income taxes in the period such resolution occurs. Based on our current assessments, we believe adequate provision has been made for all income tax uncertainties. We reasonably expect reductions in the liability for unrecognized tax benefits of approximately \$6,252 within the next 12 months because of the expiration of statutes of limitations and settlements of tax audits.

American Rescue Plan Act

On March 11, 2021, the American Rescue Plan Act ("ARPA") was signed into law. The ARPA strengthens and extends certain federal programs enacted through the CARES Act and other COVID-19 relief measures, and establishes new federal programs, including provisions on taxes, healthcare and unemployment benefits. The ARPA did not have a material impact on our consolidated financial statements for the three months ended April 4, 2021.

Coronavirus Aid, Relief, and Economic Security Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act provides a substantial stimulus and assistance package intended to address the impact of the COVID-19 pandemic, including tax relief and government loans, grants and investments. The CARES Act did not have a material impact on our consolidated financial statements for the three months ended April 4, 2021 and March 29, 2020.

11. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Net Periodic Benefit Cost

The components of net periodic benefit cost for the three months ended April 4, 2021 and March 29, 2020 were as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	April 4, 2021	March 29, 2020	April 4, 2021	March 29, 2020
Service cost	\$ 5,489	\$ 5,432	\$ 45	\$ 39
Interest cost	4,190	6,990	964	1,507
Expected return on plan assets	(12,419)	(13,168)	—	—
Amortization of prior service (credit) cost	(1,536)	(1,827)	—	75
Amortization of net loss (gain)	5,816	6,582	—	(10)
Settlement loss	2,508	—	—	—
Total net periodic benefit cost	\$ 4,048	\$ 4,009	\$ 1,009	\$ 1,611



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We made contributions of \$858 and \$4,155 to the pension plans and other benefits plans, respectively, during the first three months of 2021. In the first three months of 2020, we made contributions of \$757 and \$3,352 to our pension plans and other benefit plans, respectively. The contributions in 2021 and 2020 also included benefit payments from our non-qualified pension plans and post-retirement benefit plans.

The non-service cost components of net periodic benefit cost relating to pension and other post-retirement benefit plans is reflected within other (income) expense, net in the Consolidated Statements of Income (see [Note 18](#)).

During the first quarter of 2021, we recognized pension settlement charges in our hourly retirement plan due to lump sum withdrawals by employees retiring or leaving the Company. The non-cash settlement charges, which represent the acceleration of a portion of the respective plan's accumulated unrecognized actuarial loss, were triggered when the cumulative lump sum distributions exceeded the plan's anticipated annual service and interest costs. In connection with the first quarter 2021 settlements, the related plan assets and liabilities were remeasured using a discount rate as of the remeasurement date that was 66 basis points higher than the rate as of December 31, 2020 and an expected rate of return on plan assets of 4.8%.

12. STOCK COMPENSATION PLANS

Share-based grants for compensation and incentive purposes are made pursuant to the Equity and Incentive Compensation Plan ("EICP"). The EICP provides for grants of one or more of the following stock-based compensation awards to employees, non-employee directors and certain service providers upon whom the successful conduct of our business is dependent:

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

The EICP also provides for the deferral of stock-based compensation awards by participants if approved by the Compensation and Executive Organization Committee of our Board and if in accordance with an applicable deferred compensation plan of the Company. Currently, the Compensation and Executive Organization Committee has authorized the deferral of PSU and RSU awards by certain eligible employees under the Company's Deferred Compensation Plan. Our Board has authorized our non-employee directors to defer any portion of their cash retainer, committee chair fees and RSUs awarded that they elect to convert into deferred stock units under our Directors' Compensation Plan.

At the time stock options are exercised or PSUs and RSUs become payable, Common Stock is issued from our accumulated treasury shares. Dividend equivalents are credited on RSUs on the same date and at the same rate as dividends paid on our Common Stock. Dividend equivalents are charged to retained earnings and included in accrued liabilities until paid.

Awards to employees eligible for retirement prior to the award becoming fully vested are amortized to expense over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award. In addition, historical data is used to estimate forfeiture rates and record share-based compensation expense only for those awards that are expected to vest.

For the periods presented, compensation expense for all types of stock-based compensation programs and the related income tax benefit recognized were as follows:

	Three Months Ended	
	April 4, 2021	March 29, 2020
Pre-tax compensation expense	\$ 15,656	\$ 12,575
Related income tax benefit	3,523	2,402



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Compensation expenses for stock compensation plans are primarily included in selling, marketing and administrative expense. As of April 4, 2021, total stock-based compensation expense related to non-vested awards not yet recognized was \$105,395 and the weighted-average period over which this amount is expected to be recognized was approximately 2.3 years.

Stock Options

The exercise price of each stock option awarded under the EICP equals the closing price of our Common Stock on the New York Stock Exchange on the date of grant. Each stock option has a maximum term of 10 years. Grants of stock options provide for pro-rated vesting, typically over a four-year period. Expense for stock options is based on grant date fair value and recognized on a straight-line method over the vesting period, net of estimated forfeitures.

A summary of activity relating to grants of stock options for the period ended April 4, 2021 is as follows:

Stock Options	Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of the period	1,839,811	\$99.72	4.9 years	
Granted	32,155	\$147.98		
Exercised	(161,407)	\$95.88		
Forfeited	(2,141)	\$103.74		
Outstanding as of April 4, 2021	1,708,418	\$100.98	4.8 years	\$ 98,706
Options exercisable as of April 4, 2021	1,516,360	\$99.65	4.5 years	\$ 89,625

The weighted-average fair value of options granted was \$24.12 and \$21.31 per share for the periods ended April 4, 2021 and March 29, 2020, respectively. The fair value was estimated on the date of grant using a Black-Scholes option-pricing model and the following weighted-average assumptions:

	Three Months Ended	
	April 4, 2021	March 29, 2020
Dividend yields	2.2 %	2.1 %
Expected volatility	21.8 %	17.5 %
Risk-free interest rates	1.0 %	1.3 %
Expected term in years	6.3	6.7

The total intrinsic value of options exercised was \$9,078 and \$20,740 for the periods ended April 4, 2021 and March 29, 2020, respectively.

Performance Stock Units and Restricted Stock Units

Under the EICP, we grant PSUs to selected executives and other key employees. Vesting is contingent upon the achievement of certain performance objectives. We grant PSUs over 3-year performance cycles. If we meet targets for financial measures at the end of the applicable 3-year performance cycle, we award a resulting number of shares of our Common Stock to the participants. The number of shares may be increased to the maximum or reduced to the minimum threshold based on the results of these performance metrics in accordance with the terms established at the time of the award.

For PSUs granted, the target award is a combination of a market-based total shareholder return and performance-based components. For market-based condition components, market volatility and other factors are taken into consideration in determining the grant date fair value and the related compensation expense is recognized regardless of whether the market condition is satisfied, provided that the requisite service has been provided. For performance-based condition



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components, we estimate the probability that the performance conditions will be achieved each quarter and adjust compensation expenses accordingly. The performance scores of PSU grants during the three months ended April 4, 2021 and March 29, 2020 can range from 0% to 250% of the targeted amounts.

We recognize the compensation expenses associated with PSUs ratably over the 3-year term. Compensation expenses is based on the grant date fair value because the grants can only be settled in shares of our Common Stock. The grant date fair value of PSUs is determined based on the Monte Carlo simulation model for the market-based total shareholder return component and the closing market price of the Company's Common Stock on the date of grant for performance-based components.

During the three months ended April 4, 2021 and March 29, 2020, we awarded RSUs to certain executive officers and other key employees under the EICP. We also awarded RSUs to non-employee directors.

We recognize the compensation expenses associated with employee RSUs over a specified award vesting period based on the grant date fair value of our Common Stock. We recognize expense for employee RSUs based on the straight-line method. The compensation expenses associated with non-employee director RSUs is recognized ratably over the vesting period, net of estimated forfeitures.

A summary of activity relating to grants of PSUs and RSUs for the period ended April 4, 2021 is as follows:

Performance Stock Units and Restricted Stock Units	Number of units	Weighted-average grant date fair value for equity awards (per unit)
Outstanding at beginning of year	1,053,332	\$135.11
Granted	373,331	\$153.13
Performance assumption change (1)	41,807	\$147.00
Vested	(293,691)	\$115.12
Forfeited	(10,531)	\$141.33
Outstanding as of April 4, 2021	1,164,248	\$145.51

(1) Reflects the net number of PSUs above and below target levels based on the performance metrics.

The following table sets forth information about the fair value of the PSUs and RSUs granted for potential future distribution to employees and non-employee directors. In addition, the table provides assumptions used to determine the fair value of the market-based total shareholder return component using the Monte Carlo simulation model on the date of grant.

	Three Months Ended	
	April 4, 2021	March 29, 2020
Units granted	373,331	307,193
Weighted-average fair value at date of grant	\$ 153.13	\$ 168.99
Monte Carlo simulation assumptions:		
Estimated values	\$ 66.44	\$ 80.08
Dividend yields	2.2 %	2.0 %
Expected volatility	26.4 %	17.3 %

The fair value of shares vested totaled \$43,829 and \$39,405 for the periods ended April 4, 2021 and March 29, 2020, respectively.

Deferred PSUs, deferred RSUs and deferred stock units representing directors' fees totaled 261,762 units as of April 4, 2021. Each unit is equivalent to one share of the Company's Common Stock.



13. SEGMENT INFORMATION

Our organizational structure is designed to ensure continued focus on North America, coupled with an emphasis on profitable growth in our focus international markets. Our business is primarily organized around geographic regions, which enables us to build processes for repeatable success in our global markets. As a result, we have defined our operating segments on a geographic basis, as this aligns with how our Chief Operating Decision Maker (“CODM”) manages our business, including resource allocation and performance assessment. Our North America business, which generates approximately 91% of our consolidated revenue, is our only reportable segment. None of our other operating segments meet the quantitative thresholds to qualify as reportable segments; therefore, these operating segments are combined and disclosed below as International and Other.

- **North America** - This segment is responsible for our traditional chocolate and non-chocolate confectionery market position, as well as our grocery and growing snacks market positions, in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, pantry, food service and other snacking product lines.
- **International and Other** - International and Other is a combination of all other operating segments that are not individually material, including those geographic regions where we operate outside of North America. We currently have operations and manufacture product in China, Mexico, Brazil, India and Malaysia, primarily for consumers in these regions, and also distribute and sell confectionery products in export markets of Asia, Latin America, Middle East, Europe, Africa and other regions. This segment also includes our global retail operations, including Hershey's Chocolate World stores in Hershey, Pennsylvania, New York City, Las Vegas, Niagara Falls (Ontario) and Singapore, as well as operations associated with licensing the use of certain of the Company's trademarks and products to third parties around the world.

For segment reporting purposes, we use “segment income” to evaluate segment performance and allocate resources. Segment income excludes unallocated general corporate administrative expenses, unallocated mark-to-market gains and losses on commodity derivatives, business realignment and impairment charges, acquisition-related costs and other unusual gains or losses that are not part of our measurement of segment performance. These items of our operating income are managed centrally at the corporate level and are excluded from the measure of segment income reviewed by the CODM as well as the measure of segment performance used for incentive compensation purposes.

As discussed in [Note 5](#), derivatives used to manage commodity price risk are not designated for hedge accounting treatment. These derivatives are recognized at fair market value with the resulting realized and unrealized (gains) losses recognized in unallocated derivative (gains) losses outside of the reporting segment results until the related inventory is sold, at which time the related gains and losses are reallocated to segment income. This enables us to align the derivative gains and losses with the underlying economic exposure being hedged and thereby eliminate the mark-to-market volatility within our reported segment income.

Certain manufacturing, warehousing, distribution and other activities supporting our global operations are integrated to maximize efficiency and productivity. As a result, assets and capital expenditures are not managed on a segment basis and are not included in the information reported to the CODM for the purpose of evaluating performance or allocating resources. We disclose depreciation and amortization that is generated by segment-specific assets, since these amounts are included within the measure of segment income reported to the CODM.



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Our segment net sales and earnings were as follows:

	Three Months Ended	
	April 4, 2021	March 29, 2020
Net sales:		
North America	\$ 2,081,872	\$ 1,844,821
International and Other	214,076	192,496
Total	\$ 2,295,948	\$ 2,037,317
Segment income:		
North America	\$ 661,560	\$ 581,555
International and Other	33,840	16,004
Total segment income	695,400	597,559
Unallocated corporate expense (1)	137,713	124,567
Unallocated mark-to-market (gains) losses on commodity derivatives	(2,284)	81,754
Long-lived asset impairment charges (see Note 6)	—	7,543
Costs associated with business realignment activities (see Note 9)	6,927	895
Operating profit	553,044	382,800
Interest expense, net (see Note 4)	36,436	36,255
Other (income) expense, net (see Note 18)	2,414	11,533
Income before income taxes	\$ 514,194	\$ 335,012

(1) Includes centrally-managed (a) corporate functional costs relating to legal, treasury, finance, and human resources, (b) expenses associated with the oversight and administration of our global operations, including warehousing, distribution and manufacturing, information systems and global shared services, (c) non-cash stock-based compensation expense, (d) acquisition-related costs, and (e) other gains or losses that are not integral to segment performance.

Activity within the unallocated mark-to-market adjustment for commodity derivatives is as follows:

	Three Months Ended	
	April 4, 2021	March 29, 2020
Net (gains) losses on mark-to-market valuation of commodity derivative positions recognized in income	\$ (13,679)	\$ 77,092
Net gains on commodity derivative positions reclassified from unallocated to segment income	11,395	4,662
Net (gains) losses on mark-to-market valuation of commodity derivative positions recognized in unallocated derivative (gains) losses	\$ (2,284)	\$ 81,754

As of April 4, 2021, the cumulative amount of mark-to-market gains on commodity derivatives that have been recognized in our consolidated cost of sales and not yet allocated to reportable segments was \$64,822. Based on our forecasts of the timing of the recognition of the underlying hedged items, we expect to reclassify net pretax gains on commodity derivatives of \$45,652 to segment operating results in the next twelve months.



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Depreciation and amortization expense included within segment income presented above is as follows:

	Three Months Ended	
	April 4, 2021	March 29, 2020
North America	\$ 59,109	\$ 53,702
International and Other	6,827	7,209
Corporate	11,961	9,713
Total	\$ 77,897	\$ 70,624

Additional information regarding our net sales disaggregated by geographical region is as follows:

	Three Months Ended	
	April 4, 2021	March 29, 2020
Net sales:		
United States	\$ 1,982,723	\$ 1,767,276
All other countries	313,225	270,041
Total	\$ 2,295,948	\$ 2,037,317

The majority of our products are confectionery or confectionery-based and include chocolate and non-chocolate confectionery products, gum and mint refreshment products, spreads, snack bites and mixes, as well as pantry items such as baking ingredients, toppings and sundae syrups. Our snacks portfolio includes ready-to-eat popcorn, baked and trans fat free snacks, protein bars and other better-for-you snacks. Additional information regarding our net sales disaggregated by product line is as follows:

	Three Months Ended	
	April 4, 2021	March 29, 2020
Net sales:		
Confectionery and confectionery-based portfolio	\$ 2,155,637	\$ 1,908,234
Snacks portfolio	140,311	129,083
Total	\$ 2,295,948	\$ 2,037,317

14. TREASURY STOCK ACTIVITY

A summary of our treasury stock activity is as follows:

	Three Months Ended April 4, 2021	
	Shares	Dollars
	In thousands	
Shares repurchased to replace Treasury Stock issued for stock options and incentive compensation	1,608,500	\$ 240,359
Shares issued for stock options and incentive compensation	(350,552)	(14,586)
Net change	1,257,948	\$ 225,773

In July 2018, our Board of Directors approved a \$500,000 share repurchase authorization to repurchase shares of our Common Stock. As of April 4, 2021, \$260,000 remained available for repurchases of our Common Stock under this program. We are authorized to purchase our outstanding shares in open market and privately negotiated transactions. The program has no expiration date and acquired shares of Common Stock will be held as treasury shares. Purchases under approved share repurchase authorizations are in addition to our practice of buying back shares sufficient to offset those issued under incentive compensation plans.



15. NONCONTROLLING INTEREST

Noncontrolling Interest in Subsidiary

As discussed in [Note 2](#), in January 2021 we completed the divestiture of LSFC, a joint venture originally established in 2007 in China for the purpose of manufacturing and selling product to the joint venture partners. Prior to the sale, we owned a 50% controlling interest in LSFC.

A roll-forward showing the 2021 activity relating to the noncontrolling interest follows:

	Noncontrolling Interest
Balance, December 31, 2020	\$ 3,531
Net gain attributable to noncontrolling interest	1,072
Divestiture of noncontrolling interest	(1,013)
Other comprehensive income - foreign currency translation adjustments	5,262
Balance, April 4, 2021	<u>\$ 8,852</u>

The remaining noncontrolling interest balance as of April 4, 2021 reflects the portion of sales proceeds attributable to the joint venture partner. The distribution of the sales proceeds will commence upon the completion of certain approvals and other conditions. We expect the distribution to be completed during 2021.

16. CONTINGENCIES

We are subject to various pending or threatened legal proceedings and claims that arise in the ordinary course of our business. While it is not feasible to predict or determine the outcome of such proceedings and claims with certainty, in our opinion these matters, both individually and in the aggregate, are not expected to have a material effect on our financial condition, results of operations or cash flows.

On February 12, 2021, Issouf Coubaly, individually and on behalf of proposed class members, filed a complaint (Coubaly v. Nestlé U.S.A. et al., 1:21-cv-00386-DLF (D.D.C. Feb. 12, 2021)) in the District Court of the District of Columbia, seeking injunctive relief and unspecified damages for alleged violations of child labor and human trafficking laws under the Trafficking Victims Protection Reauthorization Act. The Company is among several defendants named in the suit but has not been served with the complaint. The Company believes that the suit is without merit and intends to defend vigorously against the suit.



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17. EARNINGS PER SHARE

We compute basic earnings per share for Common Stock and Class B common stock using the two-class method. The Class B common stock is convertible into Common Stock on a share-for-share basis at any time. The computation of diluted earnings per share for Common Stock assumes the conversion of Class B common stock using the if-converted method, while the diluted earnings per share of Class B common stock does not assume the conversion of those shares.

	Three Months Ended			
	April 4, 2021		March 29, 2020	
	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock
Basic earnings per share:				
Numerator:				
Allocation of distributed earnings (cash dividends paid)	\$ 118,430	\$ 44,309	\$ 115,252	\$ 42,551
Allocation of undistributed earnings	169,502	63,558	82,654	30,680
Total earnings—basic	<u>\$ 287,932</u>	<u>\$ 107,867</u>	<u>\$ 197,906</u>	<u>\$ 73,231</u>
Denominator (shares in thousands):				
Total weighted-average shares—basic	146,972	60,614	148,298	60,614
Earnings Per Share—basic	<u>\$ 1.96</u>	<u>\$ 1.78</u>	<u>\$ 1.33</u>	<u>\$ 1.21</u>
Diluted earnings per share:				
Numerator:				
Allocation of total earnings used in basic computation	\$ 287,932	\$ 107,867	\$ 197,906	\$ 73,231
Reallocation of total earnings as a result of conversion of Class B common stock to Common stock	107,867	—	73,231	—
Reallocation of undistributed earnings	—	(306)	—	(185)
Total earnings—diluted	<u>\$ 395,799</u>	<u>\$ 107,561</u>	<u>\$ 271,137</u>	<u>\$ 73,046</u>
Denominator (shares in thousands):				
Number of shares used in basic computation	146,972	60,614	148,298	60,614
Weighted-average effect of dilutive securities:				
Conversion of Class B common stock to Common shares outstanding	60,614	—	60,614	—
Employee stock options	590	—	719	—
Performance and restricted stock units	388	—	516	—
Total weighted-average shares—diluted	<u>208,564</u>	<u>60,614</u>	<u>210,147</u>	<u>60,614</u>
Earnings Per Share—diluted	<u>\$ 1.90</u>	<u>\$ 1.77</u>	<u>\$ 1.29</u>	<u>\$ 1.21</u>

The earnings per share calculations for the three months ended April 4, 2021 and March 29, 2020 excluded 15 and 15 stock options (in thousands), respectively, that would have been antidilutive.



