

HERSHEY CO  
Form DEF 14A  
March 23, 2017

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. \_\_)**

Filed by the Registrant    Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**The Hershey Company**

**(Name of Registrant as Specified In Its Charter)**

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Wednesday, May 3, 2017**

**10:00 a.m., Eastern Daylight Time**

**GIANT Center**

The 2017 Annual Meeting of Stockholders (the **Annual Meeting**) of The Hershey Company (the **Company**) will be held on Wednesday, May 3, 2017, beginning at 10:00 a.m., Eastern Daylight Time, at GIANT Center, 550 West Hersheypark Drive, Hershey, Pennsylvania. The purposes of the meeting are as follows:

1. To elect the 12 nominees named in the Proxy Statement to serve as directors of the Company until the 2018 Annual Meeting of Stockholders;
2. To ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2017;
3. To conduct an advisory vote regarding the compensation of the Company's named executive officers;
4. To conduct an advisory vote regarding the frequency of future advisory votes on named executive officer compensation; and

5. To discuss and take action on any other business that is properly brought before the Annual Meeting. The Proxy Statement accompanying this Notice of 2017 Annual Meeting of Stockholders describes each of these items in detail. The Proxy Statement contains other important information that you should read and consider before you vote.

The Board of Directors of the Company has established the close of business on March 6, 2017 as the record date for determining the stockholders who are entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

The Company is furnishing proxy materials to its stockholders through the Internet as permitted under the rules of the Securities and Exchange Commission. Under these rules, many of the Company's stockholders will receive a Notice of Internet Availability of Proxy Materials instead of a paper copy of the Notice of 2017 Annual Meeting of Stockholders and Proxy Statement, our proxy card, and our Annual Report on Form 10-K. We believe this process gives us the opportunity to serve you more efficiently by making the proxy materials available quickly online and reducing costs associated with printing and postage. Stockholders who do not receive a Notice of Internet Availability of Proxy Materials will receive a paper copy of the proxy materials by mail.

By order of the Board of Directors,

Leslie M. Turner

Senior Vice President,

General Counsel and Secretary

March 23, 2017

**Your vote is important. Instructions on how to vote are contained in our Proxy Statement and in the Notice of Internet Availability of Proxy Materials. Please cast your vote by telephone or over the Internet as described in those materials. Alternatively, if you requested a copy of the proxy/voting instruction card by mail, you may mark, sign, date and return the proxy/voting instruction card in the envelope provided.**

## 2017 ANNUAL MEETING OF STOCKHOLDERS

**Date and Time:** Wednesday, May 3, 2017  
10:00 a.m., Eastern Daylight Time

**Place:** GIANT Center  
550 West Hersheypark Drive  
Hershey, Pennsylvania 17033

**Record Date:** March 6, 2017

### VOTING MATTERS AND BOARD RECOMMENDATIONS

Voting Matter		Board Vote Recommendation	Page Number with More Information
<b>Proposal 1:</b>	<b>Election of Directors</b>	<b>FOR each nominee</b>	<b>22</b>
<b>Proposal 2:</b>	<b>Ratification of Appointment of Ernst &amp; Young LLP as Independent Auditors</b>	<b>FOR</b>	<b>40</b>
<b>Proposal 3:</b>	<b>Advise on Named Executive Officer Compensation</b>	<b>FOR</b>	<b>82</b>
<b>Proposal 4:</b>	<b>Advise on Frequency of Future Advisory Votes on Named Executive Officer Compensation</b>	<b>1 YEAR</b>	<b>83</b>

*This Proxy Statement Summary contains highlights of certain information in this Proxy Statement. Because it is only a summary, it does not contain all the information that you should consider prior to voting. Please review the complete Proxy Statement and the Company's 2016 Annual Report on Form 10-K that accompanies the Proxy Statement for additional information.*

## OUR DIRECTOR NOMINEES

You have the opportunity to vote on the election of the following 12 nominees for director. Additional information regarding each director nominee's experience, skills and qualifications to serve as a member of the Company's Board of Directors (the Board) can be found in the Proxy Statement under Proposal No. 1 Election of Directors.

Name	Age	Years on		Position	Independent	Committee
		Board				Memberships*
Pamela M. Arway	63	7		Former President, Japan/Asia Pacific/Australia Region, American Express International, Inc.	Yes	Audit Executive Governance <sup>+</sup>
John P. Bilbrey**	60	6		Chairman of the Board, The Hershey Company	No	Executive <sup>+</sup>
James W. Brown	65	0		Director, Hershey Trust Company; Member, Board of Managers, Milton Hershey School	Yes	None
Michele G. Buck	55	0		President and Chief Executive Officer, The Hershey Company	No	None
Charles A. Davis	68	10		Chief Executive Officer, Stone Point Capital LLC	Yes	Audit <sup>+</sup>
Mary Kay Haben	60	4		Former President, North America, Wm. Wrigley Jr. Company	Yes	Executive Compensation Governance
M. Diane Koken	64	0		Director, Hershey Trust Company; Member, Board of Managers, Milton Hershey School	Yes	None
Robert M. Malcolm	64	6		Former President, Global Marketing, Sales & Innovation, Diageo PLC	Yes	Compensation Finance & Risk Audit
James M. Mead	71	6		Founder and Managing Director, JM Mead, LLC	Yes	Compensation <sup>+</sup>
Anthony J. Palmer	57	6		President, Global Brands and Innovation, Kimberly-Clark Corporation	Yes	Executive Compensation Finance & Risk
Thomas J. Ridge	71	10		Chairman, Ridge Global, LLC	Yes	Finance & Risk

					Governance Compensation
David L. Shedlarz	68	9	Former Vice Chairman, Pfizer Inc.	Yes	Executive
					Finance & Risk <sup>+</sup>

\* Compensation = Compensation and Executive Organization Committee

Finance & Risk = Finance and Risk Management Committee

\*\* Mr. Bilbrey retired from the position of President and Chief Executive Officer of the Company effective March 1, 2017

+ Committee Chair

## **GOVERNANCE HIGHLIGHTS**

12 director nominees; 10 are independent

Average age of director nominees is 64

Average tenure of director nominees is 5 years

3 new directors/director nominees in 2017

One-third of director nominees are female

Highly qualified directors reflect broad mix of business backgrounds, skills and experiences

Separate Chairman of the Board and Chief Executive Officer positions as of March 1, 2017

Strong Lead Independent Director position

4 fully independent Board committees plus an Executive Committee

Executive session of independent directors held at each regularly-scheduled Board meeting

Declassified Board    all directors elected annually

Frequent Board and committee meetings to ensure awareness and alignment

- i 13 Board meetings in 2016
- i 34 standing committee meetings in 2016
- i 4 special committee meetings in 2016

On average, directors attended 94% of Board and committee meetings held in 2016

Generally, each committee chair required to step down after 4 consecutive years as chair

Annual Board and committee self-assessments and discussions with individual directors

Resignation requirement upon material change in director occupation (subject to acceptance by the Board)

Directors generally not nominated for re-election after 72<sup>nd</sup> birthday

Strong clawback and anti-hedging policies

Significant stock ownership requirements for directors and senior executives

Active role in risk oversight, including separate risk management committee

Annual advisory vote on named executive officer compensation

- i Approximately 95% stockholder approval (based on votes cast) every year

2 directors elected by holders of common stock voting separately

## EXECUTIVE COMPENSATION HIGHLIGHTS

Our executive compensation program is intended to provide competitive compensation based on performance and contributions to the Company, to incentivize, attract and retain key executives, to align the interests of our executive officers and our stockholders and to drive stockholder value over the long term. To achieve these objectives, our executive compensation program includes the following key features:

**We Pay for Performance** by aligning our short- and long-term incentive compensation plans with business strategies to reward executives who achieve or exceed applicable Company and business division goals.

