Risk Factors Comparison 2024-02-20 to 2023-02-17 Form: 10-K

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You should carefully read the following discussion of significant factors, events and uncertainties when evaluating our business and the forward- looking information contained in this Annual Report on Form 10- K. The events and consequences discussed in these risk factors could materially and adversely affect our business, operating results, liquidity and financial condition. While we believe we have identified and discussed below the key risk factors affecting our business, these risk factors do not identify all the risks we face, and there may be additional risks and uncertainties that we do not presently know or that we do not currently believe to be significant that may have a material adverse effect on our business, performance or financial condition in the future. Risks Related to Our Business and Operations 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. In order to sell our iconic, branded products, we need to maintain a good reputation with our customers, consumers, suppliers, vendors and employees, among others. Issues related to the quality and safety of our products, ingredients or packaging could jeopardize our Company' s image and reputation. We have in the past **recalled or removed certain products from store shelves,** and may in the future need to **do so again in the future** ~~recall products if any of our products become unfit for consumption~~. Negative publicity related to these types of concerns, or related to product contamination or product tampering, whether valid or not, could decrease demand for our products or cause production and delivery disruptions. In addition, negative publicity related to our environmental, social or governance practices could also impact our reputation with customers, consumers, suppliers and vendors. We have been in the past and in the future could potentially be subject to litigation or government actions 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 could result in payments of fines or damages. Costs associated with these potential actions, as well as the potential impact on our reputation or ability to sell our products, could negatively affect 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. Approximately ~~70~~ **72** % of our manufacturing capacity is located in the United States. Disruption to our global manufacturing operations or our supply chain could result from, among other factors, the following: • Natural ~~disaster~~ **disasters** ; • ~~Pandemic~~ **Pandemics , epidemics or other** outbreak of disease (such as the coronavirus disease 2019 (" COVID- 19 ") global pandemic); • Climate change and severity of extreme weather; • ~~Fire~~ **Fires** or ~~explosion~~ **explosions** ; • Terrorism or other acts of violence; • Labor strikes or other labor activities; • Unavailability of raw or packaging materials **; • Third party service provider disruptions, such as cyber breaches or system failures** ; • Operational and / or financial instability of key suppliers, and other vendors or service providers; and • Suboptimal production planning which could impact our ability to cost- effectively meet product demand. We believe that we take adequate precautions to mitigate the impact of possible disruptions. We have strategies and plans in place to manage disruptive events if they were to occur, including our global supply chain strategies and our principle- based global labor relations strategy. If we are unable, or find that it is not financially feasible, to effectively plan for, mitigate or manage operational stability and business resiliency **risks** , particularly within our international markets and snacks portfolio, due to the potential impacts of such disruptive events on our manufacturing operations or supply chain, our financial condition and results of operations could be negatively impacted if such events were to occur. The Hershey Company | ~~2022~~ **2023** Form 10- K | Page 9 We might not be able to hire, engage and retain the talented global human capital we need to drive our growth strategies. Our future success depends upon our ability to identify, hire, develop, engage and retain talented personnel across the globe. Competition for global talent is intense, and we might not be able to identify and hire the personnel we need to continue to evolve and grow our business. In particular, if we are unable to hire the right individuals to fill new or existing senior management positions as vacancies arise, our business performance may be **adversely** impacted. Activities related to identifying, recruiting, hiring and integrating qualified individuals require significant time and attention. We may also need to invest significant amounts of cash and equity to attract talented new employees, and we may never realize returns on these investments. In addition to hiring new employees, we must continue to focus on retaining and engaging the talented individuals we need to sustain our core business and lead our developing businesses into new markets, channels and categories. This may require significant investments in training, coaching and other career development and retention activities. If we are not able to effectively retain and grow our talent, our ability to achieve our strategic objectives will be