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18. OTHER (INCOME) EXPENSE, NET

Other (income) expense, net reports certain gains and losses associated with activities not directly related to our core operations. A summary of the components of other (income) expense, net is as follows:

	Three Months Ended	
	April 4, 2021	March 29, 2020
Write-down of equity investments in partnerships qualifying for historic and renewable energy tax credits (see Note 8)	\$ 2,891	\$ 11,103
Non-service cost components of net periodic benefit cost relating to pension and other post-retirement benefit plans (see Note 11)	(484)	149
Other (income) expense, net	7	281
Total	\$ 2,414	\$ 11,533



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19. SUPPLEMENTAL BALANCE SHEET INFORMATION

The components of certain Consolidated Balance Sheet accounts are as follows:

	April 4, 2021	December 31, 2020
Inventories:		
Raw materials	\$ 428,678	\$ 388,600
Goods in process	116,894	104,841
Finished goods	534,660	645,664
Inventories at First In First Out	1,080,232	1,139,105
Adjustment to Last In First Out	(170,430)	(174,898)
Total inventories	<u>\$ 909,802</u>	<u>\$ 964,207</u>
Prepaid expenses and other:		
Prepaid expenses	\$ 64,561	\$ 95,669
Other current assets	118,589	158,809
Total prepaid expenses and other	<u>\$ 183,150</u>	<u>\$ 254,478</u>
Property, plant and equipment:		
Land	\$ 132,399	\$ 131,513
Buildings	1,398,741	1,387,106
Machinery and equipment	3,269,440	3,169,754
Construction in progress	221,503	276,514
Property, plant and equipment, gross	5,022,083	4,964,887
Accumulated depreciation	(2,723,266)	(2,679,632)
Property, plant and equipment, net	<u>\$ 2,298,817</u>	<u>\$ 2,285,255</u>
Other non-current assets:		
Capitalized software, net	\$ 199,429	\$ 187,673
Operating lease ROU assets	219,789	224,268
Investments in unconsolidated affiliates	60,982	52,351
Other non-current assets	97,492	91,595
Total other non-current assets	<u>\$ 577,692</u>	<u>\$ 555,887</u>
Accrued liabilities:		
Payroll, compensation and benefits	\$ 161,991	\$ 237,342
Advertising, promotion and product allowances	340,538	309,537
Operating lease liabilities	34,714	36,578
Other	179,928	198,309
Total accrued liabilities	<u>\$ 717,171</u>	<u>\$ 781,766</u>
Other long-term liabilities:		
Post-retirement benefits liabilities	\$ 220,520	\$ 223,507
Pension benefits liabilities	66,841	70,727
Operating lease liabilities	179,783	181,871
Other	206,612	207,329
Total other long-term liabilities	<u>\$ 673,756</u>	<u>\$ 683,434</u>
Accumulated other comprehensive loss:		
Foreign currency translation adjustments	\$ (97,379)	\$ (98,525)
Pension and post-retirement benefit plans, net of tax	(187,524)	(194,205)
Cash flow hedges, net of tax	(44,103)	(45,352)
Total accumulated other comprehensive loss	<u>\$ (329,006)</u>	<u>\$ (338,082)</u>



Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") is intended to provide an understanding of Hershey's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A should be read in conjunction with our Unaudited Consolidated Financial Statements and accompanying notes. This discussion contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially. Refer to the Safe Harbor Statement below as well as the Risk Factors and other information contained in our 2020 Annual Report on Form 10-K for information concerning the key risks to achieving future performance goals.

The MD&A is organized in the following sections:

- [Overview](#)
- [Trends Affecting Our Business](#)
- [Consolidated Results of Operations](#)
- [Segment Results](#)
- [Liquidity and Capital Resources](#)
- [Safe Harbor Statement](#)

OVERVIEW

Hershey is a global confectionery leader known for bringing goodness to the world through chocolate, sweets, mints, gum and other great tasting snacks. We are the largest producer of quality chocolate in North America, a leading snack maker in the United States ("U.S.") and a global leader in chocolate and non-chocolate confectionery. We market, sell and distribute our products under more than 90 brand names in approximately 85 countries worldwide.

We report our operations through two segments: North America and International and Other. The majority of our products are confectionery or confectionery-based and include chocolate and non-chocolate confectionery products, gum and mint refreshment products, spreads, snack bites and mixes, as well as pantry items such as baking ingredients, toppings and sundae syrups. The confectionery and confectionery-based portfolio is predominantly sold under the renowned brands of *Hershey's*, *Reese's* and *Kisses*, as well as *Kit Kat*®, *Jolly Rancher*, *Ice Breakers*, *Twizzlers*, *Heath*, *Payday*, *Cadbury* and a variety of other popular brands. Our snacks portfolio includes ready-to-eat popcorn, baked and trans fat free snacks, protein bars and other better-for-you snacks. The snacks portfolio is predominantly sold under the brands of *SkinnyPop*, *Pirate's Booty*, *ONE Bar*, and *Paqui*.

Divestiture

In January 2021, we completed the divestiture of Lotte Shanghai Foods Co., Ltd. ("LSFC"), which was previously included within the International and Other segment results in our consolidated financial statements. Total proceeds from the divestiture and the impact on our consolidated financial statements were immaterial.

TRENDS AFFECTING OUR BUSINESS

On March 11, 2020, the World Health Organization designated coronavirus disease 2019 ("COVID-19") as a global pandemic, which has spread worldwide and impacted various markets around the world, including the U.S. Various policies and initiatives have been implemented to reduce the global transmission of COVID-19.

Local, state and national governments continue to emphasize the importance of food supply during this pandemic and asked that food manufacturers and retailers remain open to meet the needs of our communities. Employee safety is our first priority, and as a result, we put preparedness plans in place at our manufacturing facilities. Our manufacturing facilities are currently open; however, we have adjusted shift schedules, enforced social distancing, increased sanitation and adjusted time and attendance policies for worker absenteeism. Our sales teams continue to support community food supplies, while adhering to social distancing guidelines, implementing flexible hours, reducing person-to-person interaction and increasing safety measures. At the onset of the pandemic, the Company temporarily closed all Hershey's Chocolate World stores in the U.S. (3 locations), Niagara Falls (Ontario) and Singapore; however,



since July 2020, all locations were re-opened on a limited capacity basis with increased safety measures and enforced social distancing.

In June 2020 we commenced a phased in approach to reopen our corporate headquarters in Hershey, Pennsylvania and other select offices with increased safety protocols. We have successfully onboarded several teams; however, occupancy levels remain low as we continue to monitor the latest COVID-19 related public health and government guidance. As a result, a majority of our office-based employees continue to work remotely where possible. We have crisis management teams in place to monitor the continually evolving situation and recommending risk mitigation actions as deemed necessary. To date, there has been minimal disruption to our supply chain network, including the supply of our ingredients, packaging or other sourced materials, though it is possible that more significant disruptions could occur if the COVID-19 pandemic continues to impact markets around the world. We are also working closely with our business units, contract manufacturers, distributors, contractors and other external business partners to minimize the potential impact on our business.

As of April 4, 2021, we believe we have sufficient liquidity to satisfy our cash needs; however, we continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during the ongoing COVID-19 pandemic. We continue to monitor our discretionary spending across the organization and re-prioritize our capital projects amid the COVID-19 pandemic as necessary. As previously announced, we continue to move forward with our new global ERP system implementation, as well as our supply chain capacity projects (see [Liquidity and Capital Resources](#) included in this MD&A).

Despite consumer optimism and the widespread availability of vaccinations in many jurisdictions in 2021, many state governments continue to impose guidelines and enhanced safety measures, including occupancy limits for indoor and outdoor gatherings, limited food service offerings, social distancing and face mask protocols. We experienced an increase in our net sales and income during the three months ended April 4, 2021, which was primarily driven by strong everyday performance on our core U.S. confection brands and solid marketplace growth in select international markets (see [Segment Results](#) included in this MD&A). We believe the financial impacts from COVID-19 are temporary in nature and do not significantly affect our business model and growth strategy.

Based on the length and severity of COVID-19, including new trends in outbreaks and hotspots, the spread of COVID-19 variants and the continued distribution of vaccinations, we may experience continued volatility in retail foot traffic, consumer shopping and consumption behavior. We will continue to evaluate the nature and extent of these potential impacts to our business, consolidated results of operations, segment results, liquidity and capital resources.



CONSOLIDATED RESULTS OF OPERATIONS

	Three Months Ended		Percent Change
	April 4, 2021	March 29, 2020	
In millions of dollars except per share amounts			
Net sales	\$ 2,295.9	\$ 2,037.3	12.7 %
Cost of sales	1,247.0	1,170.7	6.5 %
Gross profit	1,048.9	866.6	21.0 %
<i>Gross margin</i>	45.7 %	42.5 %	
Selling, marketing & administrative ("SM&A") expenses	494.7	475.4	4.1 %
<i>SM&A expense as a percent of net sales</i>	21.5 %	23.3 %	
Long-lived asset impairment charges	—	7.5	NM
Business realignment costs	1.2	0.9	38.8 %
Operating profit	553.0	382.8	44.5 %
<i>Operating profit margin</i>	24.1 %	18.8 %	
Interest expense, net	36.4	36.3	0.5 %
Other (income) expense, net	2.4	11.5	(79.1)%
Provision for income taxes	117.3	66.2	77.1 %
<i>Effective income tax rate</i>	22.8%	19.8%	
Net income including noncontrolling interest	396.9	268.8	47.7 %
Less: Net gain (loss) attributable to noncontrolling interest	1.1	(2.3)	(145.5)%
Net income attributable to The Hershey Company	\$ 395.8	\$ 271.1	46.0 %
Net income per share—diluted	\$ 1.90	\$ 1.29	47.3 %

NOTE: Percentage changes may not compute directly as shown due to rounding of amounts presented above.

NM = not meaningful

Net Sales

Net sales increased 12.7% in the first quarter of 2021 compared to the same period of 2020, reflecting a volume increase of 11.0% due to an increase in everyday core U.S. confection brands, as well as favorable price realization of 1.9% due to higher prices on certain products. This was partially offset by a 0.1% decrease from net acquisitions and divestitures (predominantly driven by the 2020 divestitures of Krave and the *Scharffen Berger* and *Dagoba* brands) and unfavorable impact from foreign currency exchange rates of 0.1%.

Key U.S. Marketplace Metrics

For the first quarter of 2021, our total U.S. retail takeaway increased 13.4% in the expanded multi-outlet combined plus convenience store channels (IRI MULO + C-Stores), which includes candy, mint, gum, salty snacks, meat snacks and grocery items. Our U.S. candy, mint and gum ("CMG") consumer takeaway increased 14.7%, resulting in a CMG market share gain of approximately 108 basis points.

The CMG consumer takeaway and market share information reflect measured channels of distribution accounting for approximately 90% of our U.S. confectionery retail business. These channels of distribution primarily include food, drug, mass merchandisers, and convenience store channels, plus Wal-Mart Stores, Inc., partial dollar, club and military channels. These metrics are based on measured market scanned purchases as reported by Information Resources, Incorporated ("IRI"), the Company's market insights and analytics provider, and provide a means to assess our retail takeaway and market position relative to the overall category.



Cost of Sales and Gross Margin

Cost of sales increased 6.5% in the first quarter of 2021 compared to the same period of 2020. The increase was driven by higher sales volume, higher freight and logistics costs and additional plant costs. These drivers were partially offset by the incremental \$90.8 million of favorable mark-to-market activity on our commodity derivative instruments intended to economically hedge future years' commodity purchases; however, were significantly impacted by financial market volatility during March 2020 amid COVID-19 fears. Additionally, the increase was partially offset by favorable price realization and supply chain productivity.

Gross margin increased by 320 basis points in the first quarter of 2021 compared to the same period of 2020. Increases were driven by the favorable year-over-year mark-to-market impact from commodity derivative instruments, favorable price realization and supply chain productivity. These factors were offset by higher freight and logistics costs and additional plant costs.

SM&A Expenses

SM&A expenses increased \$19.3 million or 4.1% in the first quarter of 2021 driven by advertising increases in the North America segment and corporate expenses. Total advertising and related consumer marketing expenses increased 2.8% driven by increased investment in core brands, innovation, and incremental sponsorships in North America. SM&A expenses, excluding advertising and related consumer marketing, increased approximately 4.8% in the first quarter of 2021 driven by higher employee costs for salary, benefits and incentive compensation, partially offset by decreases in travel and entertainment costs related to COVID-19.

Long-Lived Asset Impairment Charges

We had no impairment charges during the first quarter of 2021. During the first quarter of 2020, we recorded long-lived asset impairment charges of \$7.5 million, predominantly comprised of impairment charges to adjust long-lived asset values of our LSFC disposal group which was previously classified as held for sale. Additionally, in connection with a previous sale, the Company wrote-down certain receivables deemed uncollectible.

Business Realignment Activities

We periodically undertake business realignment activities designed to increase our efficiency and focus our business in support of our key growth strategies. In the first quarter of 2021 we recorded business realignment costs of \$1.2 million versus costs of \$0.9 million in the first quarter of 2020. The 2021 costs related primarily to the International Optimization Program, a program focused on optimizing our China operating model to improve our operational efficiency and provide for a strong, sustainable and simplified base going forward. The 2020 costs related primarily to the Margin for Growth Program, a program focused on improving global efficiency and effectiveness, optimizing the Company's supply chain, streamlining the Company's operating model and reducing administrative expenses to generate long-term savings. Costs associated with business realignment activities are classified in our Consolidated Statements of Income as described in [Note 9](#) to the Unaudited Consolidated Financial Statements.

Operating Profit and Operating Profit Margin

Operating profit increased 44.5% in the first quarter of 2021 compared to the same period of 2020 due primarily to higher gross profit and lower impairment charges, partially offset by higher SM&A expenses, as noted above. Operating profit margin increased to 24.1% in 2021 from 18.8% in 2020 driven by these same factors.

Interest Expense, Net

Net interest expense was \$0.1 million higher in the first quarter of 2021 compared to the same period of 2020. The increase was primarily due to higher long-term debt balances in 2021 versus 2020, specifically due to \$1.0 billion of notes issued in May 2020, partially offset by \$785 million of long-term debt repayments with varying maturity dates during the last twelve months preceding April 4, 2021 and lower short-term commercial paper debt balances in 2021 versus 2020.



Other (Income) Expense, Net

Other (income) expense, net totaled expense of \$2.4 million in the first quarter of 2021 versus net expense of \$11.5 million in the first quarter of 2020. The decrease in net expense was primarily due to lower write-downs on equity investments qualifying for historic and renewable energy tax credits in 2021 versus 2020.

Income Taxes and Effective Tax Rate

Our effective income tax rate was 22.8% for the first quarter of 2021 compared with 19.8% for the first quarter of 2020. The 2021 effective tax rate, relative to the 21% statutory rate, was impacted by state taxes, partially offset by investment tax credits and the benefit of employee share-based payments. The 2020 effective tax rate, relative to the 21% statutory rate, was impacted by investment tax credits and the benefit of employee share-based payments, partially offset by state taxes.

Net Income attributable to The Hershey Company and Earnings Per Share-diluted

Net income increased \$124.7 million, or 46.0%, while EPS-diluted increased \$0.61, or 47.3%, in the first quarter of 2021 compared to the same period of 2020. The increase in both net income and EPS-diluted was driven primarily by higher gross profit and lower impairment charges, partially offset by higher SM&A expenses and higher income taxes, as noted above. Our 2021 EPS-diluted also benefited from lower weighted-average shares outstanding as a result of share repurchases pursuant to our Board-approved repurchase programs.

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SEGMENT RESULTS

The summary that follows provides a discussion of the results of operations of our two reportable segments: North America and International and Other. The segments reflect our operations on a geographic basis. For segment reporting purposes, we use “segment income” to evaluate segment performance and allocate resources. Segment income excludes unallocated general corporate administrative expenses, unallocated mark-to-market gains and losses on commodity derivatives, business realignment and impairment charges, acquisition-related costs and other unusual gains or losses that are not part of our measurement of segment performance. These items of our operating income are largely managed centrally at the corporate level and are excluded from the measure of segment income reviewed by the CODM and used for resource allocation and internal management reporting and performance evaluation. Segment income and segment income margin, which are presented in the segment discussion that follows, are non-GAAP measures and do not purport to be alternatives to operating income as a measure of operating performance. We believe that these measures are useful to investors and other users of our financial information in evaluating ongoing operating profitability as well as in evaluating operating performance in relation to our competitors, as they exclude the activities that are not directly attributable to our ongoing segment operations.

Our segment results, including a reconciliation to our consolidated results, were as follows:

In millions of dollars	Three Months Ended	
	April 4, 2021	March 29, 2020
Net Sales:		
North America	\$ 2,081.9	\$ 1,844.8
International and Other	214.1	192.5
Total	\$ 2,296.0	\$ 2,037.3
Segment Income:		
North America	\$ 661.6	\$ 581.6
International and Other	33.8	16.0
Total segment income	695.4	597.6
Unallocated corporate expense (1)	137.8	124.6
Unallocated mark-to-market (gains) losses on commodity derivatives (2)	(2.3)	81.8
Long-lived asset impairment charges	—	7.5
Costs associated with business realignment activities	6.9	0.9
Operating profit	553.0	382.8
Interest expense, net	36.4	36.3
Other (income) expense, net	2.4	11.5
Income before income taxes	\$ 514.2	\$ 335.0

(1) Includes centrally-managed (a) corporate functional costs relating to legal, treasury, finance and human resources, (b) expenses associated with the oversight and administration of our global operations, including warehousing, distribution and manufacturing, information systems and global shared services, (c) non-cash stock-based compensation expense, (d) acquisition-related costs and (e) other gains or losses that are not integral to segment performance.

(2) Net (gains) losses on mark-to-market valuation of commodity derivative positions recognized in unallocated derivative (gains) losses. See [Note 13](#) to the Unaudited Consolidated Financial Statements.



North America

The North America segment is responsible for our chocolate and non-chocolate confectionery market position, as well as our grocery and growing snacks market positions, in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, pantry, food service and other snacking product lines. North America results, which accounted for 90.7% and 90.6% of our net sales for the three months ended April 4, 2021 and March 29, 2020, respectively, were as follows:

In millions of dollars	Three Months Ended		Percent Change
	April 4, 2021	March 29, 2020	
Net sales	\$ 2,081.9	\$ 1,844.8	12.8 %
Segment income	661.6	581.6	13.8 %
Segment margin	31.8 %	31.5 %	

Results of Operations - First Quarter 2021 vs. First Quarter 2020

Net sales of our North America segment increased \$237.1 million or 12.8% in the first quarter of 2021 compared to the same period of 2020, reflecting a volume increase of 11.0% due to an increase in everyday core U.S. confection brands, favorable price realization of 1.7% due to higher prices on certain products, and favorable impact from foreign currency exchange rates of 0.2%. This was partially offset by a 0.1% decrease from net acquisitions and divestitures (predominantly driven by the 2020 divestitures of Krave and the *Scharffen Berger* and *Dagoba* brands).