- i In 2016, approximately 70% of the target total direct compensation for our Chief Executive Officer ( CEO ) and, on average, 60% of the target total direct compensation for our other named executive officers ( NEOs ) was variable and tied to Company performance.
- i Payouts under our annual cash incentive program for 2016 were 100% performance based.
- i 50% of the equity awards granted to our NEOs in 2016 took the form of performance stock units, which will be earned based on achievement of pre-determined performance goals.
- i 25% of the equity awards granted to our NEOs in 2016 took the form of stock options, which will only have value to our NEOs to the extent our stock price increases over the long term.

**We Pay Competitively** by targeting total cash compensation and total direct compensation for each of our NEOs around the 50<sup>th</sup> percentile of our defined market for talent.

- i We regularly review and, as appropriate, make changes to our peer group to ensure it is representative of our market for talent, our business portfolio, our overall size and our global footprint.
- i We do not provide excessive benefits and perquisites to our executives.

**We Align Our Compensation Program with Stockholder Interests** by providing a significant amount of each NEO's compensation opportunity in the form of equity and requiring executive stock ownership.

- i Equity grants represented 65% of our CEO's 2016 target total direct compensation and, on average, 52% of the 2016 target total direct compensation for our other NEOs.
- i

Stock ownership requirements for our NEOs range from 5x salary (for our CEO) to 3x salary (for NEOs other than our CEO).

**CEO Target Total Direct Compensation for 2016**

Compensation Element	% of Total	Description	Cash	Equity
Salary	14	Fixed annual cash amount		
Annual Cash Incentive	21	Variable annual cash payment		
Long-Term Incentive	65	Equity awards with 3-4 year vest periods		

The Board of Directors (the **Board**) of The Hershey Company (the **Company**, **we**, or **us**) is furnishing this Proxy Statement and the accompanying form of proxy in connection with the solicitation of proxies for the 2017 Annual Meeting of Stockholders of the Company (the **Annual Meeting**). The Annual Meeting will be held on May 3, 2017, beginning at 10:00 a.m., Eastern Daylight Time ( **EDT** ), at GIANT Center, 550 West Hersheypark Drive, Hershey, Pennsylvania 17033.

**Important Notice Regarding the Availability of Proxy Materials for the**

**2017 Annual Meeting of Stockholders to be held on May 3, 2017**

**The Notice of 2017 Annual Meeting of Stockholders and Proxy Statement, our proxy card, our Annual Report on Form 10-K and other annual meeting materials are available free of charge on the Internet at [www.proxyvote.com](http://www.proxyvote.com).** We intend to begin mailing our Notice of Internet Availability of Proxy Materials to stockholders on or about March 23, 2017. At that time, we also will begin mailing paper copies of our proxy materials to stockholders who requested them.

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING**

**Q: Who is entitled to attend and vote at the Annual Meeting?**

**A:** You can attend and vote at the Annual Meeting if, as of the close of business on March 6, 2017 (the **Record Date**), you were a stockholder of record of the Company's common stock ( **Common Stock** ) or Class B common stock ( **Class B Common Stock** ). As of the Record Date, there were 152,069,763 shares of our Common Stock and 60,619,777 shares of our Class B Common Stock outstanding.

**Q: How do I gain admission to the Annual Meeting?**

**A:** If you are a *registered stockholder*, you must bring with you the Notice of Internet Availability of Proxy Materials and a government-issued photo identification (such as a valid driver's license or passport) to gain admission to the Annual Meeting. If you did not receive a Notice of Internet Availability of Proxy Materials because you elected to receive a paper copy of the proxy materials, please bring the admission ticket printed on the top half of the proxy card supplied with those materials, together with your government-issued photo identification. If you receive your proxy materials by email, please call our Investor Relations Department at (800) 539-0261 and request an admission ticket for the meeting.

If you hold your shares in *street name* and want to attend the Annual Meeting, you must bring your government-issued photo identification, together with:

The Notice of Internet Availability of Proxy Materials you received from your broker, bank or other holder of record; or

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A letter from your broker, bank or other holder of record indicating that you were the beneficial owner of Company stock as of the Record Date; or

Your most recent account statement indicating that you were the beneficial owner of Company stock as of the Record Date.

**Q: What is the difference between a registered stockholder and a stockholder who owns stock in street name?**

**A:** If you hold shares of Common Stock or Class B Common Stock directly in your name on the books of the Company's transfer agent, you are a *registered stockholder*. If you own your Company shares indirectly through a broker, bank or other holder of record, then you are a beneficial owner and those shares are held in *street name*.

**Q: What are the voting rights of each class of stock?**

**A:** Stockholders are entitled to cast one vote for each share of Common Stock held as of the Record Date, and 10 votes for each share of Class B Common Stock held as of the Record Date. There are no cumulative voting rights.

**Q: Can I vote my shares before the Annual Meeting?**

**A:** Yes. If you are a *registered stockholder*, there are three ways to vote your shares before the Annual Meeting:

By Internet ([www.proxyvote.com](http://www.proxyvote.com)) Use the Internet to transmit your voting instructions until 11:59 p.m. EDT on May 2, 2017. Have your Notice of Internet Availability of Proxy Materials or proxy card available and follow the instructions on the website to vote your shares.

By telephone (800-690-6903) Submit your vote by telephone until 11:59 p.m. EDT on May 2, 2017. Have your Notice of Internet Availability of Proxy Materials or proxy card available and follow the instructions provided by the recorded message to vote your shares.

By mail If you received a paper copy of the proxy materials, you can vote by mail by filling out the proxy card enclosed with those materials and returning it pursuant to the instructions set forth on the card. To be valid, proxy cards must be received before the start of the Annual Meeting.

If your shares are held in street name, your broker, bank or other holder of record may provide you with a Notice of Internet Availability of Proxy Materials that contains instructions on how to access our proxy materials and vote online or to request a paper or email copy of our proxy materials. If you received these materials in paper form, the materials included a voting instruction card so you can instruct your broker, bank or other holder of record how to vote your shares.

Please see the Notice of Internet Availability of Proxy Materials or the information your bank, broker or other holder of record provided you for more information on these voting options.

**Q: Can I vote in person at the Annual Meeting instead of by proxy?**

**A:** If you are a *registered stockholder*, you can vote at the Annual Meeting any shares that were registered in your name as the stockholder of record as of the Record Date.

If your shares are held in *street name*, you cannot vote those shares at the Annual Meeting unless you have a legal proxy from the holder of record. If you plan to attend and vote your street-name shares at the Annual Meeting, you should request a legal proxy from your broker, bank or other holder of record and bring it with you to the Annual Meeting.

If you plan to vote at the Annual Meeting, please pick up a ballot at the designated voting booth upon your arrival. You may then either deposit your ballot in any of the designated ballot boxes located inside the meeting room before the meeting begins or submit your ballot to a meeting usher at the time designated during the meeting. *Ballots will not be distributed during the meeting.* Shares may not be voted after the polls close.

Whether or not you plan to attend the Annual Meeting, we strongly encourage you to vote your shares by proxy prior to the Annual Meeting.

**Q: Can I revoke my proxy or change my voting instructions once submitted?**

**A:** If you are a *registered stockholder*, you can revoke your proxy and change your vote prior to the Annual Meeting by:

Sending a written notice of revocation to our Corporate Secretary at 100 Crystal A Drive, Hershey, Pennsylvania 17033 (the notification must be received by the close of business on May 2, 2017);

Voting again by Internet or telephone prior to 11:59 p.m. EDT on May 2, 2017 (only the latest vote you submit will be counted); or

Submitting a new properly signed and dated paper proxy card with a later date (your proxy card must be received before the start of the Annual Meeting).