adversely affected, which may **negatively** impact our financial condition and results of operations. Risks associated with climate change and other environmental impacts, and increased focus and evolving views of our customers, stockholders and other stakeholders on climate change issues, could negatively affect our business and operations. Climate- related changes can increase variability in, or otherwise impact, natural disasters, including weather patterns, with the potential for increased frequency and severity of significant weather events, natural hazards, rising mean temperature and sea levels, and long- term changes in precipitation patterns. Climate change or weather- related disruptions to our supply chain can impact the availability and cost of materials needed for manufacturing ~~and could~~ **, which may** increase insurance and other operating costs. Increased focus on climate change has led to legislative and regulatory efforts to combat both potential causes and adverse impacts of climate change, including regulation of GHG emissions. New or increasing laws and regulations related to GHG emissions and other climate change related concerns may adversely affect us, our suppliers and our customers, and may require **the Company to invest in** additional capital investments **to maintain compliance** . Our value chain faces similar challenges as our products rely on agricultural ingredients and a global supply chain. Climate change poses a significant and increasing risk to global food production systems and to the safety and resilience of the communities where we live, work and source our ingredients. The GHG impacts of land- use change are most pronounced in our cocoa supply chain, where we have already been working for several years to prevent deforestation **and build climate resilience** . Additionally, any non- compliance with legislative and regulatory requirements could negatively impact our reputation and ability to do business. Investors, customers, advisory services, government regulators and other market participants have increasingly focused on the environmental or sustainability practices of companies, including Hershey. Shareholders and financial institutions have increasingly evaluated a company' s ESG practices, disclosures and performance before making investments or other financial decisions. We believe our **sustainability** practices, disclosures and performance are ~~strong~~ **focused on the most material risks** and **opportunities to our business and support our environmental goals and continue to evolve to meet the** growing **needs of our stakeholders** . However, if our environmental goals do not meet investor or other external stakeholder expectations and standards, our access to capital may be negatively impacted. An enforcement action **for non- compliance with regulations or reporting requirements** could harm our reputation, financial position and ability to grow. A failure to meet **investor or other external stakeholder** expectations **or standards** may adversely affect our results of operations, ability to manage our liquidity, or **ability to** implement our strategies. The Company publishes its environmental goals, with a particular focus on achieving a 50 % absolute reduction in our Scope 1 and 2 GHG emissions and a 25 % absolute reduction in our Scope 3 GHG emissions by 2030 (compared to a 2018 baseline), as well as having 100 % of plastic packaging be **recyclable,** reusable ~~, recyclable~~ or compostable and **eliminating** 25 million pounds of packaging ~~be eliminated~~ by 2030. The costs of these voluntary commitments may be greater than expected, and there can be no assurance the Company will achieve its goals, or meet the evolving sustainability expectations and standards of our investors or other external stakeholders. Any failure to achieve our goals, a perception of our failure to act responsibly with respect to the environment, or failure to respond to new or evolving legal and ~~regulatory~~ **regulatoryThe** ~~requirements or other sustainability concerns could adversely affect our business, reputation and increase risk of litigation. The~~ Hershey Company | ~~2022~~ **2023** Form 10- K | Page 10 **requirements or other sustainability concerns could adversely affect our business, reputation and increase risk of litigation.** The effects and costs of climate change, or any failure to meet related requirements and expectations, could have a negative impact on our reputation, financial condition and results of operations. Risks Related to the Industry in Which We Operate Increases in raw material and energy costs along with the availability of adequate supplies of raw materials could affect future financial results. We use many different commodities for our business, including cocoa products, sugar, corn products, dairy products, wheat products, peanuts, almonds, natural gas and diesel fuel. Commodities are subject to price volatility and changes in supply caused by numerous factors, including: • Commodity market fluctuations; • Currency ~~exchanges~~ - **exchange** rates; • Imbalances between supply and demand; • Rising levels of inflation and interest rates related to domestic and global economic conditions or supply chain issues; • The effects of climate change and extreme weather on crop yield and quality; • Speculative influences; • Trade