Our North America segment income increased \$80.0 million or 13.8% in the first quarter of 2021 compared to the same period of 2020, primarily due to volume increases, favorable price realization, partially offset by higher supply chain-related costs, higher freight and logistics costs, and higher advertising expense.

International and Other

The International and Other segment includes all other countries where we currently manufacture, import, market, sell or distribute chocolate and non-chocolate confectionery and other products. Currently, this includes our operations in China and other Asia markets, Latin America, Europe, Africa and the Middle East, along with exports to these regions. While a less significant component, this segment also includes our global retail operations, including Hershey's Chocolate World stores in Hershey, Pennsylvania, New York City, Las Vegas, Niagara Falls (Ontario) and Singapore, as well as operations associated with licensing the use of certain trademarks and products to third parties around the world. International and Other results, which accounted for 9.3% and 9.4% of our net sales for the three months ended April 4, 2021 and March 29, 2020, respectively, were as follows:

In millions of dollars	Three Months Ended		Percent Change
	April 4, 2021	March 29, 2020	
Net sales	\$ 214.1	\$ 192.5	11.2 %
Segment income	33.8	16.0	111.4 %
Segment margin	15.8 %	8.3 %	

Results of Operations - First Quarter 2021 vs. First Quarter 2020

Net sales of our International and Other segment increased \$21.6 million or 11.2% in the first quarter of 2021 compared to the same period of 2020, reflecting a volume increase of 11.0% and favorable price realization of 3.9%. The volume increase was primarily attributed to solid marketplace growth in India, Brazil, and AEMEA Markets, where net sales increased by 49.9%, 17.1%, and 16.6%, respectively. The increases were partially offset by an unfavorable impact from foreign currency exchange rates of 3.7%.



Our International and Other segment generated income of \$33.8 million in the first quarter of 2021 compared to \$16.0 million in the first quarter of 2020 with the improvement primarily resulting from execution of our International Optimization Program in China, as we streamline and optimize our China operating model, as well as volume increases and favorable price realization.

Unallocated Corporate Expense

Unallocated corporate expense includes centrally-managed (a) corporate functional costs relating to legal, treasury, finance and human resources, (b) expenses associated with the oversight and administration of our global operations, including warehousing, distribution and manufacturing, information systems and global shared services, (c) non-cash stock-based compensation expense and (d) other gains or losses that are not integral to segment performance.

In the first quarter of 2021, unallocated corporate expense totaled \$137.8 million, as compared to \$124.6 million in the first quarter of 2020. The increase is primarily driven by higher incentive compensation and incremental investments in capabilities and technology.

LIQUIDITY AND CAPITAL RESOURCES

Historically, our primary source of liquidity has been cash generated from operations. Domestic seasonal working capital needs, which typically peak during the summer months, are generally met by utilizing cash on hand, bank borrowings or the issuance of commercial paper. Commercial paper may also be issued, from time to time, to finance ongoing business transactions, such as the repayment of long-term debt, business acquisitions and for other general corporate purposes.

At April 4, 2021, our cash and cash equivalents totaled \$1.1 billion, a decrease of \$11.7 million compared to the 2020 year-end balance. We believe we have sufficient liquidity to satisfy our cash needs; however, we continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during the ongoing COVID-19 pandemic. Additional detail regarding the net uses of cash are outlined in the following discussion.

Approximately 35% of the balance of our cash and cash equivalents at April 4, 2021 was held by subsidiaries domiciled outside of the United States. During the first three months of 2021, previously undistributed earnings of certain international subsidiaries were no longer considered indefinitely reinvested; however, the Company had previously recognized a one-time U.S. repatriation tax due under U.S. tax reform, and as a result, only an immaterial amount of withholding tax was recognized. For the remainder of the Company's cash held by international subsidiaries, we intend to continue to reinvest the undistributed earnings indefinitely. We believe we have sufficient liquidity to satisfy our cash needs, including our cash needs in the United States.

Cash Flow Summary

The following table is derived from our Consolidated Statements of Cash Flows:

In millions of dollars	Three Months Ended	
	April 4, 2021	March 29, 2020
Net cash provided by (used in):		
Operating activities	\$ 609.6	\$ 246.1
Investing activities	(137.0)	(110.7)
Financing activities	(491.8)	495.6
Effect of exchange rate changes on cash and cash equivalents	(3.9)	(18.7)
Less: Cash classified as assets held for sale	11.4	(10.8)
(Decrease) increase in cash and cash equivalents	\$ (11.7)	\$ 601.5



Operating activities

We generated cash of \$609.6 million from operating activities in the first three months of 2021, an increase of \$363.5 million compared to \$246.1 million in the same period of 2020. This increase in net cash provided by operating activities was mainly driven by the following factors:

- Net income adjusted for non-cash charges to operations (including depreciation, amortization, stock-based compensation, deferred income taxes, long-lived asset charges, a write-down of equity investments and other charges) resulted in \$135.6 million of higher cash flow in 2021 relative to 2020.
- Net working capital (comprised of trade accounts receivable, inventory, accounts payable and accrued liabilities) consumed cash of \$25.7 million in 2021, compared to \$180.4 million in 2020. This \$154.7 million fluctuation was mainly driven by lower investments in accounts receivable resulting from a shorter Easter season in 2021 as compared to prior year, as well as lower investments in inventories resulting from strong demand for our everyday core U.S. confection brands.
- Income taxes generated cash of \$104.7 million in 2021, compared to \$71.3 million in 2020. This \$33.4 million fluctuation was primarily due to the variance in actual tax expense for 2021 relative to the timing of quarterly estimated tax payments. We paid cash of \$14.4 million for income taxes during 2021 compared to \$14.1 million in the same period of 2020.

Investing activities

We used cash of \$137.0 million for investing activities in the first three months of 2021, an increase of \$26.3 million compared to \$110.7 million in the same period of 2020. This increase in net cash used in investing activities was mainly driven by the following factors:

- *Capital spending.* Capital expenditures, including capitalized software, primarily to support capacity expansion, innovation and cost savings, were \$114.5 million in the first three months of 2021 compared to \$99.2 million in the same period of 2020. For full year 2021, we expect capital expenditures, including capitalized software, to approximate \$550 million. Our 2021 capital expenditures are largely driven by the continuation of our ERP system implementation, as well as our supply chain capacity projects which focus on additional capacity for our largest and fastest growing brands, building agile fulfillment and customization capabilities and investing in new data and technology within our supply chain to enhance visibility and automation. We will continue to evaluate and re-prioritize our capital projects amid the COVID-19 pandemic.
- *Investments in partnerships qualifying for tax credits.* We make investments in partnership entities that in turn make equity investments in projects eligible to receive federal historic and renewable energy tax credits. We invested approximately \$25.1 million in the first three months of 2021, compared to \$11.5 million in the same period of 2020.

Financing activities

We used cash of \$491.8 million for financing activities in the first three months of 2021, compared to cash generated of \$495.6 million in the same period of 2020. This fluctuation of \$987.4 million for financing activities was mainly driven by the following factors:

- *Short-term borrowings, net.* In addition to utilizing cash on hand, we use short-term borrowings (commercial paper and bank borrowings) to fund seasonal working capital requirements and ongoing business needs. During the first three months of 2021, we used cash of \$6.1 million to reduce a portion of our short-term foreign bank borrowings. During the first three months of 2020, we generated cash flow of \$807.3 million predominately through the issuance of short-term commercial paper, as well as a minor increase in short-term foreign bank borrowings.
- *Long-term debt borrowings and repayments.* During the first three months of 2021, we repaid \$84.7 million of 8.800% Debentures due upon their maturity. During the first three months of 2020, our long-term debt borrowings and repayments activity was minimal. For the remainder of 2021, we expect to use an additional \$350 million of cash to pay our 3.100% Notes in May 2021 upon their maturity.



- *Dividend payments.* Total dividend payments to holders of our Common Stock and Class B Common Stock were \$162.7 million during the first three months of 2021, an increase of \$4.9 million compared to \$157.8 million in the same period of 2020. Details regarding our 2021 cash dividends paid to stockholders are as follows:

In millions of dollars except per share amounts	Three Months Ended	
	April 4, 2021	
Dividends paid per share – Common stock	\$	0.804
Dividends paid per share – Class B common stock	\$	0.731
Total cash dividends paid	\$	162.7
Declaration date		February 2, 2021
Record date		February 19, 2021
Payment date		March 15, 2021

- *Share repurchases.* We used cash for total share repurchases of \$240.4 million and \$169.2 million during the first three months of 2021 and 2020, respectively, pursuant to our practice of replenishing treasury shares available for issuance for stock options and incentive compensation, as well as our share repurchases in the open market under pre-approved share repurchase programs. In July 2018, our Board of Directors approved a \$500 million share repurchase authorization. As of April 4, 2021, approximately \$260 million remained available for repurchases of our Common Stock under this program. The share repurchase program does not have an expiration date. For the remainder of 2021, we expect share repurchases to return to a more traditional buyback strategy.
- *Proceeds from the exercise of stock options, including tax benefits.* We received \$3.2 million from employee exercises of stock options, net of employee taxes withheld from share-based awards, during the first three months of 2021, a decrease of \$13.2 million compared to \$16.4 million in the same period of 2020.

Recent Accounting Pronouncements

Information on recently adopted and issued accounting standards is included in [Note 1](#) to the Unaudited Consolidated Financial Statements.

Safe Harbor Statement

We are subject to changing economic, competitive, regulatory and technological risks and uncertainties that could have a material impact on our business, financial condition or results of operations. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, we note the following factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions that we have discussed directly or implied in this Prospectus. 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.

The factors that could cause our actual results to differ materially from the results projected in our forward-looking statements include, but are not limited to the following:

- Our business and financial results may be negatively impacted by the failure to successfully manage a disruption in consumer and trade patterns, as well as operational challenges associated with the actual or perceived effects of a disease outbreak, including epidemics, pandemics or similar widespread public health concerns, such as, the COVID-19 pandemic;
- Our Company’s reputation or brand image might be impacted as a result of issues or concerns relating to the quality and safety of our products, ingredients or packaging, human and workplace rights, and other environmental, social or governance matters, which in turn could result in litigation or otherwise negatively impact our operating results;



- Disruption to our manufacturing operations or supply chain could impair our ability to produce or deliver finished products, resulting in a negative impact on our operating results;
- We might not be able to hire, engage and retain the talented global workforce we need to drive our growth strategies;
- Increases in raw material and energy costs along with the availability of adequate supplies of raw materials could affect future financial results;
- Price increases may not be sufficient to offset cost increases and maintain profitability or may result in sales volume declines associated with pricing elasticity;
- Market demand for new and existing products could decline;
- Increased marketplace competition could hurt our business;
- Our financial results may be adversely impacted by the failure to successfully execute or integrate acquisitions, divestitures and joint ventures;
- Our international operations may not achieve projected growth objectives, which could adversely impact our overall business and results of operations;
- We may not fully realize the expected cost savings and/or operating efficiencies associated with our strategic initiatives or restructuring programs, which may have an adverse impact on our business;
- Changes in governmental laws and regulations could increase our costs and liabilities or impact demand for our products;
- Political, economic and/or financial market conditions could negatively impact our financial results;
- Disruptions, failures or security breaches of our information technology infrastructure could have a negative impact on our operations;
- Complications with the design or implementation of our new enterprise resource planning system could adversely impact our business and operations; and
- Such other matters as discussed in our 2020 Annual Report on Form 10-K and this Quarterly Report on Form 10-Q, including Part II, Item 1A, "Risk Factors."

We undertake 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 this Quarterly Report on Form 10-Q is filed.



Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In December 2020, our fixed-to-floating interest rate swap matured in connection with the repayment of certain long-term debt upon its maturity. Therefore, as of April 4, 2021 and December 31, 2020, we had no interest rate swap derivative instruments in a fair value hedging relationship. A hypothetical 100 basis point increase in interest rates applied to this variable-rate debt through its December 2020 maturity would have increased interest expense by approximately \$3.2 million for the year 2020. There is no hypothetical impact for 2021.

In addition, the total amount of short-term debt, net of cash, amounted to net cash positions of \$1.1 billion, at April 4, 2021 and December 31, 2020, respectively. A hypothetical 100 basis point increase in interest rates applied to this variable-rate short-term debt as of April 4, 2021 would have changed interest expense by approximately \$2.7 million for the first three months of 2021 and \$8.6 million for the full year 2020.

We consider our current risk related to market fluctuations in interest rates on our remaining debt portfolio, excluding fixed-rate debt converted to variable rates with fixed-to-floating instruments, to be minimal since this debt is largely long-term and fixed-rate in nature. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A 100 basis point increase in market interest rates would decrease the fair value of our fixed-rate long-term debt at April 4, 2021 and December 31, 2020 by approximately \$310 million and \$357 million, respectively. However, since we currently have no plans to repurchase our outstanding fixed-rate instruments before their maturities, the impact of market interest rate fluctuations on our long-term debt does not affect our results of operations or financial position.

The potential decline in fair value of foreign currency forward exchange contracts resulting from a hypothetical near-term adverse change in market rates of 10% was \$28.9 million as of April 4, 2021 and \$25.6 million as of December 31, 2020, generally offset by a reduction in foreign exchange associated with our transactional activities.

Our open commodity derivative contracts had a notional value of \$194.1 million as of April 4, 2021 and \$279.8 million as of December 31, 2020. At the end of the first quarter 2021, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net unrealized losses by \$20.5 million, generally offset by a reduction in the cost of the underlying commodity purchases.

Other than as described above, market risks have not changed significantly from those described in our 2020 Annual Report on Form 10-K.



Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”)) designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of April 4, 2021. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of April 4, 2021.

We rely extensively on information systems and technology to manage our business and summarize operating results. We are in the process of a multi-year implementation of a new global enterprise resource planning (“ERP”) system, which will replace our existing operating and financial systems. The ERP system is designed to accurately maintain the Company’s financial records, enhance operational functionality and provide timely information to the Company’s management team related to the operation of the business. The implementation is expected to occur in phases over the next several years. The next phases of the updated processes are rolled out in connection with the ERP implementation, we will give appropriate consideration to whether these process changes necessitate changes in the design of and testing for effectiveness of internal controls over financial reporting.

There have been no changes in our internal control over financial reporting during the quarter ended April 4, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

Information on legal proceedings is included in [Note 16](#) to the Unaudited Consolidated Financial Statements.

Item 1A. Risk Factors.

When evaluating an investment in our Common Stock, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A, “Risk Factors,” of our 2020 Annual Report on Form 10-K, and the information contained in this Quarterly Report on Form 10-Q and our other reports and registration statements filed with the SEC. There have been no material changes with respect to the risk factors disclosed in our 2020 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

The following table shows the purchases of shares of Common Stock made by or on behalf of Hershey, or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Hershey, for each fiscal month in the three months ended April 4, 2021:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
January 1 through January 31	595,000	\$ 149.62	—	\$ 260,000
February 1 through February 28	870,000	\$ 149.54	—	\$ 260,000
March 1 through April 4	143,500	\$ 147.98	—	\$ 260,000
Total	1,608,500	\$ 149.43	—	—

(1) During the three months ended April 4, 2021, 1,608,500 shares of Common Stock were purchased in open market transactions in connection with our practice of buying back shares sufficient to offset those issued under incentive compensation plans.

(2) In July 2018, our Board of Directors approved a \$500 million share repurchase authorization. As of April 4, 2021, approximately \$260 million remained available for repurchases of our Common Stock under this program. The share repurchase program does not have an expiration date.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.



Item 6. Exhibits.

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Description
3.1	The Company's Restated Certificate of Incorporation, as amended, is incorporated by reference from Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2005.
3.2	The Company's By-laws, as amended and restated as of February 21, 2017, are incorporated by reference from Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.
10.1	Form of Notice of Award of Restricted Stock Units (effective February 23, 2021)*+
10.2	Form of Notice of Award of Restricted Stock Units (3-year vest, effective February 23, 2021)*+
10.3	Form of Notice of Special Award of Restricted Stock Units (pro-rata vest, effective February 23, 2021)*+
10.4	Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan (effective February 23, 2021)*+
10.5	Form of Notice of Award of Performance Stock Units (effective February 23, 2021)*+
10.6	Form of Notice of Special Award of Performance Stock Units (effective February 23, 2021)*+
31.1	Certification of Michele G. Buck, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Steven E. Voskuil, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Michele G. Buck, Chief Executive Officer, and Steven E. Voskuil, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 4, 2021, formatted in Inline XBRL and contained in Exhibit 101.
*	Filed herewith
**	Furnished herewith
+	Management contract, compensatory plan or arrangement



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE HERSHEY COMPANY
(Registrant)

Date: April 29, 2021

/s/ Steven E. Voskuil

Steven E. Voskuil
Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: April 29, 2021

/s/ Jennifer L. McCalman

Jennifer L. McCalman
Vice President, Chief Accounting Officer
(Principal Accounting Officer)

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**The Hershey Company
19 East Chocolate Avenue
Hershey, Pennsylvania 17033**

Notice of Award of Restricted Stock Units

1. **EFFECTIVE DATE AND LEVEL OF AWARD.** Effective _____ (the “Grant Date”), Grantee has been awarded Restricted Stock Units (“RSUs”) representing _____ shares of Common Stock of The Hershey Company (“Hershey”). Each RSU represents the right to receive one share of Hershey’s Common Stock, \$1.00 par value, at a future date and time, subject to the terms of this Notice of Award of Restricted Stock Units (the “Notice of Award”).

The Grantee will have forty-five (45) days to accept the terms of this Notice of Award. By accepting the award of RSUs under this Notice of Award, Grantee accepts and agrees to: (i) these terms and conditions, (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan (“EICP”), which are incorporated herein by reference, and (iii) as applicable, the terms and conditions of The Hershey Company Deferred Compensation Plan, which are incorporated herein by reference. This award of RSUs is expressly contingent upon Grantee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein in the form presented by Hershey shall result in the RSUs being cancelled, with no benefit to the Grantee.

The terms of this Notice of Award extend not only to the Grantee and Hershey, but also to Hershey’s past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the EICP and the terms and conditions of The Hershey Company Deferred Compensation Plan, and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the “Company”).

2. **DEFINITIONS.** Wherever used herein, the following terms shall have the meanings set forth below. ***Capitalized terms not otherwise defined in this Notice of Award shall have the same meanings as set forth in the EICP.***

- (A) “Business Relationships” means the Company’s relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage.
- (B) “Committee” means the Compensation and Executive Organization Committee of the Board of Directors.
- (C) “Competing Business” means any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or

limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Grantee's employment with the Company, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the termination of Grantee's employment with the Company. Grantee acknowledges that he/she will be deemed to have such knowledge if Grantee received, was in possession of or otherwise had access to Confidential Information regarding such business.

(D) "Confidential Information" means trade secrets and other confidential and proprietary information relating to the Company's business, including, but not limited to, information about the Company's manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to the Company's legal strategies or legal advice rendered to the Company; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities.