If your shares are held in *street name*, you should contact your broker, bank or other holder of record about revoking your voting instructions and changing your vote prior to the Annual Meeting.

If you are eligible to vote at the Annual Meeting, you also can revoke your proxy or voting instructions and change your vote at the Annual Meeting by submitting a written ballot before the polls close.

**Q: What will happen if I submit my proxy but do not vote on a proposal?**

**A:** If you submit a valid proxy but fail to provide instructions on how you want your shares to be voted, your proxy will be voted in the manner recommended by the Board on all matters presented in this Proxy Statement, which is as follows:

FOR the election of all director nominees;

FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors;

FOR the approval of the compensation of the Company's named executive officers ( NEOs ); and

For 1 YEAR as the frequency of future advisory votes on NEO compensation.

If any other item is properly presented for a vote at the Annual Meeting, the shares represented by your properly submitted proxy will be voted at the discretion of the proxies.

**Q: What will happen if I neither submit my proxy nor vote my shares in person at the Annual Meeting?**

**A:** If you are a *registered stockholder*, your shares will not be voted.

If your shares are held in *street name*, your broker, bank or other holder of record may vote your shares on certain routine matters. The ratification of independent auditors is currently considered to be a routine matter. On this matter, your broker, bank or other holder of record can:

Vote your street-name shares even though you have not provided voting instructions; or

Choose not to vote your shares.

The other matters you are being asked to vote on are not routine and cannot be voted by your broker, bank or other holder of record without your instructions. When a broker, bank or other holder of record is unable to vote shares for this reason, it is called a broker non-vote.

**Q: How do I vote if I am a participant in one of the Company's 401(k) Plans?**

**A:** If you are a participant in either The Hershey Company 401(k) Plan or The Hershey Company Puerto Rico 401(k) Plan, you may have certain voting rights with respect to shares of our Common Stock credited to your account in the plan. You do not own these shares. They are owned by the plan trustee.

Each of the plans provides you with voting rights based on the number of shares of Common Stock that were constructively invested in your plan account as of the close of business on the Record Date. We originally contributed these shares to the plan on your behalf as matching or supplemental retirement contributions. You may vote these shares in much the same way as registered stockholders vote their shares, but you have an earlier deadline. Your vote must be received by the plan trustee by 11:59 p.m. EDT on April 28, 2017. You may vote these shares by following the instructions provided on the Notice of Internet Availability of Proxy Materials and on the voter website, [www.proxyvote.com](http://www.proxyvote.com). If you requested a paper copy of the proxy materials, you also may vote by mail by signing, dating and returning the proxy/voting instruction card included with those materials.

The plan trustee will submit one proxy to vote all shares of Common Stock in the plan. The trustee will vote the shares of Common Stock credited to participants submitting voting instructions in accordance with their instructions and will vote the shares of Common Stock in the plan for which no voting instructions were received in the same proportion as the final votes of all participants who actually voted. Please note that if you do not submit voting instructions for the shares of Common Stock in your account by the voting deadline, those shares will be included with the other undirected shares and voted by the trustee as described above. Because the trustee submits one proxy to vote all shares of Common Stock in the plan, you may not vote plan shares in person at the Annual Meeting.

**Q: How do I vote my shares in the Company's Automatic Dividend Reinvestment Service Plan?**

**A:** Computershare, our transfer agent, has arranged for any shares that you hold in the Automatic Dividend Reinvestment Service Plan to be included in the total registered shares of Common Stock shown on the Notice of Internet Availability of Proxy Materials or proxy card we have provided you. By voting these shares, you also will be voting your shares in the Automatic Dividend Reinvestment Service Plan.

**Q: What does it mean if I received more than one Notice of Internet Availability of Proxy Materials or proxy card?**

**A:** You probably have multiple accounts with us and/or brokers, banks or other holders of record. You should vote all of the shares represented by these Notices/proxy cards. Certain brokers, banks and other holders of record have procedures in place to discontinue duplicate mailings upon a stockholder's request. You should contact your broker, bank or other holder of record for more information. Additionally, Computershare can assist you if you want to consolidate multiple registered accounts existing in your name. To contact Computershare, visit their website at [www.computershare.com/investor](http://www.computershare.com/investor); or write to P.O. Box 30170, College Station, Texas 77842-3170; or for overnight delivery, to Computershare, 211 Quality Circle, Suite 210, College Station, Texas 77845; or call:

(800) 851-4216 Domestic Holders

(201) 680-6578 Foreign Holders

(800) 952-9245 Domestic TDD line for hearing impaired

(312) 588-4110 Foreign TDD line for hearing impaired

**Q: How many shares must be present to conduct business at the Annual Meeting?**

**A:** To carry on the business of the Annual Meeting, a minimum number of shares, constituting a quorum, must be present, either in person or by proxy.

On most matters, the votes of the holders of the Common Stock and Class B Common Stock are counted together. However, there are some matters that must be voted on only by the holders of one class of stock. We will have a quorum for all matters to be voted on at the Annual Meeting if the following number of votes is present, in person or by proxy:

*For any matter requiring the vote of the Common Stock voting separately:* a majority of the votes of the Common Stock outstanding on the Record Date.

*For any matter requiring the vote of the Class B Common Stock voting separately:* a majority of the votes of the Class B Common Stock outstanding on the Record Date.

*For any matter requiring the vote of the Common Stock and Class B Common Stock voting together without regard to class:* a majority of the votes of the Common Stock and Class B Common Stock outstanding on the Record Date.

It is possible that we could have a quorum for certain items of business to be voted on at the Annual Meeting and not have a quorum for other matters. If that occurs, we will proceed with a vote only on the matters for which a quorum is present.

**Q: What vote is required to approve each proposal?**

**A:** Assuming that a quorum is present:

*Proposal No. 1: Election of Directors* the two nominees to be elected by holders of our Common Stock voting separately as a class who receive the greatest number of votes cast FOR, and the ten nominees to be elected by holders of our Common Stock and Class B Common Stock voting together who receive the greatest number of votes cast FOR, will be elected as directors.

*Proposal No. 2: Ratification of the Appointment of Ernst & Young LLP as Independent Auditors* the affirmative vote of the holders of at least a majority of the shares of Common Stock and Class B Common Stock (voting together as a class) represented at the Annual Meeting.

*Proposal No. 3: Advise on Named Executive Officer Compensation* the affirmative vote of the holders of at least a majority of the shares of Common Stock and Class B Common Stock (voting together as a class) represented at the Annual Meeting.

*Proposal No. 4: Advise on the Frequency of Future Advisory Votes on Named Executive Officer Compensation* You are not being asked to vote for or against this proposal. Instead, this proposal asks stockholders to inform us how often we should conduct an advisory vote on the compensation of our NEOs. You are given the option of selecting every 1, 2 or 3 years, or abstaining. The frequency that receives the greatest number of votes from the holders of our Common Stock and Class B Common Stock voting together will be considered by the Board when determining how often the Company will conduct an advisory vote on NEO compensation in future years.

**Q: Are abstentions and broker non-votes counted in the vote totals?**

**A:** Abstentions are counted as being present and entitled to vote in determining whether a quorum is present. Shares as to which broker non-votes exist will be counted as present and entitled to vote in determining whether a quorum is present for any matter requiring the vote of the Common Stock and Class B Common Stock voting together as a class, but they will not be counted as present and entitled to vote in determining whether a quorum is present for any matter requiring the vote of the Common Stock or Class B Common Stock voting separately as a class.