agreements among producing and consuming nations; • Supplier compliance with commitments; • Import / export requirements for raw materials and finished goods; • Political unrest in producing countries; • Introduction of living income premiums or similar requirements; • Changes in governmental agricultural programs and energy policies; and • Other events beyond our control such as the impacts on the business or supply chain arising from the **ongoing** conflict between Russia and Ukraine. Although we use forward contracts and commodity futures and options contracts ~~where possible~~ to hedge commodity prices **where possible** , commodity price increases ultimately result in corresponding increases in our raw material and energy costs. If we are unable to offset cost increases for major raw materials and energy, there could be a negative impact on our financial condition and results of operations. Price increases may not be sufficient to offset cost increases and maintain profitability or may result in sales volume declines associated with pricing elasticity. We may be able to pass some or all raw material, energy and other input cost increases to customers by increasing the selling prices of our products or decreasing the size of our products; however, higher product prices or decreased product sizes may also result in a reduction in sales volume and / or consumption. If we are not able to increase our selling prices or reduce product sizes (including if inflation outpaces our pricing elasticity) sufficiently, or in a timely manner, to offset increased raw material, energy or other input costs, including packaging, freight, direct labor, overhead and employee benefits, or if our sales volume decreases significantly, there could be a negative impact on our financial condition and results of operations. **The Hershey Company | 2023 Form 10- K | Page 11** Market demand for new and existing products could decline. We operate in highly competitive markets and rely on continued demand for our products. To generate revenues and profits, we must sell products that appeal to our customers and to consumers. Our continued success is impacted by many factors, including the following: • Effective retail execution; • Appropriate advertising campaigns and marketing programs; • Our ability to secure adequate shelf space at retail locations; • Our ability to drive sustainable innovation and maintain a strong pipeline of new products in the confectionery and broader snacking categories; • **Our ability to react to** ~~Changes~~ **changes** in product category consumption; • Our response to consumer demographics and trends, including but not limited to, trends relating to store trips and the impact of the growing digital commerce channel; **and** ~~andThe Hershey Company | 2022 Form 10- K | Page 11~~ • Consumer health **and wellness** concerns, including ~~obesity~~ **weight management (i. e., use of medications, dieting)** and the consumption of certain ingredients. There continues to be competitive product and pricing pressures in the markets where we operate, as well as challenges in maintaining profit margins. We must maintain mutually beneficial relationships with our key customers, including retailers and distributors, to compete effectively. Our largest customer, McLane Company, Inc., accounted for approximately 28 % of our total net sales in ~~2022~~ **2023** . McLane Company, Inc. is one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers, including Wal- Mart Stores, Inc. Increased marketplace competition could hurt our business. The global confectionery and snacks packaged goods industry is intensely competitive and consolidation in this industry continues. Some of our competitors are large **private** companies **, as well as large retailers,** that have significant resources and substantial international operations. We continue to experience increased levels of in- store activity for other snack items, which has pressured confectionery category growth. In order to protect our existing market share or capture increased market share in this highly competitive retail environment, we may be required to increase expenditures for promotions and advertising, and must continue to introduce and establish new products. Due to inherent risks in the marketplace associated with advertising and new product introductions, including uncertainties about trade and consumer acceptance, increased expenditures may not prove successful in maintaining or enhancing our market share and could result in lower sales and profits. In addition, we may incur increased credit and other business risks because we operate in a highly competitive retail environment. Risks Related to Strategic Initiatives Our financial results may be adversely impacted by the failure to successfully execute or integrate acquisitions, divestitures and joint ventures. From time to time, we may evaluate potential acquisitions, divestitures or joint ventures that align with our strategic objectives. The success of such activity depends, in part, upon our ability to identify suitable buyers, sellers or business partners; perform effective assessments prior to contract execution; negotiate contract terms; and, if applicable, obtain government approval. These activities may present certain financial, managerial, staffing and talent, and operational risks, including