(E) "Deferred Compensation Plan" means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

(F) "Disabled" means Grantee is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

(G) "Dividend Equivalent Right" means a right that entitles the Grantee to receive an amount equal to any cash dividends paid on a share of Common Stock, which dividends have a record date between the Grant Date and the date a Vested Unit is paid. Dividend Equivalent Rights will be paid in cash.

(H) "EICP" means The Hershey Company Equity and Incentive Compensation Plan, as in effect from time to time and any successor or replacement plan thereof.

(I) "Material Contact" means contact for the purpose of furthering the Company's business.

(J) "Key Employee" means a "specified employee" under Code section 409A(a)(2)(B)(i) (i.e., a key employee (as defined in Code section 416(i) (without regard to paragraph (5) thereof)) of a corporation any stock in which is publicly traded on an established securities market or otherwise) and applicable Treasury regulations and other

guidance under Code section 409A. Key Employees shall be determined in accordance with Code section 409A and pursuant to the methodology established by the Employee Benefits Committee.

(K) A Grantee is "Retirement Eligible" on and after the date the Grantee has attained both his or her 55th birthday and been continuously employed by the Company for at least five (5) years.

(L) "Separation from Service" or "Separate from Service" means a "separation from service" within the meaning of Code section 409A.

3. VESTING DATES. The Grantee shall vest in the number of RSUs corresponding with each date described in the next sentence (each a "Vesting Date") provided that the Grantee has remained in continuous employment with the Company from the Grant Date through such Vesting Date and has accepted and agreed to all terms and conditions of this agreement. Of the total RSUs awarded to the Grantee on the Grant Date ("Total Award"), twenty-five percent (25%) of the Total Award will become vested thirteen months after the Grant Date; an additional twenty-five percent (25%) of the Total Award will become vested on the second anniversary of the Grant Date; an additional twenty-five percent (25%) of the Total Award will become vested on the third anniversary of the Grant Date; and an additional and final twenty-five percent (25%) of the Total Award will become vested on the fourth anniversary of the Grant Date, except in Canada where thirty-three and one-third percent (33 1/3%) of the Total Award will become vested thirteen months after the Grant Date; an additional thirty-three and one-third percent (33 1/3%) of the Total Award will become vested on the second anniversary of the Grant Date; and an additional and final thirty-three and one-third percent (33 1/3%) of the Total Award will become vested on the third anniversary of the Grant Date.

In the event of a Change in Control, accelerated vesting of the unvested RSUs, if any, shall be determined in accordance with paragraph 15 of the EICP. In accordance with paragraph 15 of the EICP, if the unvested RSUs are assumed or replaced, or remain outstanding, such that the RSUs as assumed, replaced or continued qualify as a Replacement Award under paragraph 15 of the EICP, the occurrence of the Change in Control shall not affect the vesting or payment of the RSUs which shall then constitute a Replaced Award as defined in the EICP. However, if within two (2) years following the Change in Control, Grantee's employment is terminated by the Company for any reason other than for Cause (as defined in the EICP), by the Grantee for Good Reason, as a result of Grantee's death or as a result of Grantee becoming Disabled, the Grantee shall immediately vest in the Replacement Award upon such termination. Notwithstanding the foregoing, if the Committee determines that any remaining unvested RSUs are not replaced in connection with a Change in Control with awards meeting the requirements for Replacement Awards, the Grantee shall immediately vest in such RSUs upon the occurrence of the Change in Control, and the date of such Change in Control shall be a Vesting Date under this paragraph 3.

If prior to a Vesting Date, the Grantee's employment with the Company terminates for any reason, then the unvested RSUs (and any related Dividend Equivalent Rights) subject to this Notice of Award shall terminate and be completely forfeited on the date of such termination of the Grantee's employment unless the Grantee is entitled to any accelerated vesting of the unvested RSUs under the terms of the EICP or other Company-sponsored plan or agreement or as described in this paragraph 3 relating to a Change in Control, paragraph 4 or paragraph 12(G) below, in which case such accelerated vesting of the unvested RSUs will be in accordance with

the terms of this Notice of Award or the applicable plan, agreement or local law. Notwithstanding anything in the EICP or this Notice of Award to the contrary, if the Grantee is terminated for Cause (as defined in the EICP) from the Company prior to payment pursuant to paragraph 5, all of the RSUs will immediately and automatically without any action on the part of the Grantee or the Company, be forfeited by the Grantee.

4. SPECIAL VESTING CONDITIONS. The Committee has determined that the following special vesting conditions shall apply to this award.

(A) If the Grantee's employment with the Company terminates (i) as a result of the Grantee's death or (ii) solely as a result of Grantee becoming Disabled, then any remaining unvested RSUs shall vest immediately on the date of such termination.

(B) If the Grantee's employment with the Company terminates (other than for Cause as defined in the EICP) when the Grantee is Retirement Eligible, then any remaining unvested RSUs shall vest immediately on the date of such termination, subject to adjustment as set forth in paragraph (C) below.

(C) During the calendar year of the date of grant (the "Year of Grant"), if a Grantee terminates employment from the Company for any reason (other than death, becoming Disabled as defined herein, or for Cause, as defined in the EICP) on or after becoming Retirement Eligible, the Total Award will be adjusted to reflect Grantee's period of employment during the Year of Grant. The number of RSUs the Grantee holds after adjustment is called the "Adjusted Award." The Adjusted Award equals the Total Award multiplied by a fraction, the numerator of which equals the number of calendar months during the Year of Grant preceding the month during which Grantee's termination date occurs and the denominator of which equals 12; provided, however, that any fractional share resulting from such calculation shall be eliminated by rounding the Adjusted Award down to the nearest whole number. In the event of such adjustment, any RSUs (and related Dividend Equivalent Rights) subject to this Notice of Award in excess of the Adjusted Award shall not vest pursuant to paragraph 4(B) but instead shall terminate and be completely forfeited on such date.

5. PAYMENT OF AWARD. Unless deferred under the Deferred Compensation Plan, an RSU that has vested ("Vested Unit") shall be paid in the form of a share of Common Stock, unless prohibited by applicable local law, in which case the Vested Unit will be paid in the cash equivalent, as of the earliest to occur of the following: (A) the applicable Vesting Date set forth in paragraph 3 above, (B) the date of Grantee's death, (C) the date Grantee becomes Disabled; or (D) the date of Grantee's termination of employment which constitutes a Separation from Service. In the event the payment is made pursuant to clause (A) above, such payment shall be made as soon as practicable following the applicable Vesting Date, but in no event later than March 15 following the calendar year in which the applicable Vesting Date occurs. In the event payment is made pursuant to clause (B), (C) or (D) above, such payment shall be made on or before the sixtieth (60th) day following the date of the applicable event. In addition, the Grantee shall be entitled to receive a lump sum cash payment equal to the Dividend Equivalent Rights with respect to any Vested Units at the same time as the payment for such underlying Vested Units.

Notwithstanding the foregoing, distributions due to a Separation from Service may not be made to a Key Employee before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay as a result of the Grantee's Separation from Service shall be accumulated and paid within fifteen (15) days after the first day of the seventh month following the Grantee's Separation from Service (or, if earlier, on or before the first day of the third month after the Participant's death).

6. NON-COMPETITION. Grantee acknowledges that due to the nature of his/her employment with the Company, he/she has and will have access to, contact with, and Confidential Information about the Company's business and Business Relationships. Grantee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company's business. Accordingly, both (i) during the term of his/her employment with the Company, and (ii) for a period of twelve (12) months following the termination of his/her employment, Grantee, except in the performance of his/her duties to the Company, shall not, without the prior written consent of Hershey's Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business. This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Grantee was employed or, directly or indirectly, performed services for the Company during the two years prior to his/her termination of employment. Grantee acknowledges: (i) that the Company's business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Grantee's responsibilities, Grantee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company's business and its relationships. Grantee further acknowledges and understands that if he/she has any question about whether any prior position which Grantee has held at the Company over the last two (2) years subjects Grantee to specific restrictions, and will be used to identify Competing Business(es), Grantee should contact his/her Human Resource representative at the Company.

7. NON-SOLICITATION. Grantee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Grantee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's customers, suppliers, business partners, and/or vendors and their requirements, Grantee agrees both (i) during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Grantee, except in the performance of his/her duties to the Company, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

(A) for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or

engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Grantee had contact while employed by the Company, or about whom Grantee had access to Confidential Information as a result of Grantee's employment; or

(B) recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Grantee had Material Contact during the last two (2) years of Grantee's employment with the Company. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Grantee is associated if Grantee is not directly or indirectly involved in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

8. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION. Grantee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with the Company, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, Confidential Information. Grantee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of the Company, that it has been and will continue to be of critical importance to the business of the Company, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Grantee will not, either during his/her employment or at any time after the termination of his/her employment with the Company, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 8, Grantee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Grantee in the course of performing his/her duties to the Company and in accordance with Company policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of the Company, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey's's General Counsel. Notwithstanding anything herein to the contrary, Grantee understands and agrees that his/her obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Grantee may have under any applicable statute or at common law.

Grantee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Grantee files a lawsuit for retaliation against the Company for reporting a suspected violation of law, Grantee may disclose the Company's trade secrets to Grantee's attorney and use the trade secret information in the court proceeding, provided Grantee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

9. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

(A) To the extent that the Grantee does not vest in any RSUs, all interest in such units, the related shares of Common Stock, and any Dividend Equivalent Rights shall be forfeited. The Grantee shall have no right or interest in any RSU or related share of Common Stock that is forfeited.

(B) Upon each issuance or transfer of shares of Common Stock in accordance with this Notice of Award, a number of RSUs equal to the number of shares of Common Stock issued or transferred to the Grantee shall be extinguished and such number of RSUs will not be considered to be held by the Grantee for any purpose.

10. WITHHOLDING.

(A) The Company's obligation to deliver shares of Common Stock or cash to settle the Vested Units and Dividend Equivalent Rights shall be subject to the satisfaction of applicable tax withholding requirements. The Grantee must pay to the Company any applicable withholding tax due as a result of such payment.

(B) The Company shall have the right to reduce the number of shares of Common Stock issued to the Grantee to satisfy the minimum applicable tax withholding requirements.

11. OTHER LAWS. The Company shall have the right to refuse to issue or transfer any shares under this Notice of Award if the Company acting in its absolute discretion determines that the issuance or transfer of such Common Stock might violate any applicable law or regulation.

12. MISCELLANEOUS.

(A) This Notice of Award shall be subject to all of the provisions, definitions, terms and conditions set forth in the EICP and any interpretations, rules and regulations promulgated by the Committee from time to time, all of which are incorporated by reference in this Notice of Award. By accepting the RSUs awarded herewith, Grantee acknowledges and agrees that the RSUs are awarded under and governed by the terms and conditions set forth in this document and in the EICP, and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee. Any dispute or disagreement which shall arise under, as a result of, or in any way relate to the interpretation, construction or administration of the EICP or the RSUs awarded thereunder shall be determined in all cases and for all purposes by the Committee or any successor committee, and any such determination shall be final, binding and conclusive for all purposes. In the event of any conflict between this Notice of Award and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee, this Notice of Award shall govern. Grantee acknowledges that a remedy at law for any breach or threatened breach of this Notice of Award would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Grantee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of this Notice of Award and that money damages would not be an adequate remedy. Grantee acknowledges and agrees that a violation of this Notice of Award would cause

irreparable harm to the Company. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Grantee has breached or threatened to breach this Notice of Award, Grantee agrees to reimburse the Company for all reasonable attorneys' fees and costs incurred in enforcing its terms. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

(B) (i) Grantee acknowledges and agrees that in addition to the relief described in paragraph 12(A), if the Committee determines, in its sole discretion, that Grantee has violated or threatened to violate the terms of this Notice of Award or the EICP, or that the Grantee has engaged in any intentional misconduct that caused the Company material financial or reputational harm, then Hershey may cancel any part of the grant that has not vested. In addition, upon the request or direction of the Committee, Grantee shall also immediately deliver to Hershey, the cash equivalent of any RSUs that have vested under this Notice of Award, inclusive of any dividends paid on any vested shares. (ii) The term "intentional misconduct" shall include conduct the Committee determines indicates an intentional violation of law, the Company's Code of Conduct, or any of the Company's other material ethics and compliance policies. (iii) In determining whether to recover a payment, the Committee shall take into account such considerations as it deems appropriate, including whether the assertion of a claim may violate applicable law. The Committee shall have the sole discretion in determining whether a grantee's conduct has or has not met any particular standard of conduct under the law or Company policy and whether any financial or reputational harm is material.

(C) Notwithstanding anything in the EICP or this Notice of Award to the contrary, Grantee acknowledges that the Company may be entitled or required by law or Company policy to recoup compensation paid to Grantee pursuant to the EICP, and Grantee agrees to comply with any Company request or demand for recoupment.

(D) Grantee agrees that, at any time after Grantee's termination of employment from the Company, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Grantee has relevant information.

(E) If one or more of the provisions of this Notice of Award shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Notice of Award to be construed so as to foster the intent of this award and the EICP.

(F) The RSUs are intended to comply with Code section 409A and official guidance issued thereunder. Notwithstanding anything herein to the contrary, this Notice of Award shall be interpreted, operated and administered in a manner consistent with this intention.

(G) Notwithstanding anything herein to the contrary, in the event the Grantee: (i) is an employee of the Company in a country other than the United States (a “Foreign National”), (ii) is not subject to the federal income tax laws of the United States (“U.S. Tax Law”) for purposes of these RSUs, and (iii) has certain rights in the vesting and payment of the RSUs upon termination of employment under the laws of the country in which Grantee is employed, the vesting and payment of any unvested RSUs (and any related Dividend Equivalent Rights) will be in accordance with the terms of a severance agreement entered into between the Company and Grantee that complies with the laws of the country in which Grantee is employed or in the absence of a severance agreement, as may be required by the laws of such country; provided, however, if any RSUs, granted to such Foreign National are subject to U.S. Tax Law, the payment of such RSUs shall be governed by the terms of this Notice of Award.

(H) The award of RSUs and all terms and conditions related thereto, including those of the EICP, shall be governed by the laws of the Commonwealth of Pennsylvania. Grantee expressly consents that: (i) any action or proceeding relating to a breach or the enforceability of this Notice of Award will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (ii) any such action or proceeding will be heard without a jury. Grantee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The EICP shall control in the event there is a conflict between the EICP and these terms and conditions.

13. CONTACT INFORMATION. Copies of the EICP and the Information Statement (Prospectus) for the EICP are available upon request, from the myHR Support Center by calling 1-800-878-0440 or by email to myHR@hersheys.com.

**The Hershey Company
19 East Chocolate Avenue
Hershey, Pennsylvania 17033**

Notice of Award of Restricted Stock Units

1. **EFFECTIVE DATE AND LEVEL OF AWARD.** Effective _____ (the “Grant Date”), Grantee has been awarded Restricted Stock Units (“RSUs”) representing _____ shares of Common Stock of The Hershey Company (“Hershey”). Each RSU represents the right to receive one share of Hershey’s Common Stock, \$1.00 par value, at a future date and time, subject to the terms of this Notice of Award of Restricted Stock Units (the “Notice of Award”).

The Grantee will have forty-five (45) days to accept the terms of this Notice of Award. By accepting the award of RSUs under this Notice of Award, Grantee accepts and agrees to: (i) these terms and conditions, (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan (“EICP”), which are incorporated herein by reference, and (iii) as applicable, the terms and conditions of The Hershey Company Deferred Compensation Plan, which are incorporated herein by reference. This award of RSUs is expressly contingent upon Grantee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein in the form presented by Hershey shall result in the RSUs being cancelled, with no benefit to the Grantee.

The terms of this Notice of Award extend not only to the Grantee and Hershey, but also to Hershey’s past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the EICP and the terms and conditions of The Hershey Company Deferred Compensation Plan, and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the “Company”).

2. **DEFINITIONS.** Wherever used herein, the following terms shall have the meanings set forth below. ***Capitalized terms not otherwise defined in this Notice of Award shall have the same meanings as set forth in the EICP.***

- (A) “Business Relationships” means the Company’s relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage.
- (B) “Committee” means the Compensation and Executive Organization Committee of the Board of Directors.
- (C) “Competing Business” means any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or

limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Grantee's employment with the Company, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the termination of Grantee's employment with the Company. Grantee acknowledges that he/she will be deemed to have such knowledge if Grantee received, was in possession of or otherwise had access to Confidential Information regarding such business.

(D) "Confidential Information" means trade secrets and other confidential and proprietary information relating to the Company's business, including, but not limited to, information about the Company's manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to the Company's legal strategies or legal advice rendered to the Company; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities.

(E) "Deferred Compensation Plan" means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

(F) "Disabled" means Grantee is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

(G) "Dividend Equivalent Right" means a right that entitles the Grantee to receive an amount equal to any cash dividends paid on a share of Common Stock, which dividends have a record date between the Grant Date and the date a Vested Unit is paid. Dividend Equivalent Rights will be paid in cash.

(H) "EICP" means The Hershey Company Equity and Incentive Compensation Plan, as in effect from time to time and any successor or replacement plan thereof.

(I) "Material Contact" means contact for the purpose of furthering the Company's business.

(J) "Key Employee" means a "specified employee" under Code section 409A(a)(2)(B)(i) (i.e., a key employee (as defined in Code section 416(i) (without regard to paragraph (5) thereof)) of a corporation any stock in which is publicly traded on an established securities market or otherwise) and applicable Treasury regulations and other

guidance under Code section 409A. Key Employees shall be determined in accordance with Code section 409A and pursuant to the methodology established by the Employee Benefits Committee.

(K) A Grantee is "Retirement Eligible" on and after the date the Grantee has attained both his or her 55th birthday and been continuously employed by the Company for at least five (5) years.

(L) "Separation from Service" or "Separate from Service" means a "separation from service" within the meaning of Code section 409A.

3. VESTING DATES. The Grantee shall vest in the number of RSUs corresponding with each date described in the next sentence (each a "Vesting Date") provided that the Grantee has remained in continuous employment with the Company from the Grant Date through such Vesting Date and has accepted and agreed to all terms and conditions of this agreement. Of the total RSUs awarded to the Grantee on the Grant Date ("Total Award"), thirty-three and one-third percent (33 1/3%) of the Total Award will become vested thirteen months after the Grant Date; an additional thirty-three and one-third percent (33 1/3%) of the Total Award will become vested on the second anniversary of the Grant Date; and an additional and final thirty-three and one-third percent (33 1/3%) of the Total Award will become vested on the third anniversary of the Grant Date.

In the event of a Change in Control, accelerated vesting of the unvested RSUs, if any, shall be determined in accordance with paragraph 15 of the EICP. In accordance with paragraph 15 of the EICP, if the unvested RSUs are assumed or replaced, or remain outstanding, such that the RSUs as assumed, replaced or continued qualify as a Replacement Award under paragraph 15 of the EICP, the occurrence of the Change in Control shall not affect the vesting or payment of the RSUs which shall then constitute a Replaced Award as defined in the EICP. However, if within two (2) years following the Change in Control, Grantee's employment is terminated by the Company for any reason other than for Cause (as defined in the EICP), by the Grantee for Good Reason, as a result of Grantee's death or as a result of Grantee becoming Disabled, the Grantee shall immediately vest in the Replacement Award upon such termination. Notwithstanding the foregoing, if the Committee determines that any remaining unvested RSUs are not replaced in connection with a Change in Control with awards meeting the requirements for Replacement Awards, the Grantee shall immediately vest in such RSUs upon the occurrence of the Change in Control, and the date of such Change in Control shall be a Vesting Date under this paragraph 3.