If you mark or vote *abstain* on Proposal Nos. 2 or 3, the abstention will have the effect of being counted as a vote *AGAINST* the proposal. If you mark or vote *abstain* on Proposal No. 4, your vote will not be counted as a vote for any of the other three options under that proposal. Broker non-votes with respect to Proposal Nos. 1-4 are not included in vote totals and will not affect the outcome of the vote on those proposals.

**Q: Who will pay the cost of soliciting votes for the Annual Meeting?**

**A:** We will pay the cost of preparing, assembling and furnishing proxy solicitation and other required Annual Meeting materials. We do not use a third-party solicitor. It is possible that our directors, officers and employees might solicit proxies by mail, telephone, telefax, electronically over the Internet or by personal contact, without receiving additional compensation. We will reimburse brokers, banks and other nominees, fiduciaries and custodians who nominally hold shares of our stock as of the Record Date for the reasonable costs they incur furnishing proxy solicitation and other required Annual Meeting materials to street-name holders who beneficially own those shares on the Record Date.

## CORPORATE GOVERNANCE

We have a long-standing commitment to good corporate governance practices. Our corporate governance policies and other documents establish the high standards of professional and personal conduct we expect of our Board, members of senior management and all employees, and promote compliance with various financial, ethical, legal and other obligations and responsibilities.

The business activities of the Company are carried out by our employees under the direction and supervision of our President and Chief Executive Officer ( CEO ). The Board is responsible for overseeing these activities. In doing so, each director is required to use his or her business judgment in the best interests of the Company. The Board's responsibilities include:

Reviewing the Company's performance, strategies and major decisions;

Overseeing the Company's compliance with legal and regulatory requirements and the integrity of its financial statements;

Overseeing the Company's policies and practices for identifying, managing and mitigating key enterprise risks;

Overseeing management, including reviewing the CEO's performance and succession planning for key management roles; and

Overseeing executive and director compensation, and our compensation program and policies.

### **Corporate Governance Guidelines**

The Board has adopted Corporate Governance Guidelines that, along with the charters of the Board committees, provide the basic framework for the Board's operation and role in the governance of the Company. The guidelines include the Board's policies regarding director independence, qualifications and responsibilities, access to management and outside advisors, compensation, continuing education, oversight of management succession and stockholding requirements. They also provide a process for directors to annually evaluate the performance of the Board.

The Governance Committee is responsible for overseeing and reviewing the Board's Corporate Governance Guidelines at least annually and recommending any proposed changes to the Board for approval. The Corporate Governance Guidelines are available on the Investors section of our website at [www.thehersheycompany.com](http://www.thehersheycompany.com).

### **Code of Ethical Business Conduct**

The Board has adopted a Code of Ethical Business Conduct (the Code of Conduct ) that applies to all of our directors, officers and employees worldwide. Adherence to this Code of Conduct assures that our directors, officers and employees are held to the highest standards of integrity. The Code of Conduct covers areas such as conflicts of interest, insider trading and compliance with laws and regulations. The Audit Committee oversees the Company's communication of, and compliance with, the Code of Conduct. The Code of Conduct, including amendments thereto or waivers granted to a director or officer, if any, can be viewed on the Investors section of our website at

*www.thehersheycompany.com.*

## **Stockholder and Interested Party Communications with Directors**

Stockholders and other interested parties may communicate with our directors in several ways. Communications regarding accounting, internal accounting controls or auditing matters may be emailed to the Audit Committee at [auditcommittee@hersheys.com](mailto:auditcommittee@hersheys.com) or addressed to the Audit Committee at the following address:

Audit Committee

c/o Corporate Secretary

The Hershey Company

100 Crystal A Drive

P.O. Box 810

Hershey, PA 17033-0810

Stockholders and other interested parties also can submit comments, confidentially and anonymously if desired, to the Audit Committee by calling the Hershey Concern Line at (800) 362-8321 or by accessing the Hershey Concern Line website at [www.HersheysConcern.com](http://www.HersheysConcern.com).

Stockholders and other interested parties may contact any of the independent directors, including the Lead Independent Director, as well as the independent directors as a group, by writing to the specified party at the address set forth above or by emailing the independent directors (or a specific independent director, including the Lead Independent Director) at [independentdirectors@hersheys.com](mailto:independentdirectors@hersheys.com). Stockholders and other interested parties may also contact any of the independent directors using the Hershey Concern Line telephone number or website noted above.

Communications to the Audit Committee, any of the independent directors and the Hershey Concern Line are processed by the Office of General Counsel. The Office of General Counsel reviews and summarizes these communications and provides reports to the applicable party on a periodic basis. Communications regarding any accounting, internal control or auditing matter are reported immediately to the Audit Committee, as are allegations about our officers. The Audit Committee will address communications from any interested party in accordance with our Board-approved Procedures for Submission and Handling of Complaints Regarding Compliance Matters, which are available for viewing on the Investors section of our website at [www.thehersheycompany.com](http://www.thehersheycompany.com). Solicitations, junk mail and obviously frivolous or inappropriate communications are not forwarded to the Audit Committee or the independent directors, but copies are retained and made available to any director who wishes to review them.

## **Director Independence**

The Board, in consultation with the Governance Committee, determines which of our directors are independent. The Board has adopted categorical standards for independence that the Board uses in determining which directors are independent. The Board bases its determination of independence for each director on the more stringent independence standards applicable to Audit Committee members regardless of whether such director serves on the Audit Committee. These standards are contained in the Board's Corporate Governance Guidelines.

Applying these categorical standards for independence, as well as the independence requirements set forth in the listing standards of the New York Stock Exchange (the "NYSE Rules") and the rules and regulations of the Securities and Exchange Commission ("SEC"), the Board determined that the following directors recommended for election at the Annual Meeting are independent: Pamela M. Arway, James W. Brown, Charles A. Davis, Mary Kay Haben, M. Diane

Koken, Robert M. Malcolm, James M. Mead, Anthony J. Palmer, Thomas J. Ridge and David L. Shedlarz. The Board determined that John P. Bilbrey is not independent because he served as an executive officer of the Company until March 1, 2017, and that Michele G. Buck is not independent because she is an executive officer of the Company.

In making its independence determinations, the Board, in consultation with the Governance Committee, reviewed the direct and indirect relationships between each director and the Company and its subsidiaries, as well as the compensation and other payments each director received from or made to the Company and its subsidiaries.

In making its independence determinations with respect to Ms. Koken and Messrs. Brown and Mead, the Board considered their roles as current members of the board of directors of Hershey Trust Company and the board of managers (governing body) of Milton Hershey School, as well as certain transactions the Company had or may have with these entities.

Hershey Trust Company, as trustee for the trust established by Milton S. and Catherine S. Hershey that has as its sole beneficiary Milton Hershey School (such trust, the Milton Hershey School Trust ), is our controlling stockholder. Hershey Trust Company is in turn owned by the Milton Hershey School Trust. As such, Hershey Trust Company, Milton Hershey School, the Milton Hershey School Trust and companies owned by the Milton Hershey School Trust are considered affiliates of the Company under SEC rules. During 2016, we had a number of transactions with Hershey Trust Company, Milton Hershey School and companies owned by the Milton Hershey School Trust involving the purchase and sale of goods and services in the ordinary course of business and the leasing of real estate at market rates. We have outlined these transactions in greater detail in the section entitled Certain Transactions and Relationships. We have provided information about Company stock owned by Hershey Trust Company, as trustee for the Milton Hershey School Trust, and by Hershey Trust Company for its own investment purposes in the section entitled Information Regarding Our Controlling Stockholder.