diversion of management' s attention from existing core businesses; difficulties integrating or separating businesses from existing operations; and challenges presented by acquisitions or joint ventures which may not achieve sales levels and profitability that justify the investments made. If the acquisitions, divestitures or joint ventures are not successfully implemented or completed, there could be a negative impact on our financial condition, results of operations and cash flows. In **2023, we completed the acquisition of certain assets that provide additional manufacturing capacity from Weaver Popcorn, a manufacturer of SkinnyPop popcorn, which helped us strengthen our supply chain capabilities. In** 2021, we successfully completed the divestiture of LSFC as we better prioritize resources against assets and brands that fit our business model and scale capabilities. Additionally, we completed the acquisitions of Lily' s in June 2021 and Dot' s and Pretzels in December 2021. While we believe significant operating synergies can be obtained in connection with these acquisitions, achievement of these synergies will be driven by our ability to successfully leverage Hershey' s resources, expertise, capability-...... footprint at our desired pace. The **sThe** Hershey Company | ~~2022~~ **2023** Form 10- K | Page 12 ~~s~~ resources,expertise,capability- building,distribution locations and customer base.In addition,the acquisitions of Dot' s and Pretzels are important steps in our journey to expand our breadth in snacking,as they should enable us to bring scale and category management capabilities to a key sub- segment of the warehouse snack aisle.If we are unable to successfully couple Hershey' s scale and expertise in brand building with Lily' s,Dot' s and Pretzels' existing operations,it may impact our ability to expand our snacking footprint at our desired pace **.** Our international operations may not achieve projected growth objectives, which could adversely impact our overall business and results of operations. In **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively, we derived approximately 12. **7 %, 12.** 5 % ~~,~~ **and** 13. 0 ~~% and 13. 6~~ % of our net sales from customers located outside of the United States. Additionally, approximately ~~18~~ **17** % of our total long- lived assets were located outside of the United States as of December 31, ~~2022~~ **2023** . As part of our strategy, we have made investments outside of the United States, particularly in Canada, Malaysia, Mexico, Brazil and India. As a result, we are subject to risks and uncertainties relating to international sales and operations, including: • The inability to manage operational stability and business resiliency within our international markets due to unforeseen global economic and environmental changes resulting in business interruption, supply constraints, inflation, deflation or decreased demand; • The inability to establish, develop and achieve market acceptance of our global brands in international markets; • Difficulties and costs associated with compliance and enforcement of remedies under a wide variety of complex laws, treaties and regulations; • Unexpected changes in regulatory environments; • Political and economic instability, including the possibility of civil unrest, terrorism, mass violence or armed conflict; • Nationalization of our properties by foreign governments; • Tax rates that may exceed those in the United States and earnings that may be subject to withholding requirements and incremental taxes upon repatriation; • Potentially negative consequences from changes in tax laws; • The imposition of tariffs, quotas, trade barriers, other trade protection measures and import or export licensing requirements; • Increased costs, disruptions in shipping or reduced availability of freight transportation; • The impact of currency exchange rate fluctuations between the U. S. dollar and foreign currencies; • Failure to gain sufficient profitable scale in certain international markets resulting in an inability to cover manufacturing fixed costs or resulting in losses from impairment or sale of assets; and • Failure to recruit, retain and build a talented and engaged global workforce. If we are not able to achieve our projected international growth objectives and mitigate the numerous risks and uncertainties associated with our international operations, there could be a negative impact on our financial condition 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. We depend on our ability to evolve and grow, and as changes in our business environment occur, we may adjust our business plans by introducing new strategic initiatives or restructuring programs to meet these changes. Recently introduced strategic initiatives include our efforts to continue to expand our presence in digital commerce, to transform our manufacturing, commercial and corporate operations through digital technologies and to enhance our data analytics capabilities to develop new commercial insights. If we are not able to capture our share of the expanding digital commerce market, if we do not adequately leverage technology to improve operating efficiencies or if we are unable to develop the data analytics capabilities needed to generate actionable commercial insights, our business performance may be impacted, which may