If prior to a Vesting Date, the Grantee's employment with the Company terminates for any reason, then the unvested RSUs (and any related Dividend Equivalent Rights) subject to this Notice of Award shall terminate and be completely forfeited on the date of such termination of the Grantee's employment unless the Grantee is entitled to any accelerated vesting of the unvested RSUs under the terms of the EICP or other Company-sponsored plan or agreement or as described in this paragraph 3 relating to a Change in Control, paragraph 4 or paragraph 12(G) below, in which case such accelerated vesting of the unvested RSUs will be in accordance with the terms of this Notice of Award or the applicable plan, agreement or local law. Notwithstanding anything in the EICP or this Notice of Award to the contrary, if the Grantee is terminated for Cause (as defined in the EICP) from the Company prior to payment pursuant to paragraph 5, all of the RSUs will immediately and automatically without any action on the part of the Grantee or the Company, be forfeited by the Grantee.

4. SPECIAL VESTING CONDITIONS. The Committee has determined that the following special vesting conditions shall apply to this award.

(A) If the Grantee's employment with the Company terminates (i) as a result of the Grantee's death or (ii) solely as a result of Grantee becoming Disabled, then any remaining unvested RSUs shall vest immediately on the date of such termination.

(B) If the Grantee's employment with the Company terminates (other than for Cause as defined in the EICP) when the Grantee is Retirement Eligible, then any remaining unvested RSUs shall vest immediately on the date of such termination, subject to adjustment as set forth in paragraph (C) below.

(C) During the calendar year of the date of grant (the "Year of Grant"), if a Grantee terminates employment from the Company for any reason (other than death, becoming Disabled as defined herein, or for Cause, as defined in the EICP) on or after becoming Retirement Eligible, the Total Award will be adjusted to reflect Grantee's period of employment during the Year of Grant. The number of RSUs the Grantee holds after adjustment is called the "Adjusted Award." The Adjusted Award equals the Total Award multiplied by a fraction, the numerator of which equals the number of calendar months during the Year of Grant preceding the month during which Grantee's termination date occurs and the denominator of which equals 12; provided, however, that any fractional share resulting from such calculation shall be eliminated by rounding the Adjusted Award down to the nearest whole number. In the event of such adjustment, any RSUs (and related Dividend Equivalent Rights) subject to this Notice of Award in excess of the Adjusted Award shall not vest pursuant to paragraph 4(B) but instead shall terminate and be completely forfeited on such date.

5. PAYMENT OF AWARD. Unless deferred under the Deferred Compensation Plan, an RSU that has vested ("Vested Unit") shall be paid in the form of a share of Common Stock, unless prohibited by applicable local law, in which case the Vested Unit will be paid in the cash equivalent, as of the earliest to occur of the following: (A) the applicable Vesting Date set forth in paragraph 3 above, (B) the date of Grantee's death, (C) the date Grantee becomes Disabled; or (D) the date of Grantee's termination of employment which constitutes a Separation from Service. In the event the payment is made pursuant to clause (A) above, such payment shall be made as soon as practicable following the applicable Vesting Date, but in no event later than March 15 following the calendar year in which the applicable Vesting Date occurs. In the event payment is made pursuant to clause (B), (C) or (D) above, such payment shall be made on or before the sixtieth (60th) day following the date of the applicable event. In addition, the Grantee shall be entitled to receive a lump sum cash payment equal to the Dividend Equivalent Rights with respect to any Vested Units at the same time as the payment for such underlying Vested Units.

Notwithstanding the foregoing, distributions due to a Separation from Service may not be made to a Key Employee before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay as a result of the Grantee's Separation from Service shall be accumulated and paid within fifteen (15) days after the first day of the

seventh month following the Grantee's Separation from Service (or, if earlier, on or before the first day of the third month after the Participant's death).

6. **NON-COMPETITION.** Grantee acknowledges that due to the nature of his/her employment with the Company, he/she has and will have access to, contact with, and Confidential Information about the Company's business and Business Relationships. Grantee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company's business. Accordingly, both (i) during the term of his/her employment with the Company, and (ii) for a period of twelve (12) months following the termination of his/her employment, Grantee, except in the performance of his/her duties to the Company, shall not, without the prior written consent of Hershey's Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business. This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Grantee was employed or, directly or indirectly, performed services for the Company during the two years prior to his/her termination of employment. Grantee acknowledges: (i) that the Company's business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Grantee's responsibilities, Grantee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company's business and its relationships. Grantee further acknowledges and understands that if he/she has any question about whether any prior position which Grantee has held at the Company over the last two (2) years subjects Grantee to specific restrictions, and will be used to identify Competing Business(es), Grantee should contact his/her Human Resource representative at the Company.

7. **NON-SOLICITATION.** Grantee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Grantee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's customers, suppliers, business partners, and/or vendors and their requirements, Grantee agrees both (i) during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Grantee, except in the performance of his/her duties to the Company, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

(A) for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Grantee had contact while employed by the Company, or about whom Grantee had access to Confidential Information as a result of Grantee's employment; or

(B) recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Grantee had Material Contact during the last two (2) years of Grantee's employment with the Company. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Grantee is associated if Grantee is not directly or indirectly involved in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

8. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION. Grantee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with the Company, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, Confidential Information. Grantee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of the Company, that it has been and will continue to be of critical importance to the business of the Company, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Grantee will not, either during his/her employment or at any time after the termination of his/her employment with the Company, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 8, Grantee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Grantee in the course of performing his/her duties to the Company and in accordance with Company policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of the Company, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey's's General Counsel. Notwithstanding anything herein to the contrary, Grantee understands and agrees that his/her obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Grantee may have under any applicable statute or at common law.

Grantee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Grantee files a lawsuit for retaliation against the Company for reporting a suspected violation of law, Grantee may disclose the Company's trade secrets to Grantee's attorney and use the trade secret information in the court proceeding, provided Grantee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

9. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

(A) To the extent that the Grantee does not vest in any RSUs, all interest in such units, the related shares of Common Stock, and any Dividend Equivalent Rights shall be forfeited. The Grantee shall have no right or interest in any RSU or related share of Common Stock that is forfeited.

(B) Upon each issuance or transfer of shares of Common Stock in accordance with this Notice of Award, a number of RSUs equal to the number of shares of Common Stock issued or transferred to the Grantee shall be extinguished and such number of RSUs will not be considered to be held by the Grantee for any purpose.

10. WITHHOLDING.

(A) The Company's obligation to deliver shares of Common Stock or cash to settle the Vested Units and Dividend Equivalent Rights shall be subject to the satisfaction of applicable tax withholding requirements. The Grantee must pay to the Company any applicable withholding tax due as a result of such payment.

(B) The Company shall have the right to reduce the number of shares of Common Stock issued to the Grantee to satisfy the minimum applicable tax withholding requirements.

11. OTHER LAWS. The Company shall have the right to refuse to issue or transfer any shares under this Notice of Award if the Company acting in its absolute discretion determines that the issuance or transfer of such Common Stock might violate any applicable law or regulation.

12. MISCELLANEOUS.

(A) This Notice of Award shall be subject to all of the provisions, definitions, terms and conditions set forth in the EICP and any interpretations, rules and regulations promulgated by the Committee from time to time, all of which are incorporated by reference in this Notice of Award. By accepting the RSUs awarded herewith, Grantee acknowledges and agrees that the RSUs are awarded under and governed by the terms and conditions set forth in this document and in the EICP, and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee. Any dispute or disagreement which shall arise under, as a result of, or in any way relate to the interpretation, construction or administration of the EICP or the RSUs awarded thereunder shall be determined in all cases and for all purposes by the Committee or any successor committee, and any such determination shall be final, binding and conclusive for all purposes. In the event of any conflict between this Notice of Award and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee, this Notice of Award shall govern. Grantee acknowledges that a remedy at law for any breach or threatened breach of this Notice of Award would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Grantee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of this Notice of Award and that money damages would not be an adequate remedy. Grantee acknowledges and agrees that a violation of this Notice of Award would cause irreparable harm to the Company. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Grantee has breached or threatened to breach this Notice of Award, Grantee agrees to reimburse the Company for all reasonable attorneys' fees and costs incurred in enforcing its terms. However, nothing contained herein shall be construed as

prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

(B) (i) Grantee acknowledges and agrees that in addition to the relief described in paragraph 12(A), if the Committee determines, in its sole discretion, that Grantee has violated or threatened to violate the terms of this Notice of Award or the EICP, or that the Grantee has engaged in any intentional misconduct that caused the Company material financial or reputational harm, then Hershey may cancel any part of the grant that has not vested. In addition, upon the request or direction of the Committee, Grantee shall also immediately deliver to Hershey, the cash equivalent of any RSUs that have vested under this Notice of Award, inclusive of any dividends paid on any vested shares. (ii) The term “intentional misconduct” shall include conduct the Committee determines indicates an intentional violation of law, the Company’s Code of Conduct, or any of the Company’s other material ethics and compliance policies. (iii) In determining whether to recover a payment, the Committee shall take into account such considerations as it deems appropriate, including whether the assertion of a claim may violate applicable law. The Committee shall have the sole discretion in determining whether a grantee’s conduct has or has not met any particular standard of conduct under the law or Company policy and whether any financial or reputational harm is material.

(C) Notwithstanding anything in the EICP or this Notice of Award to the contrary, Grantee acknowledges that the Company may be entitled or required by law or Company policy to recoup compensation paid to Grantee pursuant to the EICP, and Grantee agrees to comply with any Company request or demand for recoupment.

(D) Grantee agrees that, at any time after Grantee’s termination of employment from the Company, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Grantee has relevant information.

(E) If one or more of the provisions of this Notice of Award shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Notice of Award to be construed so as to foster the intent of this award and the EICP.

(F) The RSUs are intended to comply with Code section 409A and official guidance issued thereunder. Notwithstanding anything herein to the contrary, this Notice of Award shall be interpreted, operated and administered in a manner consistent with this intention.

(G) Notwithstanding anything herein to the contrary, in the event the Grantee: (i) is an employee of the Company in a country other than the United States (a “Foreign National”), (ii) is not subject to the federal income tax laws of the United States (“U.S.

Tax Law”) for purposes of these RSUs, and (iii) has certain rights in the vesting and payment of the RSUs upon termination of employment under the laws of the country in which Grantee is employed, the vesting and payment of any unvested RSUs (and any related Dividend Equivalent Rights) will be in accordance with the terms of a severance agreement entered into between the Company and Grantee that complies with the laws of the country in which Grantee is employed or in the absence of a severance agreement, as may be required by the laws of such country; provided, however, if any RSUs, granted to such Foreign National are subject to U.S. Tax Law, the payment of such RSUs shall be governed by the terms of this Notice of Award.

(H) The award of RSUs and all terms and conditions related thereto, including those of the EICP, shall be governed by the laws of the Commonwealth of Pennsylvania. Grantee expressly consents that: (i) any action or proceeding relating to a breach or the enforceability of this Notice of Award will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (ii) any such action or proceeding will be heard without a jury. Grantee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The EICP shall control in the event there is a conflict between the EICP and these terms and conditions.

13. CONTACT INFORMATION. Copies of the EICP and the Information Statement (Prospectus) for the EICP are available upon request, from the myHR Support Center by calling 1-800-878-0440 or by email to myHR@hersheys.com.

**The Hershey Company
19 East Chocolate Avenue
Hershey, Pennsylvania 17033**

Notice of Special Award of Restricted Stock Units

<p>«<i>First_name</i>» «<i>Last_name</i>» «<i>Street_and_House_Number</i>» «<i>City</i>», «<i>Region_State_Province_Count</i>» «<i>Postal_Code</i>» «<i>Country_Key</i>»</p>	<p>Plan: ID:</p>	<p>EICP «<i>PersNo</i>»</p>
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1. **EFFECTIVE DATE AND LEVEL OF AWARD.** Effective «*Grant_Date*» (the “Grant Date”), Grantee has been awarded Restricted Stock Units (“RSUs”) representing «*Number_of_RSUs_Awarded*» shares of Common Stock of The Hershey Company (“Hershey”). Each RSU represents the right to receive a share of Hershey’s Common Stock, \$1.00 par value, at a future date and time, subject to the terms of this Notice of Special Award of Restricted Stock Units (the “Notice of Special Award”).

The Grantee will have forty-five (45) days to accept the terms of this Notice of Special Award. By accepting the award of RSUs under this Notice of Special Award, Grantee accepts and agrees to: (i) these terms and conditions, (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan (“EICP”), which are incorporated herein by reference, and (iii) as applicable, the terms and conditions of The Hershey Company Deferred Compensation Plan, which are incorporated herein by reference. This award of RSUs is expressly contingent upon Grantee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein in the form presented by Hershey shall result in the RSUs being cancelled, with no benefit to the Grantee.

The terms of this Notice of Special Award extend not only to the Grantee and Hershey, but also to Hershey’s past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the EICP and the terms and conditions of The Hershey Company Deferred Compensation Plan, and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the “Company”).

2. **DEFINITIONS.** Wherever used herein, the following terms shall have the meanings set forth below. ***Capitalized terms not otherwise defined in this Notice of Special Award shall have the same meanings as set forth in the EICP.***

(A) “Business Relationships” means the Company’s relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage.

(B) “Committee” means the Compensation and Executive Organization Committee of the Board of Directors.

(C) “Competing Business” means any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Grantee’s employment with the Company, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the termination of Grantee’s employment with the Company. Grantee acknowledges that he/she will be deemed to have such knowledge if Grantee received, was in possession of or otherwise had access to Confidential Information regarding such business.

(D) “Confidential Information” means trade secrets and other confidential and proprietary information relating to the Company’s business, including, but not limited to, information about the Company’s manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to the Company’s legal strategies or legal advice rendered to the Company; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities.

(E) “Deferred Compensation Plan” means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

(F) “Dividend Equivalent Right” means a right that entitles the Grantee to receive an amount equal to any cash dividends paid on a share of Common Stock, which dividends have a record date between the Grant Date and the date a Vested Unit is paid. Dividend Equivalent Rights will be paid in cash.

(G) “EICP” means The Hershey Company Equity and Incentive Compensation Plan, as in effect from time to time and any successor or replacement plan thereof.

(H) “Material Contact” means contact for the purpose of furthering the Company’s business.

3. VESTING DATES. The Grantee shall vest in the number of RSUs corresponding with each date shown below (each a “Vesting Date”); provided that the Grantee has remained in continuous employment with the Company from the Grant Date through such Vesting Date and has accepted and agreed to all terms and conditions in this agreement.

RSUs	Vesting Date
«Number_of_RSUs_Vested»	«Vesting_Date»
«Number_of_RSUs_Vested1»	«Vesting_Date1»
«Number_of_RSUs_Vested2»	«Vesting_Date2»
«Number_of_RSUs_Vested3»	«Vesting_Date3»

If prior to a Vesting Date, the Grantee's employment with the Company terminates for any reason, then the unvested RSUs (and any related Dividend Equivalent Rights) subject to this Notice of Special Award shall terminate and be completely forfeited on the date of such termination of the Grantee's employment unless the Grantee is entitled to any accelerated vesting of the unvested RSUs under the terms of the EICP or other Company-sponsored plan or agreement or as described in paragraph 11(F) below, in which case such accelerated vesting of the unvested RSUs will be in accordance with the terms of this Notice of Special Award or the applicable plan, agreement or local law. Under the terms of the EICP, the Grantee or the Grantee's estate is entitled to accelerated vesting of the unvested RSUs upon the Grantee's termination due to total disability or death. In the event of a Change in Control, accelerated vesting of the unvested RSUs, if any, shall be determined in accordance with paragraph 15 of the EICP. Notwithstanding anything in the EICP or this Notice of Special Award to the contrary, if the Grantee is terminated for Cause (as defined in the EICP) from the Company prior to payment pursuant to paragraph 4, all of the RSUs will immediately and automatically, without any action on the part of the Grantee or the Company, be forfeited by the Grantee.

4. **PAYMENT OF AWARD.** Unless deferred under the Deferred Compensation Plan, an RSU that has vested ("Vested Unit") shall be paid in the form of a share of Common Stock, unless prohibited by applicable local law, in which case the Vested Unit will be paid in the cash equivalent, as soon as practicable following each Vesting Date or, if earlier, any accelerated vesting event in accordance with the terms of the EICP or other Company-sponsored plan or agreement, but in no event later than March 15 following the calendar year in which such RSUs vest. In addition, the Grantee shall be entitled to receive a lump sum cash payment equal to the Dividend Equivalent Rights with respect to any Vested Units at the same time as the payment for such underlying Vested Units.

5. **NON-COMPETITION.** Grantee acknowledges that due to the nature of his/her employment with the Company, he/she has and will have access to, contact with, and Confidential Information about the Company's business and Business Relationships. Grantee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company's business. Accordingly, both (i) during the term of his/her employment with the Company, and (ii) for a period of twelve (12) months following the termination of his/her employment, Grantee, except in the performance of his/her duties to the Company, shall not, without the prior written consent of Hershey's Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business. This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Grantee was employed or, directly or indirectly, performed services for the Company during the two years prior to his/her termination of Grantee's employment. Grantee acknowledges: (i) that the Company's business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the

Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Grantee's responsibilities, Grantee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company's business and its relationships. Grantee further acknowledges and understands that if he/she has any question about whether any prior position which Grantee has held at the Company over the last two (2) years subjects Grantee to specific restrictions, and will be used to identify Competing Business(es), Grantee should contact his/her Human Resource representative at the Company.

6. **NON-SOLICITATION.** Grantee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Grantee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's customers, suppliers, business partners, and/or vendors and their requirements, Grantee agrees both (i) during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Grantee, except in the performance of his/her duties to the Company, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

(A) for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Grantee had contact while employed by the Company, or about whom Grantee had access to Confidential Information as a result of Grantee's employment; or

(B) recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Grantee had Material Contact during the last two (2) years of Grantee's employment with the Company. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Grantee is associated if Grantee is not directly or indirectly involved in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

7. **NON-DISCLOSURE OF CONFIDENTIAL INFORMATION.** Grantee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with the Company, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, Confidential Information. Grantee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of the Company, that it has been and will continue to be of critical importance to the business of the Company, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Grantee will not, either during his/her employment or at any time after the termination of his/her employment with the Company, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 7, Grantee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Grantee in the course of performing his/her duties to the Company and in accordance with Company policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of the Company, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey's General Counsel. Notwithstanding anything herein to the contrary, Grantee understands and agrees that his/her obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Grantee may have under any applicable statute or at common law.

Grantee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade

secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Grantee files a lawsuit for retaliation against the Company for reporting a suspected violation of law, Grantee may disclose the Company's trade secrets to Grantee's attorney and use the trade secret information in the court proceeding, provided Grantee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

8. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

(A) To the extent that the Grantee does not vest in any RSUs, all interest in such units, the related shares of Common Stock, and any Dividend Equivalent Rights shall be forfeited. The Grantee shall have no right or interest in any RSU or related share of Common Stock that is forfeited.