Ms. Koken and Messrs. Brown and Mead do not receive any compensation from The Hershey Company, from Hershey Trust Company or from Milton Hershey School other than compensation they receive or will receive in the ordinary course as members of the board of directors or board of managers of each of those entities, as applicable. In addition, Ms. Koken and Messrs. Brown and Mead do not participate in Board decisions in connection with the Company's transactions with Hershey Trust Company, Milton Hershey School and companies owned by the Milton Hershey School Trust. The Board therefore concluded that the positions Ms. Koken and Messrs. Brown and Mead have as members of the board of directors of Hershey Trust Company and the board of managers of Milton Hershey School do not impact their independence.

### **Director Nominations**

The Governance Committee is responsible for identifying and recommending to the Board candidates for Board membership. As our controlling stockholder, Hershey Trust Company, as trustee for the Milton Hershey School Trust, also may from time to time recommend to the Governance Committee, or elect outright, individuals to serve on our Board.

In administering its responsibilities, the Governance Committee has not adopted formal selection procedures, but instead utilizes general guidelines that allow it to adjust the selection process to best satisfy the objectives established for any director search. The Governance Committee considers director candidates recommended by any reasonable source, including current directors, management, stockholders (including Hershey Trust Company, as trustee for the Milton Hershey School Trust) and other sources. The Governance Committee evaluates all director candidates in the same manner, regardless of the source of the recommendation. The Governance Committee has established a policy that it will not recommend a candidate to the full Board until all members of the Governance Committee have interviewed and approved the candidate for nomination.

Occasionally, the Governance Committee engages a paid third-party consultant to assist in identifying and evaluating director candidates. The Governance Committee has sole authority under its charter to retain, compensate and terminate these consultants. In 2016, the Governance Committee retained Egon Zehnder to assist in identifying potential future director candidates as several current directors approach their 72<sup>nd</sup> birthday.

Stockholders desiring to recommend or nominate a director candidate must comply with certain procedures. If you are a stockholder and desire to nominate a director candidate at the 2018 Annual Meeting of Stockholders of the Company, you must comply with the procedures for nomination set forth in the section entitled Information Regarding the 2018 Annual Meeting of Stockholders. Stockholders who do not intend to nominate a director at an annual meeting may recommend a director candidate to the Governance Committee for consideration at any time. Stockholders desiring to do so must submit their recommendation in writing to The Hershey Company, c/o Corporate Secretary, 100 Crystal A Drive, Hershey, Pennsylvania 17033-0810, and include in the submission all of the information that would be required if the stockholder nominated the candidate at an annual meeting. The Governance Committee may require the nominating stockholder to submit additional information before considering the candidate.

There were no changes to the procedures relating to stockholder nominations during 2016, and there have been no changes to such procedures to date in 2017. These procedural requirements are intended to ensure the Governance Committee has sufficient time and a basis on which to assess potential director candidates and are not intended to discourage or interfere with appropriate stockholder nominations. The Governance Committee does not believe that these procedural requirements subject any stockholder or proposed nominee to unreasonable burdens. The Governance Committee and the Board reserve the right to change the procedural requirements from time to time and/or to waive some or all of the requirements with respect to certain nominees, but any such waiver shall not preclude the Governance Committee from insisting upon compliance with any and all of the above requirements by any other recommending stockholder or proposed nominees.

## **THE BOARD OF DIRECTORS**

### **General Oversight**

The Board has general oversight responsibility for the Company's affairs. Although the Board does not have responsibility for day-to-day management of the Company, Board members stay informed about the Company's business through regular meetings, site visits and other periodic interactions with management. The Board is deeply involved in the Company's strategic planning process. The Board also plays an important oversight role in the Company's leadership development and succession planning processes.

### **Composition**

The Board is currently comprised of 12 members, each serving a one-year term that expires at the Annual Meeting. Ten of the 12 director nominees are considered independent under the NYSE Rules and the Board's Corporate Governance Guidelines.

## Leadership Structure

The Company's governance documents provide the Board with flexibility to select the leadership structure that is most appropriate for the Company and its stockholders. The Board regularly evaluates its governance structure and has concluded that the Company and its stockholders are best served by not having a formal policy regarding whether the same individual should serve as both Chairman of the Board and CEO. This approach allows the Board to exercise its business judgment in determining the most appropriate leadership structure in light of the current facts and circumstances facing the Company, including the composition and tenure of the Board, the tenure of the CEO, the strength of the Company's management team, the Company's recent financial performance, the Company's current strategic plan and the current economic environment, among other factors.

Throughout 2016, John P. Bilbrey served as our Chairman of the Board and CEO. The Board believed that combining the roles of Chairman of the Board and CEO under Mr. Bilbrey's leadership was in the best interests of the Company and its stockholders for several reasons:

Mr. Bilbrey's strong working relationship and high level of trust with the Board, gained through more than six years of service as a director;

Mr. Bilbrey's deep understanding of Board governance and operations, the result of having worked with the prior Chairman of the Board and current Lead Independent Director to develop meeting topics, set meeting schedules and agendas, and ensure efficient communications among the directors; and

Mr. Bilbrey's unparalleled knowledge of the Company and its products, which the Board believed put him in the best position to lead the Board through the strategic business issues facing the Company.

Effective March 1, 2017, the Board split the roles of Chairman of the Board and CEO, with Michele G. Buck assuming responsibility as President and CEO and Mr. Bilbrey transitioning to the role of Non-Executive Chairman of the Board. The Board believes this leadership structure is the most appropriate at this time as it enables the Company to continue to leverage Mr. Bilbrey's knowledge of the Company and his expertise in Board governance and operations while allowing Ms. Buck to focus on her new responsibilities as CEO.

The Board also recognizes the importance of strong independent Board leadership. Although no longer serving as an executive officer of the Company, the Board has determined that Mr. Bilbrey is not independent at this time due to his prior service as CEO. For that reason, James E. Nevels continues to serve as Lead Independent Director, a position he has held since April 2, 2015. Having previously served as Chairman of the Board from February 2009 until his appointment as Lead Independent Director, Mr. Nevels's service helps ensure continuity of independent Board leadership as well as effective communication between the CEO, the Chairman of the Board, and the independent directors.

Under the terms of the Board's Corporate Governance Guidelines, the Lead Independent Director's responsibilities include the following:

In the absence of the Chairman of the Board, presiding at all Board and stockholder meetings;

Calling meetings of the independent directors of the Board, in addition to the executive sessions of independent directors held during each Board meeting;

Establishing the agenda and presiding at all executive sessions and other meetings of the independent directors of the Board;

Communicating with the independent directors of the Board between meetings as necessary or appropriate;

Serving as a liaison between the Chairman of the Board and the independent directors, ensuring independent director consensus is communicated to the Chairman of the Board, and communicating the results of meetings of the independent directors to the Chairman of the Board and members of management, as appropriate;

Approving Board meeting agendas and schedules to assure there is sufficient time for discussion of all agenda items;

Approving Board meeting materials and other information sent to the Board;

Evaluating the quality and timeliness of information sent to the Board by the CEO and other members of management;

Assisting the Chairman of the Board on matters of Board succession planning and crisis management;

Overseeing the evaluation of the CEO;

Assisting the chair of the Governance Committee with Board and individual director evaluations; and

Being available for consultation and direct communication at the request of major stockholders.

The Board has determined that Mr. Nevels is an independent member of the Board under the NYSE Rules and the Board's Corporate Governance Guidelines.

Mr. Nevels is not standing for re-election as a director at the Annual Meeting. Pursuant to the terms of the Board's Corporate Governance Guidelines, the independent directors are currently considering potential candidates from among the other independent members of the Board to replace Mr. Nevels as Lead Independent Director upon expiration of his term.