negatively impact our financial condition and results of operations. Additionally, from time to time we implement business realignment activities to support key strategic initiatives designed to maintain long- term sustainable growth, such as the International Optimization Program, which we commenced in the fourth quarter of 2020 **and completed in 2023** . This program ~~is~~ **was** intended to increase our operating effectiveness and efficiency, to reduce our costs and / or to generate savings that can be reinvested in other areas of **ourThe** ~~our business. We cannot guarantee that we will be able to successfully implement these strategic initiatives and restructuring programs, that we will achieve or sustain the intended benefits under these programs, or that the benefits, even if achieved, will be adequate to meet our long- term growth and~~

~~profitability expectations, which could in turn adversely affect our business. The~~ Hershey Company | ~~2022~~ **2023** Form 10- K | Page 13 **business. Additionally, in February 2024, the Board of Directors approved the Advancing Agility & Automation Initiative, which is a multi- year productivity program to improve supply chain and manufacturing- related spend, optimize selling, general and administrative expenses, leverage new technology and business models to further simplify and automate processes, and generate long- term savings. We cannot guarantee that we will be able to successfully implement these strategic initiatives and restructuring programs, that we will achieve or sustain the intended benefits under these programs, or that the benefits, even if achieved, will be adequate to meet our long- term growth and profitability expectations, which could in turn adversely affect our business.** Risks Related to Governmental and Regulatory Changes Changes in governmental laws and regulations could increase our costs and liabilities or impact demand for our products. Changes in **U. S. and non- U. S.** laws and regulations and the manner in which they are interpreted or applied may alter our business environment. These negative impacts could result from changes in food and drug laws, laws related to advertising and marketing practices, accounting standards, taxation compliance and requirements, competition laws, employment laws, import / export requirements and environmental laws, among others. **For example, the European Union' s Deforestation Regulation (" EUDR ") will require the Company to conduct extensive diligence on seven commodities, including cocoa, palm oil and soy, as well as products derived from these commodities, such as chocolate, and the value chain, to ensure the goods do not result from recent deforestation, forest degradation, or breaches of local laws in order to sell such products in the European Union market or exported from it. The EUDR is scheduled to be effective in December 2024. The EUDR, and other current or proposed regulations in markets in which we operate, are likely to increase our compliance costs, could depress sales in such markets if our products are not in compliance by applicable effective dates, and could result in fines and penalties or reputational harm if we do not fully comply.** It is possible that we could become subject to additional liabilities in the future resulting from changes in laws and regulations that could result in an adverse effect on our financial condition and results of operations. Political, economic and / or financial market conditions, including impacts on our business arising from the **ongoing** conflict between Russia and Ukraine, could negatively impact our financial results. Our operations are impacted by consumer spending levels and impulse purchases, which are affected by general macroeconomic conditions, consumer confidence, employment levels, the availability of consumer credit and interest rates on that credit, consumer debt levels, energy costs and other factors. Volatility in food and energy costs, sustained global recessions, broad political instability, rising unemployment, pandemic **, or other** outbreak of disease (such as COVID- 19), climate change, weather, natural and other disasters and declines in personal spending could adversely impact our revenues, profitability and financial condition. Changes in financial market conditions may make it difficult to access credit markets on commercially acceptable terms, which may reduce liquidity or increase borrowing costs for our Company, our customers and our suppliers. A significant reduction in liquidity could increase counterparty risk associated with certain suppliers and service providers, resulting in disruption to our supply chain and / or higher costs, and could impact our customers, resulting in a reduction in our revenue, or a possible increase in bad debt expense. Additionally, in February 2022, Russia invaded Ukraine and this conflict is still ongoing. In response, the U. S. and other countries have imposed sanctions on Russia and may impose further sanctions that could damage or disrupt international commerce and the global economy. With respect to the conflict between Russia and Ukraine, the situation remains dynamic and subject to rapid and possibly material change. The Company' s efforts to manage and mitigate any direct or indirect effects from this conflict may ultimately be unsuccessful, and the effectiveness