(B) Upon each issuance or transfer of shares of Common Stock in accordance with this Notice of Special Award, a number of RSUs equal to the number of shares of Common Stock issued or transferred to the Grantee shall be extinguished and such number of RSUs will not be considered to be held by the Grantee for any purpose.

9. WITHHOLDING.

(A) The Company's obligation to deliver shares of Common Stock or cash to settle the Vested Units and Dividend Equivalent Rights shall be subject to the satisfaction of applicable tax withholding requirements. The Grantee must pay to the Company any withholding tax due as a result of such payment.

(B) The Company shall have the right to reduce the number of shares of Common Stock issued to the Grantee to satisfy the minimum applicable tax withholding requirements.

10. OTHER LAWS. The Company shall have the right to refuse to issue or transfer any shares under this Notice of Special Award if the Company acting in its absolute discretion determines that the issuance or transfer of such Common Stock might violate any applicable law or regulation.

11. MISCELLANEOUS.

(A) This Notice of Special Award shall be subject to all of the provisions, definitions, terms and conditions set forth in the EICP and any interpretations, rules and regulations promulgated by the Committee from time to time, all of which are incorporated by reference in this Notice of Special Award. By accepting the RSUs awarded herewith, Grantee acknowledges and agrees that the RSUs are awarded under and governed by the terms and conditions set forth in this document and in the EICP, and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee. Any dispute or disagreement which shall arise under, as a result of, or in any way relate to the interpretation, construction or administration of the EICP or the RSUs awarded thereunder shall be determined in all cases and for all purposes by the Committee or any successor committee, and any such determination shall be final, binding and conclusive for all purposes. In the event of any conflict between this Notice of Special Award and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee, this Notice of Special Award shall govern. Grantee acknowledges that a remedy at law for any breach or threatened breach of this Notice of Special Award would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Grantee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other

security) in order to enforce or prevent any violation of this Notice of Special Award and that money damages would not be an adequate remedy. Grantee acknowledges and agrees that a violation of this Notice of Special Award would cause irreparable harm to the Company. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Grantee has breached or threatened to breach this Notice of Special Award, Grantee agrees to reimburse the Company for all reasonable attorneys' fees and costs incurred in enforcing its terms. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

(B) (i) Grantee acknowledges and agrees that in addition to the relief described in paragraph 11(A), if the Committee determines, in its sole discretion, that Grantee has violated or threatened to violate the terms of this Notice of Award or the EICP, or that the Grantee has engaged in any intentional misconduct that caused the Company material financial or reputational harm, then Hershey may cancel any part of the grant that has not vested. In addition, upon the request or direction of the Committee, Grantee shall also immediately deliver to Hershey, the cash equivalent of any RSUs that have vested under this Notice of Award, inclusive of any dividends paid on any vested shares. (ii) The term "intentional misconduct" shall include conduct the Committee determines indicates an intentional violation of law, the Company's Code of Conduct, or any of the Company's other material ethics and compliance policies. (iii) In determining whether to recover a payment, the Committee shall take into account such considerations as it deems appropriate, including whether the assertion of a claim may violate applicable law. The Committee shall have the sole discretion in determining whether a grantee's conduct has or has not met any particular standard of conduct under the law or Company policy and whether any financial or reputational harm is material.

(C) Notwithstanding anything in the EICP or this Notice of Special Award to the contrary, Grantee acknowledges that the Company may be entitled or required by law or Company policy, to recoup compensation paid to Grantee pursuant to the EICP, and Grantee agrees to comply with any Company request or demand for recoupment.

(D) Grantee agrees that, at any time after Grantee's termination of employment from the Company, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Grantee has relevant information.

(E) If one or more of the provisions of this Notice of Special Award shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Notice of Special Award to be construed so as to foster the intent of this award and the EICP.

(F) Notwithstanding anything herein to the contrary, in the event the Grantee: (i) is an employee of the Company in a country other than the United States (a "Foreign National"), (ii) is not subject to the federal income tax laws of the United States ("U.S. Tax Law") for purposes of these RSUs, and (iii) has certain rights in the vesting and payment of the RSUs upon termination of employment under the laws of the country in which Grantee is employed, the vesting and payment of any unvested RSUs (and any related Dividend Equivalent Rights) will be in accordance with the terms of a severance agreement entered into between the Company and Grantee that complies with the laws of the country in which Grantee is employed or in the absence

of a severance agreement, as may be required by the laws of such country; provided, however, if any RSUs, granted to such Foreign National, are subject to U.S. Tax Law, the payment of such RSUs shall be governed by the terms of this Notice of Special Award.

(G) The award of RSUs and all terms and conditions related thereto, including those of the EICP, shall be governed by the laws of the Commonwealth of Pennsylvania. Grantee expressly consents that: (i) any action or proceeding relating to a breach or the enforceability of this Notice of Special Award will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (ii) any such action or proceeding will be heard without a jury. Grantee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The EICP shall control in the event there is a conflict between the EICP and these terms and conditions.

12. CONTACT INFORMATION. Copies of the EICP and the Information Statement (Prospectus) for the EICP Plan are available upon request from the myHR Support Center by calling 1-800-878-0440 or by email to myHR@hersheys.com.

THE HERSHEY COMPANY
19 East Chocolate Avenue
Hershey, PA 17033

TERMS AND CONDITIONS OF NONQUALIFIED STOCK OPTION AWARDS
UNDER THE EQUITY AND INCENTIVE COMPENSATION PLAN

1. The Optionee, by accepting the option to purchase shares of the Common Stock (the "Options") of The Hershey Company ("Hershey") awarded to him/her on _____ (the "Award Date"), accepts and agrees to: (i) these terms and conditions and (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan (the "Plan"), which Plan is incorporated herein by reference. Receipt of the Options is expressly contingent upon Optionee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein within forty-five (45) days of receipt in the form presented by Hershey shall result in the Options being cancelled, with no benefit to Optionee.

These terms and conditions extend not only to the Optionee and Hershey, but also to Hershey's past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the Plan, and its and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the "Company").

2. The Options shall not be exercisable until vested. The Options shall be exercisable during the period _____ through _____ (the "Exercise Period"), subject to the vesting schedule described in the next sentence and the provisions regarding termination set forth in paragraphs 3 and 5 below and in the Plan. Of the total Options awarded to the Optionee on the Award Date ("Total Award"), twenty-five percent (25%) of the Total Award will become vested on the first anniversary of the Award Date; an additional twenty-five percent (25%) of the Total Award will become vested on the second anniversary of the Award Date; an additional twenty-five percent (25%) of the Total Award will become vested on the third anniversary of the Award Date; and an additional and final twenty-five percent (25%) of the Total Award will become vested on the fourth anniversary of the Award Date. During the Exercise Period, vested Options may be exercised in whole or in part and on one or more than one occasion. The purchase price of any shares as to which the Options shall be exercised shall be paid in full at the time of such exercise.

3. In the event Optionee's employment with the Company is terminated for any reason other than the occurrence of an event described in paragraph 5 below, or a "Change in Control" as described in this paragraph 3, Options shall terminate immediately upon termination of Optionee's employment and may not be exercised after such termination of employment unless: (i) Optionee is eligible to receive severance benefits pursuant to a Company-sponsored severance benefits plan or an employment or severance or similar agreement to which Optionee is a party upon termination of employment, in which case vesting, exercise, and payment of the Options will be in accordance with the terms of such Company-sponsored severance benefits plan or such agreement; or (ii) Optionee is an employee of the Company in a country other than the United States and has certain rights in the vesting, exercise and payment of Options upon termination of employment under the laws of the country in which Optionee is employed, in which case vesting, exercise and payment of the Options will be in accordance with the terms of a severance agreement entered into between the Company and Optionee that complies with the laws of the country in which Optionee is employed.

In the event of a Change in Control (as that term is defined in the Plan), to the extent the Options are assumed or replaced, or remain outstanding, such that the award as assumed, replaced or continued is a Replacement Award (as that term is defined in the Plan), the occurrence of the Change in Control shall not affect the vesting or exercisability of the Options which shall constitute a Replaced Award as defined in the Plan. However, if within two (2) years following the Change in Control, Optionee's employment is terminated by the

Company for any reason other than for Cause (as that term is defined in the Plan), by the Optionee for Good Reason (as that term is defined in the Plan), or due to Optionee's death or total disability, the Replacement Award shall become fully vested and exercisable upon such termination.

Notwithstanding the foregoing, if the Committee (as that term is defined in paragraph 7 below) determines that the Options are not replaced in connection with a Change in Control with awards meeting the requirements for Replacement Awards, the Options shall become fully vested and exercisable upon the occurrence of the Change in Control, notwithstanding the vesting schedule set forth in paragraph 2 above.

4. If Optionee retires (as that term is defined in paragraph 5 below) after the Award Date and during the calendar year in which the Award Date occurs, the Total Award will be reduced on a pro-rata basis to reflect Optionee's period of employment during the calendar year in which the Award Date occurs (the "Adjusted Award"). The Adjusted Award shall equal the Total Award multiplied by a fraction, the numerator of which equals the number of calendar months during such year preceding the month during which Optionee's retirement date occurs and the denominator of which equals 12; provided, however, that any fractional share resulting from such calculation shall be eliminated by rounding the Adjusted Award down to the nearest whole number.

The foregoing provisions of this paragraph 4 notwithstanding, if a Change in Control occurs following the Award Date, and Optionee retires after the occurrence of the Change in Control but during the calendar year in which the Award Date occurs, the Total Award shall not be reduced as aforesaid.

5. In the event Optionee retires, or his or her employment terminates due to death or total disability, the Options shall become fully vested, subject to the provisions regarding possible adjustment of the Total Award to an Adjusted Award as provided in paragraph 4, and Optionee (or his/her estate in the case of death) shall have three (3) years from the earliest date of death or total disability, or five (5) years from the date of retirement, to exercise his/her Options, provided such post-termination exercise period cannot extend beyond the last day of the Exercise Period set forth in paragraph 2 above, the date the Options expire. For purposes of this award, Optionee shall be deemed to have retired if his or her employment terminates for any reason other than for "Cause" (as that term is defined in the Plan) on or after the date the Optionee has both attained his or her 55th birthday and been continuously employed by the Company for at least five (5) years.

6. The Options shall be exercisable through the broker on record selected by Hershey to provide services for stock options, or by such other method as shall be established by Hershey from time to time.

7. The Compensation and Executive Organization Committee of the Board of Directors (the "Committee"), or any successor committee performing similar functions, may from time to time impose certain limitations or restrictions on the exercise of the Options by employees who are subject to employee minimum stock ownership requirements established by the Committee. Such limitations, restrictions and minimum stock ownership requirements are subject to change at the discretion of the Committee.

8. Except to the extent that the Plan permits exercise in limited circumstances by persons other than the Optionee, the Options may not be assigned, transferred, pledged or hypothecated in any way whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Options contrary to the provisions hereof or of the Plan, and the levy of any execution, attachment or similar process upon the Options, shall be null and void and without effect and shall cause the Options to terminate.

9. Non-Competition.

a. Optionee acknowledges that due to the nature of his/her employment with the Company, he/she has and will have access to, contact with, and Confidential Information (as defined in paragraph 11) about the Company's business and its relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage ("Business Relationships"). Optionee acknowledges that the Company has incurred considerable expense and invested considerable time

and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company's business. Accordingly, both (i) during the term of his/her employment with the Company, and (ii) for a period of twelve (12) months following the termination of his/her employment, Optionee, except in the performance of his/her duties to the Company, shall not, without the prior written consent of Hershey's Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business, as defined below in paragraph 9(b). This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Optionee was employed or, directly or indirectly, performed services for the Company during the two years prior to his/her termination of Optionee's employment. Optionee acknowledges: (i) that the Company's business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Optionee's responsibilities, Optionee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company's business and its relationships.

b. For the purposes of this agreement, a "Competing Business" shall mean any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Optionee was employed or performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Optionee's employment with the Company, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Optionee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the termination of Optionee's employment with the Company. Optionee acknowledges that he/she will be deemed to have such knowledge if Optionee received, was in possession of or otherwise had access to Confidential Information, as defined below, regarding such business. Optionee further acknowledges and understands that if he/she has any question about whether any prior position which Optionee has held at the Company over the last two (2) years subjects Optionee to specific restrictions, and will be used to identify Competing Business(es), Optionee should contact his/her Human Resource representative at the Company.

10. Non-Solicitation. Optionee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Optionee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's customers, suppliers, business partners, and/or vendors and their requirements, Optionee agrees both (i) during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Optionee, except in the performance of his/her duties to the Company, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

a. for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Optionee had contact while employed by the Company, or about whom Optionee had access to Confidential Information as a result of Optionee's employment; or

b. recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Optionee had Material Contact during the last two (2) years of Optionee's employment with the Company. For

purposes of this provision, "Material Contact" means contact for the purpose of furthering the Company's business. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Optionee is associated if Optionee is not directly or indirectly involved in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

11. Non-Disclosure of Confidential Information. Optionee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with the Company, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, trade secrets and other confidential and proprietary information relating to the Company's business, including, but not limited to, information about the Company's manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to the Company's legal strategies or legal advice rendered to the Company; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities (collectively, "Confidential Information"). Optionee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of the Company, that it has been and will continue to be of critical importance to the business of the Company, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Optionee will not, either during his/her employment or at any time after the termination of his/her employment with the Company, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 11, Optionee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Optionee in the course of performing his/her duties to the Company and in accordance with Company policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Optionee or the business of the Company, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey's General Counsel. Notwithstanding anything herein to the contrary, Optionee understands and agrees that his/her obligations under these terms and conditions shall be in addition to, rather than in lieu of, any obligations Optionee may have under any applicable statute or at common law.

Optionee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Optionee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Optionee files a lawsuit for retaliation against the Company for reporting a suspected violation of law, Optionee may disclose the Company's trade secrets to Optionee's attorney and use the trade secret information in the court proceeding, provided Optionee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

12. By accepting the Options awarded herewith, Optionee acknowledges and agrees that the Options are awarded under and governed by the terms and conditions set forth in this document and in the Plan. Any dispute or disagreement which shall arise under, as a result of, or in any way relate to the interpretation, construction or administration of the Plan or the Options awarded thereunder shall be determined in all cases and for all purposes by the Committee, or any successor committee, and any such determination shall be final, binding and conclusive for all purposes. Optionee acknowledges that a remedy at law for any breach or threatened breach of these terms and conditions would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Optionee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of these terms and conditions and that money damages would not be an adequate remedy. Optionee acknowledges and agrees that a violation of these terms and conditions would cause irreparable harm to the Company. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies

available by law or equity. If a court determines that Optionee has breached or threatened to breach these terms and conditions, Optionee agrees to reimburse the Company for all reasonable attorneys' fees and costs incurred in enforcing these terms and conditions. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

13. Optionee acknowledges and agrees that in addition to the relief described in paragraph 12, , if the Committee determines, in its sole discretion judgment, that Grantee has violated or threatened to violate the terms of this Notice of Award or the EICP, or that the Grantee has engaged in any intentional misconduct that caused the Company material financial or reputational harm, then Hershey may cancel any part of the award that has not vested as set forth in (a.) below. In addition, upon the request or direction of the Committee, Grantee shall also immediately deliver to Hershey, the cash value of any options that have vested under this Notice of Award and been sold by Grantee . (ii) The term "intentional misconduct" shall include conduct the Committee determines indicates an intentional violation of law, the Company's Code of Conduct, or any of the Company's other material ethics and compliance policies. (iii) In determining whether to recover a payment, the Committee shall take into account such considerations as it deems appropriate, including whether the assertion of a claim may violate applicable law. The Committee shall have the sole discretion in determining whether a grantee's conduct has or has not met any particular standard of conduct under the law or Company policy and whether any financial or reputational harm is material.in its sole judgment, that Optionee has violated or threatened to violate these terms and conditions or the Plan, then:

a. Any portion of the Options that Optionee has not exercised may immediately be cancelled, in which case Optionee shall forfeit any rights with respect to the Options as of the date of the Committee's determination, and

b. Upon the request or direction of the Committee, Optionee shall immediately deliver to Hershey, cash equal in value to the amount of any profit Optionee realized upon an exercise of the Options during the period beginning twelve (12) months prior to Optionee's violation or threatened violation of the terms of this Notice of Award and ending on the date of the Committee's determination.

14. Notwithstanding anything in the Plan or these terms and conditions to the contrary, Optionee acknowledges that the Company may be entitled or required by law, Company policy or the requirements of an exchange on which the shares of Hershey Common Stock (the "Shares") are listed for trading, to recoup compensation paid to Optionee pursuant to the Plan, and Optionee agrees to comply with any Company request or demand for recoupment.

15. In selling the "Shares" upon Optionee's exercise of his/her Options, the Company is fulfilling in full its contractual obligation to Optionee by making such transfer, and the Company shall have no further obligations or duties with respect thereto and is discharged and released from the same. The Company makes no representations to Optionee regarding the market price of the Shares or the information which is available to Optionee regarding the Shares.

16. The Optionee may be restricted by the Company in its sole judgment from exercising any of the Options to the extent necessary to comply with insider trading or other provisions of federal or state securities laws.

17. The Optionee agrees that, at any time after his/her termination of employment from the Company, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Optionee has relevant information.

18. The award of Options and all terms and conditions related thereto, including those of the Plan, shall be governed by the laws of the Commonwealth of Pennsylvania. Optionee expressly consents that:

(a) any action or proceeding relating to a breach or the enforceability of these terms and conditions will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (b) any such action or proceeding will be heard without a jury. Optionee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The Plan shall control in the event there is a conflict between the Plan and these terms and conditions.

**The Hershey Company
19 East Chocolate Avenue
Hershey, Pennsylvania 17033**

Notice of Award of Performance Stock Units

1. **EFFECTIVE DATE AND CONTINGENT TARGET AWARD.** Effective _____ (the “Grant Date”), Grantee will be awarded _____ contingent target Performance Stock Units (“PSUs”) pursuant to the terms of this agreement. The actual number of PSUs earned may be equal to, exceed or be less than the contingent target award, and will be based upon the Company’s attainment of the performance goals approved for the three-year performance cycle commencing in the year of the Grant Date (the “Performance Cycle”). Each earned PSU represents the right to receive one share of Hershey Common Stock, \$1.00 par value, at a future date and time, subject to the terms of this Notice of Award of Performance Stock Units (the “Notice of Award”).

The Grantee will have forty-five (45) days to accept the terms of this Notice of Award. By accepting the award of PSUs under this Notice of Award, Grantee accepts and agrees to: (i) these terms and conditions, (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan (“EICP”), which are incorporated herein by reference, and (iii) as applicable, the terms and conditions of The Hershey Company Deferred Compensation Plan, which are incorporated herein by reference. This award of PSUs is expressly contingent upon Grantee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein in the form presented by The Hershey Company (“Hershey”) shall result in the PSUs being cancelled, with no benefit to Grantee.

The terms of this Notice of Award extend not only to the Grantee and Hershey, but also to Hershey’s past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the EICP and the terms and conditions of The Hershey Company Deferred Compensation Plan, and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the “Company”).

2. **DEFINITIONS.** Wherever used herein, the following terms shall have the meanings set forth below. ***Capitalized terms not otherwise defined in this Notice of Award shall have the same meanings as set forth in the EICP.***

(A) “Business Relationships” means the Company’s relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage.