In addition to the Lead Independent Director role, the Board has established five standing committees to assist with its oversight responsibilities: (1) Audit Committee; (2) Compensation and Executive Organization Committee (Compensation Committee); (3) Finance and Risk Management Committee; (4) Governance Committee; and (5) Executive Committee. Each of the Audit Committee, the Compensation Committee, the Finance and Risk Management Committee, and the Governance Committee is comprised entirely of independent directors. Finally, Mr. Mead is a direct representative of the Company's largest stockholder. This composition of our Board helps to ensure that boardroom discussions reflect the views of management, our independent directors and our stockholders.

### **Board Role in Risk Oversight**

Our Board takes an active role in risk oversight. While management is responsible for identifying, evaluating, managing and mitigating the Company's exposure to risk, it is the Board's responsibility to oversee the Company's risk management process and to ensure that management is taking appropriate action to identify, manage and mitigate key risks. The Board administers its risk oversight responsibilities both through active review and discussion of key risks facing the Company and by delegating certain risk oversight responsibilities to committees for further consideration

and evaluation.

In August 2009, the Board established the Finance and Risk Management Committee. This committee was established, in part, to enhance the Board's oversight of how senior management manages the material risks facing the Company.

The following table summarizes the role of the Board and each of its committees in overseeing risk:

Governing Body	Role in Risk Oversight
Board	Regularly reviews and evaluates the Company's strategic plans and associated risks.
	Oversees the Company's enterprise risk management (ERM) framework and the overall ERM process.
	Conducts annual succession plan reviews to ensure the Company maintains appropriate succession plans for members of senior management.
Audit Committee	Oversees compliance with legal and regulatory requirements and the Company's Code of Conduct.
	Oversees risks relating to key accounting policies.
	Reviews internal controls with the Principal Financial Officer, Principal Accounting Officer and internal auditors.
	Meets regularly with representatives of the Company's independent auditors.
Compensation and	Oversees risks relating to the Company's compensation program and policies.
Executive Organization	
Committee	Oversees the process for conducting annual risk assessments of the Company's compensation policies and practices.
	Employs independent compensation consultants to assist in reviewing the Company's compensation program, including the potential risks created by such program.

Oversees the Company's succession planning and talent processes and programs.

Finance and Risk  
Management Committee

Reviews enterprise-level and other key risks identified through the Company's ERM process as well as management's plans to mitigate those risks.

Oversees key financial risks.

Oversees and approves proposed merger and acquisition activities and related risks.

Chair meets at least annually with the Audit Committee to discuss the Company's risk management programs.

Governance Committee

Oversees risks relating to the Company's governance structure and other corporate governance matters and processes.

Oversees compliance with key corporate governance documents, including the Corporate Governance Guidelines and the Insider Trading Policy.

Executive Committee

Reviews and approves, through a special committee of independent directors on the Executive Committee, any related party transactions between the Company and entities affiliated with the Company and certain of its directors.

The decision to administer the Board's oversight responsibilities in this manner has an important effect on the Board's leadership and committee structure, described in more detail above. The Board believes that its structure—including a strong Lead Independent Director, 10 of 12 independent directors and key committees comprised entirely of independent directors—helps to ensure that key strategic decisions made by senior management, up to and including the CEO, are reviewed and overseen by independent directors of the Board.

### Experiences, Skills and Qualifications

The Governance Committee works with the Board to determine the appropriate characteristics, skills and experiences that should be possessed by the Board as a whole as well as its individual members. While the Governance Committee has not established minimum criteria for director candidates, in general, the Board seeks individuals with skills and backgrounds that will complement those of other directors and maximize the diversity and effectiveness of the Board as a whole. The Board also seeks individuals who bring unique and varied perspectives and life experiences to the Board. As such, the Governance Committee assists the Board by recommending prospective director candidates who will enhance the overall diversity of the Board. The Board views diversity broadly, taking into consideration the age, professional experience, race, education, gender and other attributes of its members. In addition, the Board's Corporate Governance Guidelines describe the general experiences, qualifications, attributes and skills sought by the Board of any director nominee, including:

Qualifications, Attributes and Skills	Knowledge and Experience
Integrity	Finance
Judgment	International business
Skill	Marketing
Diversity	Mergers and acquisitions
Ability to express informed, useful and constructive views	Supply chain management
Experience with business and other organizations of comparable size	Information technology
Ability to commit the time necessary to learn our business and to prepare for and participate actively in committee meetings and in Board meetings	Human resources
Experience and how it relates to the experiences of the other Board members	Consumer products
Overall desirability as an addition to the Board and its committees	Government, public policy and regulatory affairs

In addition to evaluating new director candidates, the Governance Committee regularly assesses the composition of the Board in order to ensure it reflects an appropriate balance of knowledge, skills, expertise, diversity and independence. As part of this assessment, each director is asked to identify and assess the particular experiences, skills and other attributes that qualify him or her to serve as a member of the Board. Based on the most recent assessment of the Board's composition completed in February 2017, the Governance Committee and the Board have determined that, in light of the Company's current business structure and strategies, the Board has an appropriate mix of director experiences, skills, qualifications and backgrounds.

A description of the most relevant experiences, skills, attributes and qualifications that qualify each director nominee to serve as a member of the Board is included in his or her biography.

## MEETINGS AND COMMITTEES OF THE BOARD

### Meetings of the Board of Directors and Director Attendance at Annual Meeting

The Board held 13 meetings in 2016. Each director attended at least 83% of all of the meetings of the Board and committees of the Board on which he or she served in 2016. Average attendance for all of these meetings equaled 94%.

In addition, the independent directors meet regularly in executive session at every Board meeting and at other times as the independent directors deem necessary. These meetings allow the independent directors to discuss important issues, including the business and affairs of the Company as well as matters concerning management, without any member of management present. Each executive session is chaired by the Lead Independent Director. In the absence of the Lead Independent Director, executive sessions are chaired by an independent director assigned on a rotating basis. Members of the Audit Committee, Compensation Committee, Finance and Risk Management Committee, and Governance Committee also meet regularly in executive session.

Directors are expected to attend our annual meetings of stockholders. Ten of the eleven directors standing for election at the 2016 Annual Meeting of Stockholders of the Company attended that meeting.

### Committees of the Board

The Board has established five standing committees. Membership on each of these committees, as of March 6, 2017, is shown in the following chart:

Name	Audit	Compensation and Executive Organization	Finance and Risk Management	Governance	Executive
Pamela M. Arway				Chair	
John P. Bilbrey					Chair
Robert F. Cavanaugh					
Charles A. Davis	Chair				
Mary Kay Haben					
Robert M. Malcolm					
James M. Mead		Chair			
James E. Nevels		*	*		
Anthony J. Palmer					
Thomas J. Ridge					
David L. Shedlarz			Chair		

Committee Member

\* Ex-Officio

All directors, including committee chairs, served on the respective committees listed above throughout 2016.

The Board's Corporate Governance Guidelines require that every member of the Audit Committee, Compensation Committee, Finance and Risk Management Committee, and Governance Committee be independent.

The Board may also from time to time establish committees of limited duration for a special purpose. In 2016, the Board established a special committee to oversee the Company's CEO search process. This special committee was chaired by Ms. Arway and included Ms. Haben and Messrs. Malcolm, Mead, Nevels and Shedlarz as members. The special committee met four times in 2016.