of these efforts depends on factors beyond our control, including the duration of the conflict and potential governmental actions. The potential effects of the ongoing conflict between Russia and Ukraine may also impact many of the other risk factors described herein. **The Hershey Company | 2023 Form 10- K | Page 14** Risks Related to Digital Transformation, Cybersecurity and Data Privacy Disruptions, failures or security breaches of our information technology infrastructure could have a negative impact on our operations. Information technology is critically important to our business operations. We use information technology to manage all business processes including manufacturing, financial, logistics, sales, marketing and administrative functions. These processes collect, interpret and distribute business data and communicate internally and externally with employees, suppliers, customers and other third parties. We are regularly the target of cyber, ransomware and other security threats. Therefore, we continuously monitor and update our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. We invest in industry standard security technology to protect the Company' s data and business processes against risk of data security breach and cyber attack. Our data security management program includes identity, trust, vulnerability and threat management business processes as well as adoption of standard data protection policies. We measure our data security effectiveness through industry- accepted methods and remediate significant findings. Additionally, we certify our major technology suppliers and any outsourced services through accepted security certification standards. We maintain and routinely test backup systems and disaster recovery, along with external network security penetration testing by an independent third party as part of our business resiliency preparedness. We also have processes in place to prevent disruptions resulting from our implementation of new software and systems. ~~The Hershey Company | 2022 Form 10~~ **Employees are trained annually on cybersecurity wellness and our acceptable use policy and we have implemented phishing simulations to increase awareness and compliance. We also currently maintain a cyber insurance policy that provides coverage for security breaches; however, such insurance may not be sufficient in type or amount to cover us against claims related to security breaches, cyber** - ~~K | Page 14 While we~~ **attacks and other related breaches. We** have been subject to cyber attacks, ransomware and other security breaches, **though** these incidents ~~did~~ **historically have** not ~~have~~ **had** a significant impact on our business operations. ~~We believe~~ **The techniques that are used to obtain unauthorized access, disable** ~~our~~ - **or** ~~security technology tools~~ **degrade service or sabotage systems change frequently** and ~~processes provide adequate measures~~ **may be difficult to detect for long periods** of **time** ~~protection against security and data breaches and in~~

~~reducing cybersecurity risks. Nevertheless~~ , **and the sophistication of efforts by hackers to gain unauthorized access to information systems has continued to increase in recent years and may continue to do so.** ~~despite~~ **Despite** continued vigilance in these areas, disruptions in or failures of information technology systems are possible and could have a negative impact on our operations or business reputation. **For instance, in September 2023, we experienced a smishing breach, which did not have an impact on our consolidated financial statements. Promptly after extracting the threat actor, we worked with a cyber expert firm and determined that certain employee and third- party personal information was exposed.** Failure of our systems, including failures due to cyber attacks **, ransomware or other security breaches** that would prevent the ability of systems to function as intended, could cause transaction errors, loss of customers and sales, and could have negative consequences to our Company, our employees and those with whom we do business. This in turn could have a negative impact on our financial condition and results or operations. In addition, the cost to remediate any damages to our information technology systems suffered as a result of a cyber attack **, ransomware or other security breach** could be significant. Complications with the design or implementation of our new enterprise resource planning system could adversely impact our business and operations. 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. This ERP system 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 ERP system implementation process has required, and will continue to require, the investment of significant personnel and financial resources. We may not be able to successfully implement the ERP system without experiencing further delays, increased costs and other difficulties. If we are unable to successfully design and implement the new ERP system as planned, our financial positions, results of operations and cash flows could be negatively impacted. Additionally, if we do not effectively implement the ERP system as planned or the ERP system does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected or our ability to assess those controls adequately could be further delayed.