- (B) “Committee” means the Compensation and Executive Organization Committee of the Board of Directors.
- (C) “Competing Business” means any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Grantee’s employment with the Company, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the termination of Grantee’s employment with the Company. Grantee acknowledges that he/she will be deemed to have such knowledge if Grantee received, was in possession of or otherwise had access to Confidential Information regarding such business.
- (D) “Confidential Information” means trade secrets and other confidential and proprietary information relating to the Company’s business, including, but not limited to, information about the Company’s manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to the Company’s legal strategies or legal advice rendered to the Company; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities.
- (E) “Deferred Compensation Plan” means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.
- (F) “Disabled” means Grantee is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.
- (G) “Key Employee” means a “specified employee” under Internal Revenue Code (“Code”) section 409A(a)(2)(B)(i) (i.e., a key employee (as defined in Code section 416(i) (without regard to paragraph (5) thereof)) of a corporation any stock in which is publicly traded on an established securities market or otherwise) and applicable Treasury regulations and other guidance under Code section 409A. Key Employees shall be determined in accordance with Code section 409A and pursuant to the methodology established by the Employee Benefits Committee.
- (H) Wherever reference is made to “performance metric,” the reference is intended to refer to a Performance Goal and the performance period (the Performance Cycle or a

calendar year within the Performance Cycle) over which attainment of the Performance Goal is measured.

(I) "EICP" means The Hershey Company Equity and Incentive Compensation Plan, as in effect from time to time and any successor or replacement plan thereof.

(J) A Grantee is "Retirement Eligible" on and after the date the Grantee has both attained his or her 55th birthday and been continuously employed by the Company for at least five (5) years.

(K) "Material Contact" means contact for the purpose of furthering the Company's business.

(L) "Separation from Service" or "Separate from Service" means a "separation from service" within the meaning of Code section 409A.

3. **VESTING DATE.** On December 31 of the final year of the Performance Cycle (the "Vesting Date"), the Grantee shall vest in the number of PSUs earned based on the Company's actual performance during the Performance Cycle relative to each performance metric, provided that the Grantee has remained in continuous employment with the Company from the Grant Date through such date and has accepted and agreed to all terms and conditions in this agreement.

In the event of a Change in Control, vesting of PSUs, if any, shall be determined in accordance with paragraph 15 of the EICP. In accordance with paragraph 15 of the EICP, if the PSUs are assumed or replaced, or remain outstanding, such that the PSUs as assumed, replaced or continued qualify as a Replacement Award under paragraph 15 of the EICP, the occurrence of the Change in Control shall not affect the vesting or payment of the PSUs which shall then constitute a Replaced Award as defined in the EICP. However, if within two (2) years following the Change in Control and prior to the Vesting Date, Grantee's employment is terminated by the Company for any reason other than for Cause (as defined in the EICP), by the Grantee for Good Reason (as defined in the EICP), as a result of Grantee's death or as a result of Grantee becoming Disabled, the Grantee shall immediately vest in the Replacement Award upon such termination based on the provisions of The Hershey Company Executive Benefits Protection Plan ("EBPP") applicable to Grantee; provided, however, that if Grantee is not a participant in any EBPP, then the Grantee shall immediately vest in the Replacement Award upon such termination based on the provisions of EBPP (Group 3). Notwithstanding the foregoing, if the Committee determines that the PSUs are not replaced in connection with a Change in Control with awards meeting the requirements for Replacement Awards, the Grantee shall vest in the PSUs and receive payment in accordance with the provisions of the EBPP applicable to Grantee; provided, however, that if Grantee is not a participant in any EBPP, then the Grantee shall vest in the PSUs and receive payment in accordance with the provisions of EBPP (Group 3). This section is intended to only set forth PSU vesting provisions in the circumstances identified. This section does not change or modify which employees are eligible to participate in the EBPP.

If prior to the Vesting Date, the Grantee's employment with the Company terminates for any reason, then the PSUs subject to this Notice of Award shall terminate and be completely forfeited on the date of such termination of the Grantee's employment unless the Grantee is entitled to vesting with respect to the PSUs under the terms of the EICP or other Company-sponsored plan or agreement or as described in this paragraph 3 relating to a Change in Control, paragraph 4

below relating to special vesting conditions or paragraph 13(G) below relating to Foreign Nationals, in which case such vesting of the PSUs will be in accordance with the terms of this Notice of Award or the applicable plan, agreement or local law. Notwithstanding anything in the EICP or this Notice of Award to the contrary, if the Grantee is terminated for Cause (as defined in the EICP) from the Company prior to payment pursuant to paragraph 6, all of the PSUs will immediately and automatically without any action on the part of the Grantee or the Company, be forfeited by the Grantee.

4. SPECIAL VESTING CONDITIONS. The Committee has determined that the following special vesting conditions shall apply to this award.

(A) If the Grantee's employment with the Company terminates (i) as a result of the Grantee's death or (ii) solely as a result of Grantee becoming Disabled, then the Grantee will vest immediately on the date of such termination in a prorated portion of the PSUs allocated to each performance metric in effect as of the date of employment termination and the number of PSUs earned, if any, will be determined based on Hershey's (or an applicable subsidiary, division or similar unit of the Company) financial statement accruals through the completed fiscal quarter immediately preceding termination of employment for each performance metric, provided, if such termination occurs during the first fiscal quarter, the number of earned PSUs will be based on the target number of PSUs allocated to each such performance metric.

(B) If the Grantee's employment with the Company terminates (other than for Cause (as defined in the EICP)) when the Grantee is Retirement Eligible, then the Grantee will vest upon the Vesting Date in a prorated portion of the PSUs allocated to each performance metric and the number of PSUs earned, if any, will be based on Hershey's (or an applicable subsidiary, division or similar unit of the Company) actual performance during the Performance Cycle for each performance metric.

(C) The prorated portion of the earned PSUs allocated to each performance metric, determined as described in paragraphs 4(A) and 4(B) above, shall be equal to the number of PSUs allocated at the start of the Performance Cycle to such performance metric multiplied by a fraction, the numerator of which equals the number of full and partial calendar months during the performance period (the Performance Cycle or a calendar year within the Performance Cycle, as applicable) for such performance metric preceding the date of the Grantee's termination and the denominator of which equals the number of months in the performance period for such performance metric. Any fractional share resulting from such calculations shall be eliminated by rounding down to the nearest whole number for each performance metric. Any PSUs subject to this Notice of Award in excess of the prorated amounts shall not vest pursuant to paragraph 4(A) or 4(B) but instead shall terminate and be completely forfeited as of the date of termination.

5. DETERMINATION OF EARNED PSUs. The number of PSUs earned, if any, with respect to each performance metric shall be determined following the conclusion of the Performance Cycle (and, if applicable, any performance period ending in the Performance Cycle), based upon achievement against the applicable Performance Goals. Any fractional share resulting from such calculations shall be eliminated by rounding to the nearest whole number for each performance metric. The determination of earned PSUs and the prorated amounts under paragraph 4(A) and 4(C) in the event of Grantee's termination due to death or becoming Disabled will be made within

60 days following such termination. The final determination of the number of PSUs earned is subject to review, approval and modification by the Committee.

6. PAYMENT OF AWARD. Unless deferred under the Deferred Compensation Plan, earned PSUs that have vested (“Vested Units”) shall be paid in the form of a share of Common Stock, unless prohibited by applicable local law or as otherwise provided by the Committee or other applicable agreement or the EBPP (if applicable), in which case the Vested Units will be paid in the cash equivalent, effective as of (A) the date the Committee approves the number of PSUs earned for the Performance Cycle (or, if earlier, the date the award vests in accordance with the provisions of paragraph 3 applicable upon a Change in Control), (B) the date of Grantee’s death, or (C) the date Grantee becomes Disabled. In the event payment is made pursuant to clause (A) above, such payment shall be made as soon as practicable following the Vesting Date and the Committee’s approval of the number of PSUs earned, but in no event later than March 15 following the calendar year in which the applicable date occurs. In the event payment is made pursuant to clause (B) or (C) above, such payment shall be made on or before the sixtieth (60th) day following the date of the applicable event.

Notwithstanding the foregoing, distributions due to a Separation from Service may not be made to a Key Employee before the date which is six months after the date of the Key Employee’s Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay as a result of the Grantee’s Separation from Service shall be accumulated and paid within fifteen (15) days after the first day of the seventh month following the Grantee’s Separation from Service (or, if earlier, on or before the first day of the third month after the Participant’s death).

7. NON-COMPETITION. Grantee acknowledges that due to the nature of his/her employment with the Company, he/she has and will have access to, contact with, and Confidential Information about the Company’s business and Business Relationships. Grantee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company’s business. Accordingly, both (i) during the term of his/her employment with the Company, and (ii) for a period of twelve (12) months following the termination of his/her employment, Grantee, except in the performance of his/her duties to the Company, shall not, without the prior written consent of Hershey’s Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business. This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Grantee was employed or, directly or indirectly, performed services for the Company during the two years prior to his/her termination of Grantee’s employment. Grantee acknowledges: (i) that the Company’s business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Grantee’s responsibilities, Grantee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company’s business and its relationships. Grantee further acknowledges and understands that if he/she has any question about whether any prior position which Grantee has held at the Company

over the last two (2) years subjects Grantee to specific restrictions, and will be used to identify Competing Business(es), Grantee should contact his/her Human Resource representative at the Company.

8. **NON-SOLICITATION.** Grantee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Grantee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's customers, suppliers, business partners, and/or vendors and their requirements, Grantee agrees both (i) during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Grantee, except in the performance of his/her duties to the Company, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

(A) for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Grantee had contact while employed by the Company, or about whom Grantee had access to Confidential Information as a result of Grantee's employment; or

(B) recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Grantee had Material Contact during the last two (2) years of Grantee's employment with the Company. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Grantee is associated if Grantee is not directly or indirectly involved in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

9. **NON-DISCLOSURE OF CONFIDENTIAL INFORMATION.** Grantee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with the Company, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, Confidential Information. Grantee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of the Company, that it has been and will continue to be of critical importance to the business of the Company, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Grantee will not, either during his/her employment or at any time after the termination of his/her employment with the Company, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 9, Grantee may disclose or use any such information (i) when such disclosure or use may be required or appropriate in the good faith judgment of Grantee in the course of performing his/her duties to the Company and in accordance with the Company's policies and procedures, (ii) when required by a court of law, by any governmental agency having supervisory authority over Grantee or the business of the Company, or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction, or (iii) with the prior written consent of Hershey's General Counsel.

Notwithstanding anything herein to the contrary, Grantee understands and agrees that his/her obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Grantee may have under any applicable statute or at common law.

Grantee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Grantee files a lawsuit for retaliation against the Company for reporting a suspected violation of law, Grantee may disclose the Company's trade secrets to Grantee's attorney and use the trade secret information in the court proceeding, provided Grantee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

10. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

(A) To the extent that no PSUs are earned or the Grantee does not vest in any PSUs, all interest in such units and any related shares of Common Stock shall be forfeited. The Grantee shall have no right or interest in any PSU or related share of Common Stock that is forfeited.

(B) Upon each issuance or transfer of shares of Common Stock in accordance with this Notice of Award, a number of Vested Units equal to the number of shares of Common Stock issued or transferred to the Grantee shall be extinguished and such number of Vested Units will not be considered to be held by the Grantee for any purpose.

11. WITHHOLDING.

(A) The Company's obligation to deliver shares of Common Stock or cash to settle the Vested Units shall be subject to the satisfaction of applicable tax withholding requirements. The Grantee may pay to the Company any applicable withholding tax due as a result of such payment.

(B) Unless the Grantee has otherwise paid the withholding tax due, the Company shall withhold from any cash which may be paid and/or reduce the number of shares of Common Stock issued to the Grantee to satisfy the minimum applicable tax withholding requirements.

12. OTHER LAWS. The Company shall have the right to refuse to issue or transfer any shares under this Notice of Award if the Company acting in its absolute discretion determines that the issuance or transfer of such Common Stock might violate any applicable law or regulation.

13. MISCELLANEOUS.

(A) This Notice of Award shall be subject to all of the provisions, definitions, terms and conditions set forth in the EICP and any interpretations, rules and regulations promulgated by the Committee from time to time, all of which are incorporated by reference in this Notice of Award. By accepting the PSUs awarded herewith, Grantee

acknowledges and agrees that the PSUs are awarded under and governed by the terms and conditions set forth in this document and in the EICP, and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee. Any dispute or disagreement which shall arise under, as a result of, or in any way relate to the interpretation, construction or administration of the EICP or the PSUs awarded thereunder shall be determined in all cases and for all purposes by the Committee or any successor committee, and any such determination shall be final, binding and conclusive for all purposes. In the event of any conflict between this Notice of Award and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee, this Notice of Award shall govern. Grantee acknowledges that a remedy at law for any breach or threatened breach of this Notice of Award would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Grantee acknowledges and agrees that the Company may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of this Notice of Award and that money damages would not be an adequate remedy. Grantee acknowledges and agrees that a violation of this Notice of Award would cause irreparable harm to the Company. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Grantee has breached or threatened to breach this Notice of Award, Grantee agrees to reimburse the Company for all reasonable attorneys' fees and costs incurred in enforcing its terms. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

(B) (i) Grantee acknowledges and agrees that in addition to the relief described in paragraph 13(A), if the Committee determines, in its sole discretion, that Grantee has violated or threatened to violate the terms of this Notice of Award or the EICP, or that the Grantee has engaged in any intentional misconduct that caused the Company material financial or reputational harm, then Hershey may cancel any part of the grant that has not vested. In addition, upon the request or direction of the Committee, Grantee shall also immediately deliver to Hershey, the cash equivalent of any PSUs that have vested under this Notice of Award, inclusive of any dividends paid on any vested shares. (ii) The term "intentional misconduct" shall include conduct the Committee determines indicates an intentional violation of law, the Company's Code of Conduct, or any of the Company's other material ethics and compliance policies. (iii) In determining whether to recover a payment, the Committee shall take into account such considerations as it deems appropriate, including whether the assertion of a claim may violate applicable law. The Committee shall have the sole discretion in determining whether a grantee's conduct has or has not met any particular standard of conduct under the law or Company policy and whether any financial or reputational harm is material.

(C) Notwithstanding anything in the EICP or this Notice of Award to the contrary, Grantee acknowledges that the Company may be entitled or required by law or Company policy to recoup compensation paid to Grantee pursuant to the EICP, and Grantee agrees to comply with any Company request or demand for recoupment.

(D) Grantee agrees that, at any time after Grantee's termination of employment from the Company, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Grantee has relevant information

(E) If one or more of the provisions of this Notice of Award shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Notice of Award to be construed so as to foster the intent of this award and the EICP.

(F) The PSUs are intended to comply with Code section 409A and official guidance issued thereunder. Notwithstanding anything herein to the contrary, this Notice of Award shall be interpreted, operated and administered in a manner consistent with this intention.

(G) Notwithstanding anything herein to the contrary, in the event the Grantee: (i) is an employee of the Company in a country other than the United States (a "Foreign National"), (ii) is not subject to the federal income tax laws of the United States ("U.S. Tax Law") for purposes of these PSUs, and (iii) has certain rights in the vesting and payment of the PSUs upon termination of employment under the laws of the country in which Grantee is employed, the vesting and payment of any unvested PSUs will be in accordance with the terms of a severance agreement entered into between the Company and Grantee that complies with the laws of the country in which Grantee is employed or in the absence of a severance agreement, as may be required by the laws of such country; provided, however, if any PSUs, granted to such Foreign National, are subject to U.S. Tax Law, the payment of such PSUs shall be governed by the terms of this Notice of Award.

(H) The award of PSUs and all terms and conditions related thereto, including those of the EICP, shall be governed by the laws of the Commonwealth of Pennsylvania. Grantee expressly consents that: (i) any action or proceeding relating to a breach or the enforceability of this Notice of Award will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (ii) any such action or proceeding will be heard without a jury. Grantee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The EICP shall control in the event there is a conflict between the EICP and these terms and conditions.

14. CONTACT INFORMATION. Copies of the EICP and Information Statement (Prospectus) for the EICP are available upon request from the myHR Support Center by calling 1-800-878-0440 or by email to myHR@hersheys.com. Contact the VP, Global Total Rewards for information relating to the performance metrics.

**The Hershey Company
100 Crystal A Drive
Hershey, Pennsylvania 17033**

Notice of Special Award of Performance Stock Units

1. **EFFECTIVE DATE AND CONTINGENT TARGET AWARD.** Effective _____ (the “Grant Date”), Grantee will be awarded _____ contingent target Performance Stock Units (“PSUs”) pursuant to the terms of this agreement. The actual number of PSUs earned may be equal to, exceed or be less than the contingent target award, and will be based upon the Grantee’s attainment of the performance goals approved for the [two]/[three]-year performance cycle commencing on the Grant Date (the “Performance Cycle”). Each earned PSU represents the right to receive one share of Hershey Common Stock, \$1.00 par value, at a future date and time, subject to the terms of this Notice of Special Award of Performance Stock Units (the “Notice of Special Award”).

The Grantee will have forty-five (45) days to accept the terms of this Notice of Special Award. By accepting the award of PSUs under this Notice of Special Award, Grantee accepts and agrees to: (i) these terms and conditions, (ii) the terms and conditions of The Hershey Company Equity and Incentive Compensation Plan (“EICP”), which are incorporated herein by reference, and (iii) as applicable, the terms and conditions of The Hershey Company Deferred Compensation Plan, which are incorporated herein by reference. This award of PSUs is expressly contingent upon Grantee agreeing to the obligations contained herein. Failure to agree to all the terms and conditions set forth herein in the form presented by The Hershey Company (“Hershey”) shall result in the PSUs being cancelled, with no benefit to Grantee.

The terms of this Notice of Special Award extend not only to the Grantee and Hershey, but also to Hershey’s past and present affiliated and related companies, subsidiaries, joint ventures, affiliated entities, parent companies and its and their respective successors and assigns, its and their past, present and future benefit and severance plans, including the EICP and the terms and conditions of The Hershey Company Deferred Compensation Plan, and their representatives, agents, trustees, officials, shareholders, officers, directors, employees, attorneys, benefit plan administrators and fiduciaries, both past and present, in their individual or representative capacities, and all of their successors and assigns (collectively with Hershey, the “Company”).

2. **DEFINITIONS.** Wherever used herein, the following terms shall have the meanings set forth below. ***Capitalized terms not otherwise defined in this Notice of Special Award shall have the same meanings as set forth in the EICP.***

(A) “Business Relationships” means the Company’s relationships with customers, suppliers, agents, licensees, licensors and others that likewise give the Company a competitive advantage.

(B) “Committee” means the Compensation and Executive Organization Committee of the Board of Directors.

(C) “Competing Business” means any business, person, entity or group of business entities, regardless of whether organized as a corporation, partnership (general or limited), joint venture, association or other organization that (i) conducts or is planning to conduct a business similar to and/or in competition with any business conducted or planned by the Company and for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) over the last two (2) years of Grantee’s employment with Hershey, or (ii) designs, develops, produces, offers for sale or sells a product or service that can be used as a substitute for or is generally intended to satisfy the same customer needs for, any one or more products or services designed, developed, manufactured, produced or offered for sale or sold by the Company for which Grantee was employed or performed services in a job or had knowledge of the operations of such business(es) of the Company during the two (2) years prior to the termination of Grantee’s employment with Hershey. Grantee acknowledges that he/she will be deemed to have such knowledge if Grantee received, was in possession of or otherwise had access to Confidential Information regarding such business.