The table below identifies the number of meetings held by each standing committee in 2016, provides a brief description of the duties and responsibilities of each committee, and provides general information regarding the location of each committee's charter:

Committee Meetings Duties and Responsibilities	<p><b>Audit</b></p> <p>9</p> <p>Oversee the Company's financial reporting processes and the integrity of the Company's financial statements.</p> <p>Oversee the Company's compliance with legal and regulatory requirements.</p> <p>Oversee the performance of the Company's independent auditors and the internal audit function.</p> <p>Approve all audit and non-audit services and fees.</p> <p>Oversee (in consultation with the Finance and Risk Management Committee) the Company's risk management processes and policies.</p> <p>Review the adequacy of internal controls.</p> <p>Review and discuss with management Quarterly Reports on Form 10-Q and Annual Report on Form 10-K prior to filing with the SEC.</p> <p>Review and discuss with management earnings releases.</p>
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**General  
Information**

Administer the Company's Procedures for Submission and Handling of Complaints Regarding Compliance Matters.

The Board has determined that all directors on the Audit Committee are financially literate. The Board has also determined that Messrs. Davis, Mead and Nevels qualify as audit committee financial experts as defined in SEC regulations and that each has accounting or related financial management expertise.

Charter can be viewed on the Investors section of our website at [www.thehersheycompany.com](http://www.thehersheycompany.com).

Charter prohibits any member of the Audit Committee from serving on the audit committees of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of the director to effectively serve on the Committee.

**Committee  
Meetings  
Duties and  
Responsibilities**

**Compensation and Executive Organization**

8

Establish executive officer compensation (other than CEO compensation) and oversee the compensation program and policies for all executive officers.

Evaluate the performance of the CEO and make recommendations to the independent directors of the Board regarding CEO compensation.

Review and recommend to the Board the form and amount of director compensation.

Make equity grants under and administer the Company's Equity and Incentive Compensation Plan (the "EICP").

Establish target award levels and make awards under the annual cash incentive component of the EICP.

Monitor executive compensation arrangements for consistency with corporate objectives and stockholders' interests.

Review the executive organization of the Company.

**General  
Information**

Monitor the development of personnel available to fill key executive positions as part of the succession planning process.

Charter can be viewed on the Investors section of our website at *[www.thehersheycompany.com](http://www.thehersheycompany.com)*.

**Committee Meetings Duties and Responsibilities**

**Finance and Risk Management**

8

Oversee management of the Company's assets, liabilities and risks.

Review and make recommendations regarding capital projects, acquisitions and dispositions of assets and changes in capital structure.

Review the annual budget and monitor performance against operational plans.

Recommend to the Board the terms of the Company's principal banking relationships, credit facilities and commercial paper programs.

Oversee (in consultation with the Audit Committee) the Company's risk management processes and policies.

Charter can be viewed on the Investors section of our website at [www.thehersheycompany.com](http://www.thehersheycompany.com).

**General Information**

**Committee Meetings Duties and Responsibilities**

**Governance**

8

Review and make recommendations on the composition of the Board and its committees.

Identify, evaluate and recommend candidates for election to the Board consistent with the Board's membership qualifications.

Review and make recommendations to the Board on corporate governance matters and policies, including the Board's Corporate Governance Guidelines.

Administer the Company's Related Person Transaction Policy as directed by the Board.

Evaluate the performance of the Board, its independent committees and each director. Charter can be viewed on the Investors section of our website at [www.thehersheycompany.com](http://www.thehersheycompany.com).

**General Information**

**Committee  
Meetings  
Duties and  
Responsibilities**

**Executive**

1

Manage the business and affairs of the Company, to the extent permitted by the Delaware General Corporation Law, when the Board is not in session.

Review and approve, through a subcommittee consisting of the independent directors on the Executive Committee who are not affiliated with Hershey Trust Company, Hershey Entertainment & Resorts Company and/or Milton Hershey School, or any of their affiliates, any transaction not in the ordinary course of business between the Company and any of these entities, unless otherwise provided by the Board or the Corporate Governance Guidelines.

Currently, the Corporate Governance Guidelines provide that, unless directed otherwise by the independent members of the Board who have no affiliation with any of the above entities, such transactions will be reviewed and approved in advance by a special committee consisting of the directors elected by the holders of our Common Stock voting separately, and only in the absence of such directors will the subcommittee of the Executive Committee approve such transactions.

**General  
Information**

Charter can be viewed on the Investors section of our website at [www.thehersheycompany.com](http://www.thehersheycompany.com).

For more information regarding the review, approval or ratification of related-party transactions, please refer to the section entitled Certain Transactions and Relationships.

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## PROPOSAL NO. 1 ELECTION OF DIRECTORS

The Board of Directors unanimously recommends that stockholders vote **FOR** each of the nominees for director at the 2017 Annual Meeting

The first proposal to be voted on at the Annual Meeting is the election of 12 directors. If elected, the directors will hold office until the 2018 Annual Meeting of Stockholders of the Company or until their successors are elected and qualified.

### Election Procedures

We have two classes of common stock outstanding: Common Stock and Class B Common Stock. Under our certificate of incorporation and by-laws:

One-sixth of the total number of our directors (which equates presently to two directors) will be elected by the holders of our Common Stock voting separately as a class. For the 2017 Annual Meeting, the Board has nominated Mary Kay Haben and Robert M. Malcolm for election by the holders of our Common Stock voting separately as a class.

The remaining 10 directors will be elected by the holders of our Common Stock and Class B Common Stock voting together without regard to class.

With respect to the nominees to be elected by the holders of the Common Stock and the Class B Common Stock voting together, the nine nominees receiving the greatest number of votes of the Common Stock and Class B Common Stock will be elected as directors. With respect to the nominees to be elected by the holders of the Common Stock voting separately as a class, the two nominees receiving the greatest number of votes of the Common Stock will be elected as directors.

The Board's Corporate Governance Guidelines provide that directors will generally not be nominated for re-election after their 72<sup>nd</sup> birthday. All of the directors standing for election at the 2017 Annual Meeting satisfied the applicable age requirement at the time of their nomination.

All nominees for election as director have indicated their willingness to serve if elected. If a nominee becomes unavailable for election for any reason, the proxies will have discretionary authority to vote for a substitute.

### Nominees for Director

The Board unanimously recommends the following nominees for election at the 2017 Annual Meeting. These nominees were recommended to the Board by the Governance Committee. In making its recommendation, the Governance Committee considered the experience, qualifications, attributes and skills of each nominee, as well as each director's past performance on our Board, as reflected in the Governance Committee's annual evaluation of Board and committee performance. This evaluation considers, among other things, each director's individual contributions to the Board, the director's ability to work collaboratively with other directors and the effectiveness of the Board as a whole.

Mr. Nevels, the current Lead Independent Director, and Mr. Cavanaugh are not standing for re-election at the Annual Meeting.

On the following pages, we provide certain biographical information about each nominee for director, as well as information regarding the nominee's specific experience, qualifications, attributes and skills that qualify him or her to serve as a director and as a member of the committee(s) of the Board on which the nominee serves.

***PAMELA M. ARWAY***

**Director since**

May 2010

**Former President, Japan/Asia Pacific/Australia Region, American Express International, Inc., a global payments, network and travel company, and its subsidiaries (October 2005 to January 2008)**

**Age** 63

***QUALIFICATIONS, ATTRIBUTES AND SKILLS***

**Board Committees**

Governance (Chair)

Audit

Executive

Throughout her 21-year career with American Express Company, Inc., Ms. Arway gained experience in the areas of finance, marketing, international business, government affairs, consumer products and human resources. She is a significant contributor to the Board in each of these areas.