(D) “Confidential Information” means trade secrets and other confidential and proprietary information relating to the Company’s business, including, but not limited to, information about Hershey’s manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; information related to Hershey’s legal strategies or legal advice rendered to Hershey; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities.

(E) “Deferred Compensation Plan” means The Hershey Company Deferred Compensation Plan and any successor or replacement plan thereof.

(F) “Disabled” means Grantee is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

(G) “Key Employee” means a “specified employee” under Internal Revenue Code (“Code”) section 409A(a)(2)(B)(i) (i.e., a key employee (as defined in Code section 416(i) (without regard to paragraph (5) thereof)) of a corporation any stock in which is publicly traded on an established securities market or otherwise) and applicable Treasury regulations and other guidance under Code section 409A. Key Employees shall be determined in accordance with Code section 409A and pursuant to the methodology established by the Employee Benefits Committee.

(H) Wherever reference is made to a “performance metric,” the reference is intended to refer to a Performance Goal and the performance period over which attainment of the Performance Goal is measured.

(I) “EICP” means The Hershey Company Equity and Incentive Compensation Plan, as in effect from time to time and any successor or replacement plan thereof.

(J) “Material Contact” means contact for the purpose of furthering the Company’s business.

(K) “Separation from Service” or “Separate from Service” means a “separation from service” within the meaning of Code section 409A.

3. VESTING DATE. On December 31 of the final year of the Performance Cycle (the “Vesting Date”), the Grantee shall vest in the number of PSUs earned based on the Grantee’s actual performance during the Performance Cycle relative to each performance metric, provided that the Grantee has remained in continuous employment with the Company from the Grant Date through such date and has accepted and agreed to all terms and conditions in this agreement.

In the event of a Change in Control, vesting of PSUs, if any, shall be determined in accordance with paragraph 15 of the EICP. In accordance with paragraph 15 of the EICP, if the PSUs are assumed or replaced, or remain outstanding, such that the PSUs as assumed, replaced or continued qualify as a Replacement Award under paragraph 15 of the EICP, the occurrence of the Change in Control shall not affect the vesting or payment of the PSUs which shall then constitute a Replaced Award as defined in the EICP. However, if within two (2) years following the Change in Control and prior to the Vesting Date, Grantee’s employment is terminated by the Company for any reason other than for Cause (as defined in the EICP), by the Grantee for Good Reason (as defined in the EICP), as a result of Grantee’s death or as a result of Grantee becoming Disabled, the Grantee shall immediately vest in the Replacement Award upon such termination based on the provisions of The Hershey Company Executive Benefits Protection Plan (“EBPP”) applicable to Grantee. Notwithstanding the foregoing, if the Committee determines that the PSUs are not replaced in connection with a Change in Control with awards meeting the requirements for Replacement Awards, the Grantee shall vest in the PSUs and receive payment in accordance with the provisions of the EBPP applicable to Grantee.

If prior to the Vesting Date, the Grantee’s employment with the Company terminates for any reason, then the PSUs subject to this Notice of Special Award shall terminate and be completely forfeited on the date of such termination of the Grantee’s employment unless the Grantee is entitled to vesting with respect to the PSUs under the terms of the EICP or other Company-sponsored plan or agreement or as described in this paragraph 3 relating to a Change in Control, paragraph 4 below relating to special vesting conditions or paragraph 13(G) below relating to Foreign Nationals, in which case such vesting of the PSUs will be in accordance with the terms of this Notice of Special Award or the applicable plan, agreement or local law. Notwithstanding anything in the EICP or this Notice of Special Award to the contrary, if the Grantee is terminated for Cause (as defined in the EICP) from the Company prior to payment pursuant to paragraph 6, all of the PSUs will immediately and automatically without any action on the part of the Grantee or the Company, be forfeited by the Grantee.

4. SPECIAL VESTING CONDITIONS. The Committee has determined that the following special vesting conditions shall apply to this award.

(A) If the Grantee’s employment with the Company terminates (i) as a result of the Grantee’s death or (ii) solely as a result of Grantee becoming Disabled, then the Grantee

will vest immediately on the date of such termination in a prorated portion of the PSUs allocated to each performance metric in effect as of the date of employment termination and the number of PSUs earned, if any, will be determined based on the Grantee's actual performance during the Performance Cycle relative to each performance metric measured through the date of termination of employment.

(B) The prorated portion of the earned PSUs allocated to each performance metric, determined as described in paragraph 4(A) above, shall be equal to the number of PSUs allocated at the start of the Performance Cycle to such performance metric multiplied by a fraction, the numerator of which equals the number of full and partial calendar months during the performance period for such performance metric preceding the date of the Grantee's termination and the denominator of which equals the number of months in the performance period for such performance metric. Any fractional share resulting from such calculations shall be eliminated by rounding down to the nearest whole number for each performance metric. Any PSUs subject to this Notice of Special Award in excess of the prorated amounts shall not vest pursuant to paragraph 4(A) but instead shall terminate and be completely forfeited as of the date of termination.

5. **DETERMINATION OF EARNED PSUs.** The number of PSUs earned, if any, with respect to each performance metric shall be determined following the conclusion of the Performance Cycle, based upon achievement against the applicable Performance Goals. Any fractional share resulting from such calculations shall be eliminated by rounding down to the nearest whole number for each performance metric. The determination of earned PSUs and the prorated amounts under paragraphs 4(A) and 4(B) in the event of Grantee's termination due to death or becoming Disabled will be made within 60 days following such termination. The final determination of the number of PSUs earned is subject to review, approval and modification by the Committee.

6. **PAYMENT OF AWARD.** Unless deferred under the Deferred Compensation Plan, earned PSUs that have vested ("Vested Units") shall be paid in the form of a share of Common Stock, unless prohibited by applicable local law or as otherwise provided by the Committee or other applicable agreement or the EBPP, in which case the Vested Units will be paid in the cash equivalent, effective as of (A) the date the Committee approves the number of PSUs earned for the Performance Cycle (or, if earlier, the date the award vests in accordance with the provisions of paragraph 3 applicable upon a Change in Control), (B) the date of Grantee's death, or (C) the date Grantee becomes Disabled. In the event payment is made pursuant to clause (A) above, such payment shall be made as soon as practicable following the Vesting Date and the Committee's approval of the number of PSUs earned, but in no event later than March 15 following the calendar year in which the applicable date occurs. In the event payment is made pursuant to clause (B) or (C) above, such payment shall be made on or before the sixtieth (60th) day following the date of the applicable event.

Notwithstanding the foregoing, distributions due to a Separation from Service may not be made to a Key Employee before the date which is six months after the date of the Key Employee's Separation from Service (or, if earlier, the date of death of the Key Employee). Any payments that would otherwise be made during this period of delay as a result of the Grantee's Separation from Service shall be accumulated and paid within fifteen (15) days after the first day of the seventh month following the Grantee's Separation from Service (or, if earlier, on or before the first day of the third month after the Participant's death).

7. **NON-COMPETITION.** Grantee acknowledges that due to the nature of his/her employment with Hershey, he/she has and will have access to, contact with, and Confidential Information about the Company's business and Business Relationships. Grantee acknowledges that the Company has incurred considerable expense and invested considerable time and resources in developing its Confidential Information and Business Relationships, and that such Confidential Information and Business Relationships are critical to the success of the Company's business. Accordingly, both (i) during the term of his/her employment with Hershey, and (ii) for a period of twelve (12) months following the termination of his/her employment, Grantee, except in the performance of his/her duties to Hershey, shall not, without the prior written consent of Hershey's Chief Human Resources Officer, directly or indirectly serve or act in a consulting, employee or managerial capacity, or engage in oversight of any person who serves or acts in a consulting, employee or managerial capacity, as an officer, director, employee, consultant, advisor, independent contractor, agent or representative of a Competing Business. This restriction shall apply to any Competing Business that conducts business or plans to conduct business in the same or substantially similar geographic area in which Grantee was employed or, directly or indirectly, performed services for Hershey during the two years prior to his/her termination of Grantee's employment. Grantee acknowledges: (i) that the Company's business is conducted throughout the United States and the world, (ii) notwithstanding the state of incorporation or principal office of Hershey, it is expected that the Company will have business activities and have valuable business relationships within its industry throughout the United States and around the world, and (iii) as part of Grantee's responsibilities, Grantee has conducted or may conduct business throughout the United States and around the world in furtherance of the Company's business and its relationships. Grantee further acknowledges and understands that if he/she has any question about whether any prior position which Grantee has held at the Company over the last two (2) years subjects Grantee to specific restrictions, and will be used to identify Competing Business(es), Grantee should contact his/her Human Resource representative at Hershey.

8. **NON-SOLICITATION.** Grantee acknowledges that the Company has invested and will invest significant time and money to recruit and retain its employees and to develop valuable, continuing relationships with existing and prospective clients and customers of the Company. Accordingly, recognizing that Grantee has obtained and will obtain valuable information about employees of the Company and their respective talents and areas of expertise and information about the Company's customers, suppliers, business partners, and/or vendors and their requirements, Grantee agrees both (i) during the term of his/her employment, and (ii) for a period of twelve (12) months following his/her termination of employment, Grantee, except in the performance of his/her duties to Hershey, shall not directly or indirectly (including as an officer, director, employee, consultant, advisor, agent or representative), for himself/herself or on behalf of any other person or entity:

(A) for any purpose that is in competition with any of the aspects of the Company's business, solicit, take away or engage, or participate in soliciting, taking away or engaging, any current or potential customers, suppliers, agents, licensees or licensors of the Company with whom Grantee had contact while employed by Hershey, or about whom Grantee had access to Confidential Information as a result of Grantee's employment; or

(B) recruit, hire, or attempt to recruit or hire, or solicit or encourage to leave their employment with the Company (either directly or by assisting others), any Company employee with whom Grantee had Material Contact during the last two (2) years of

Grantee's employment with Hershey. Notwithstanding the foregoing, this paragraph shall not be violated by (i) general advertising or solicitation not specifically targeted at employees of the Company, or (ii) actions taken by any person or entity with which Grantee is associated if Grantee is not directly or indirectly involved in any manner in the matter and has not identified such employee of the Company for recruiting or solicitation.

9. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION. Grantee acknowledges that due to the nature of his/her employment and the position of trust that he/she holds or will hold with Hershey, he/she will have access to, learn, be provided with, and in some cases will prepare and create for the Company, Confidential Information. Grantee acknowledges and agrees that Confidential Information, whether or not in written form, is the exclusive property of Hershey, that it has been and will continue to be of critical importance to the business of Hershey, and that the disclosure of it will cause the Company substantial and irreparable harm. Accordingly, Grantee will not, either during his/her employment or at any time after the termination of his/her employment with Hershey, use or disclose any Confidential Information relating to the business of the Company which is not generally available to the public. Notwithstanding the foregoing provisions of this paragraph 9, nothing in this Notice of Special Award prevents, prohibits or limits the Grantee from: (1) making any disclosure of relevant and necessary information or documents in connection with any charge, action, investigation, or proceeding relating to this Notice of Special Award, or as required by law or legal process; or (2) communicating with, responding to any inquiries from, providing testimony before, providing Confidential Information to, reporting possible violations of law or regulation to, filing a claim or assisting with an investigation with, a self-regulatory authority or a local, state or federal government agency or commission, including but not limited to the U.S. Equal Employment Opportunity Commission, the Department of Labor (including but not limited to the Occupational Safety and Health Administration), the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress and any agency Inspector General, or from making other disclosures that are protected under the whistleblower provisions of a state or federal law or regulation. You do not need the prior authorization of the Company to engage in conduct protected by this paragraph, and you do not need to notify the Company that you have engaged in such conduct. Further, nothing herein prevents you from receiving any applicable award for information provided to a government enforcement agency. The Company nonetheless asserts and does not waive its attorney-client or other applicable privileges over any information appropriately protected by the privilege.

Notwithstanding anything herein to the contrary, Grantee understands and agrees that his/her obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations Grantee may have under any applicable statute or at common law.

Grantee is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Grantee files a lawsuit for retaliation against Hershey for reporting a suspected violation of law, Grantee may disclose Hershey's trade secrets to Grantee's attorney and use the trade secret information in the court proceeding, provided Grantee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

10. ADDITIONAL RESTRICTIONS AND LIMITATIONS.

(A) To the extent that no PSUs are earned or the Grantee does not vest in any PSUs, all interest in such units and any related shares of Common Stock shall be forfeited. The Grantee shall have no right or interest in any PSU or related share of Common Stock that is forfeited.

(B) Upon each issuance or transfer of shares of Common Stock in accordance with this Notice of Special Award, a number of Vested Units equal to the number of shares of Common Stock issued or transferred to the Grantee shall be extinguished and such number of Vested Units will not be considered to be held by the Grantee for any purpose.

11. WITHHOLDING.

(A) The Company's obligation to deliver shares of Common Stock or cash to settle the Vested Units shall be subject to the satisfaction of applicable tax withholding requirements. The Grantee may pay to the Company any applicable withholding tax due as a result of such payment.

(B) Unless the Grantee has otherwise paid the withholding tax due, the Company shall withhold from any cash which may be paid and/or reduce the number of shares of Common Stock issued to the Grantee to satisfy the minimum applicable tax withholding requirements.

12. OTHER LAWS. The Company shall have the right to refuse to issue or transfer any shares under this Notice of Special Award if the Company acting in its absolute discretion determines that the issuance or transfer of such Common Stock might violate any applicable law or regulation.

13. MISCELLANEOUS.

(A) This Notice of Special Award shall be subject to all of the provisions, definitions, terms and conditions set forth in the EICP and any interpretations, rules and regulations promulgated by the Committee from time to time, all of which are incorporated by reference in this Notice of Special Award. By accepting the PSUs awarded herewith, Grantee acknowledges and agrees that the PSUs are awarded under and governed by the terms and conditions set forth in this document and in the EICP, and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee. Any dispute or disagreement which shall arise under, as a result of, or in any way relate to the interpretation, construction or administration of the EICP or the PSUs awarded thereunder shall be determined in all cases and for all purposes by the Committee or any successor committee, and any such determination shall be final, binding and conclusive for all purposes. In the event of any conflict between this Notice of Special Award and the Employee Confidentiality and Restrictive Covenant Agreement (or similar or successor agreement), if any, applicable to Grantee, this Notice of Special Award shall govern. Grantee acknowledges that a remedy at law for any breach or threatened breach of this Notice of Special Award would be inadequate and therefore agrees that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Grantee acknowledges and agrees that the Company may

apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of this Notice of Special Award and that money damages would not be an adequate remedy. Grantee acknowledges and agrees that a violation of this Notice of Special Award would cause irreparable harm to the Company. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies available by law or equity. If a court determines that Grantee has breached or threatened to breach this Notice of Special Award, Grantee agrees to reimburse the Company for all reasonable attorneys' fees and costs incurred in enforcing its terms. However, nothing contained herein shall be construed as prohibiting the Company from pursuing any other available remedies for a breach, which may include, but not be limited to, contract damages, lost profits and punitive damages.

(B) (i) Grantee acknowledges and agrees that in addition to the relief described in paragraph 13(A), if the Committee determines, in its sole discretion, that Grantee has violated or threatened to violate the terms of this Notice of Special Award or the EICP, or that the Grantee has engaged in any intentional misconduct that caused the Company material financial or reputational harm, then Hershey may cancel any part of the grant that has not vested. In addition, upon the request or direction of the Committee, Grantee shall also immediately deliver to Hershey, the cash equivalent of any PSUs that have vested under this Notice of Special Award, inclusive of any dividends paid on any vested shares. (ii) The term "intentional misconduct" shall include conduct the Committee determines indicates an intentional violation of law, the Company's Code of Conduct, or any of the Company's other material ethics and compliance policies. (iii) In determining whether to recover a payment, the Committee shall take into account such considerations as it deems appropriate, including whether the assertion of a claim may violate applicable law. The Committee shall have the sole discretion in determining whether a grantee's conduct has or has not met any particular standard of conduct under the law or Company policy and whether any financial or reputational harm is material.

(C) Notwithstanding anything in the EICP or this Notice of Special Award to the contrary, Grantee acknowledges that the Company may be entitled or required by law or Hershey policy to recoup compensation paid to Grantee pursuant to the EICP, and Grantee agrees to comply with any Company request or demand for recoupment.

(D) Grantee agrees that, at any time after Grantee's termination of employment from Hershey, he/she will cooperate with the Company in (i) all investigations of any kind, (ii) helping to prepare and review documents and meetings with Company attorneys, and (iii) providing truthful testimony as a witness or a declarant during discovery and/or trial in connection with any present or future court, administrative, agency or arbitration proceeding involving the Company and with respect to which Grantee has relevant information

(E) If one or more of the provisions of this Notice of Special Award shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall

first be construed, interpreted or revised retroactively to permit this Notice of Special Award to be construed so as to foster the intent of this award and the EICP.

(F) The PSUs are intended to comply with Code section 409A and official guidance issued thereunder. Notwithstanding anything herein to the contrary, this Notice of Special Award shall be interpreted, operated and administered in a manner consistent with this intention.

(G) Notwithstanding anything herein to the contrary, in the event the Grantee: (i) is an employee of the Company in a country other than the United States (a "Foreign National"), (ii) is not subject to the federal income tax laws of the United States ("U.S. Tax Law") for purposes of these PSUs, and (iii) has certain rights in the vesting and payment of the PSUs upon termination of employment under the laws of the country in which Grantee is employed, the vesting and payment of any unvested PSUs will be in accordance with the terms of a severance agreement entered into between the Company and Grantee that complies with the laws of the country in which Grantee is employed or in the absence of a severance agreement, as may be required by the laws of such country; provided, however, if any PSUs, granted to such Foreign National, are subject to U.S. Tax Law, the payment of such PSUs shall be governed by the terms of this Notice of Special Award.

(H) The award of PSUs and all terms and conditions related thereto, including those of the EICP, shall be governed by the laws of the Commonwealth of Pennsylvania. Grantee expressly consents that: (i) any action or proceeding relating to a breach or the enforceability of this Notice of Special Award will be brought only in the federal or state courts, as appropriate, located in the Commonwealth of Pennsylvania; and (ii) any such action or proceeding will be heard without a jury. Grantee expressly waives the right to bring any such action in any other jurisdiction and to have such action heard before a jury regardless of where such action is filed. The EICP shall control in the event there is a conflict between the EICP and these terms and conditions.

14. CONTACT INFORMATION. Copies of the EICP and Information Statement (Prospectus) for the EICP are available upon request from the myHR Support Center by calling 1-800-878-0440 or by email to myHR@hersheys.com. Contact the VP, Global Total Rewards for information relating to the performance metrics.

CERTIFICATION

I, Michele G. Buck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHELE G. BUCK

Michele G. Buck
Chief Executive Officer
(Principal Executive Officer)
April 29, 2021



CERTIFICATION

I, Steven E. Voskuil, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/S/ STEVEN E. VOSKUIL

Steven E. Voskuil
Chief Financial Officer
(Principal Financial Officer)
April 29, 2021



CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of The Hershey Company (the "Company") hereby certify, to the best of their knowledge, that the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 4, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2021

/s/ MICHELE G. BUCK

Michele G. Buck
Chief Executive Officer
(Principal Executive Officer)

Date: April 29, 2021

/s/ STEVEN E. VOSKUIL

Steven E. Voskuil
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