***PREVIOUS BUSINESS EXPERIENCE***

***EDUCATION***

Spent 21 years in positions of increasing responsibility at American Express Company, Inc. and its subsidiaries

Bachelor's degree in languages from Memorial University of Newfoundland

Masters of Business Administration degree from Queen's University, Kingston, Ontario, Canada

***CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS***

Iron Mountain Incorporated (May 2014 to present)

DaVita Inc. (July 2009 to present)

***JOHN P. BILBREY***

**Chairman of the Board, The Hershey Company (March 2017 to present)**

**Director since**

June 2011

***QUALIFICATIONS, ATTRIBUTES AND SKILLS***

**Age** 60

Having served as our President and Chief Executive Officer from May 2011 to March 2017, Mr. Bilbrey has a thorough and comprehensive knowledge of all aspects of the Company's business. He has extensive experience in the consumer packaged goods and fast-moving consumer goods categories in the United States and international markets and has the benefit of having served as both Chief Executive Officer and Chief Operating Officer of the Company.

**Board Committees**

Executive (Chair)

His leadership within the Company, as well as his extensive industry and international experience, make Mr. Bilbrey a key contributor to the Board on a wide range of issues.

***PREVIOUS BUSINESS EXPERIENCE***

***CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS***

Chairman of the Board, President and Chief Executive Officer, The Hershey Company (April 2015 to March 2017)

Colgate-Palmolive Company (March 2015 to present)

President and Chief Executive Officer, The Hershey Company (May 2011 to April 2015)

***PAST PUBLIC COMPANY BOARDS***

Executive Vice President, Chief Operating Officer, The Hershey Company (November 2010 to May 2011)

McCormick & Company, Incorporated (November 2005 to May 2015)

Senior Vice President, President Hershey North America, The Hershey Company (December 2007 to November 2010)

***EDUCATION***

Senior Vice President, President International Commercial Group, The Hershey Company (November 2005 to December 2007)

Bachelor's degree in psychology from Kansas State University

Senior Vice President, President Hershey International, The Hershey Company (November 2003 to November 2005)

***JAMES W. BROWN***

**Director Nominee**      **Director, Hershey Trust Company; Member, Board of Managers, Milton Hershey School (February 2016 to present)**

**Age** 65

***QUALIFICATIONS, ATTRIBUTES AND SKILLS***

**Board Committees**      One of three representatives of Hershey Trust Company and Milton Hershey School being nominated to serve on our Board, Mr. Brown will provide valuable perspectives not only as a representative of our largest stockholder, but also of the school that is its sole beneficiary. In addition, Mr. Brown has significant experience in government relations, finance and private equity/venture capital. His familiarity with policy and operations of both Pennsylvania State and U.S. Federal Government and his experience as an investor in and director of both public and private companies will make him an important addition to our Board on matters of strategy and risk management.

None

***PREVIOUS BUSINESS EXPERIENCE***

Chief of Staff, United States Senator  
Robert P. Casey, Jr. (January 2007 to  
February 2016)

Partner, SCP Private Equity Partners  
(January 1996 to December 2006)

Chief of Staff, Pennsylvania Governor  
Robert P. Casey (January 1989 to  
December 1994)

***CURRENT PUBLIC AND OTHER KEY  
DIRECTORSHIPS***

FS Investment Corporation III (February  
2016 to present)

***EDUCATION***

Bachelor's degree, *magna cum laude*, from  
Villanova University

Juris Doctor degree from the University of  
Virginia Law School

***MICHELE G. BUCK***

<b>Director since</b>	<b>President and Chief Executive Officer, The Hershey Company (March 2017 to present)</b>
March 2017	

***QUALIFICATIONS, ATTRIBUTES AND SKILLS***

**Age** 55

**Board Committees**

None

On February 21, 2017, the Board, upon the recommendation of the Governance Committee, increased the size of the Board from 11 to 12 members and elected Ms. Buck as a director to fill the newly created directorship, effective March 1, 2017. As our President and Chief Executive Officer, Ms. Buck is responsible for all day-to-day global operations and commercial activities of the Company. Having served at the Company for more than 11 years and as an executive in the consumer packaged goods industry for more than 25 years, Ms. Buck is a valuable contributor to our Board in the areas of marketing, consumer products, supply chain management and mergers and acquisitions. Her presence in the boardroom also ensures efficient communication between the Board and Company management.

***PREVIOUS BUSINESS EXPERIENCE***

***CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS***

Executive Vice President, Chief Operating Officer, The Hershey Company (June 2016 to March 2017)

New York Life Insurance (November 2013 to present)

President, North America, The Hershey Company (May 2013 to June 2016)

Senior Vice President, Chief Growth Officer, The Hershey Company (September 2011 to May 2013)

Senior Vice President, Global Chief Marketing Officer, The Hershey Company (December 2007 to September 2011)

***EDUCATION***

Bachelor's degree from Shippensburg University of Pennsylvania

Master's degree from the University of North Carolina

***CHARLES A. DAVIS***

**Director since**

November 2007

**Chief Executive Officer, Stone Point Capital LLC, a global private equity firm (June 2005 to present)**

***QUALIFICATIONS, ATTRIBUTES AND SKILLS***

**Age** 68

**Board Committees**

Audit (Chair)

Executive

Having served in the fields of investment banking and private equity for more than 40 years, Mr. Davis brings extensive experience in finance, investment banking and real estate to our Board, which is of particular importance in his role as chair of the Audit Committee. His experience as a leader in international business allows him to bring important insights to the Board as the Company continues to focus on its international footprint.

***PREVIOUS BUSINESS EXPERIENCE***

***CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS***

MMC Capital, Inc., the private equity business of Marsh & McLennan Companies, Inc.:

- i Chairman (January 2002 to May 2005)
- i Chief Executive Officer (January 1999 to May 2005)
- i President (April 1998 to December 2002)

AXIS Capital Holdings Limited (November 2001 to present)

The Progressive Corporation (October 1996 to present)

***EDUCATION***

Bachelor's degree from the University of Vermont

Masters of Business Administration degree from Columbia University Graduate School of Business

**MARY KAY HABEN**

**Director since** Former President, North America, Wm. Wrigley Jr. Company, a leading confectionery company (October 2008 to February 2011)  
August 2013

**QUALIFICATIONS, ATTRIBUTES AND SKILLS**

**Age** 60

**Board Committees** Throughout Ms. Haben's 33-year career, she gained extensive experience managing businesses in the consumer packaged goods industry and developed a track record of growing brands and developing new products. Her knowledge of and ability to analyze the overall consumer packaged goods industry, evolving market dynamics and consumers' relationships with brands make her a valuable contributor to the Board and the Company.

Compensation

Governance

**PREVIOUS BUSINESS EXPERIENCE**

**CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS**

Group Vice President and Managing Director, North America, Wm. Wrigley Jr. Company (April 2007 to October 2008)

Bob Evans Farms, Inc. (August 2012 to present); currently serves as Lead Independent Director

Held several key positions during 27-year career with Kraft Foods, Inc., a grocery manufacturing and processing conglomerate

Trustee of Equity Residential (July 2011 to present); currently serves as Chair of the Compensation Committee

**EDUCATION**

Bachelor's degree, *magna cum laude*, in business administration from the University of Illinois

Masters of Business Administration degree in marketing from the University of Michigan, Ross School of Business

One of two directors nominated for election by the holders of the Common Stock voting separately as a class.

***M. DIANE KOKEN***

**Director Nominee**      **Director, Hershey Trust Company; Member, Board of Managers, Milton Hershey School (December 2015 to present)**

**Age** 64

***QUALIFICATIONS, ATTRIBUTES AND SKILLS***

**Board Committees**      One of three representatives of Hershey Trust Company and Milton Hershey School being nominated to serve on our Board, Ms. Koken will be well positioned to bring to our Board valuable insights from our largest stockholder. Having served as Insurance Commissioner of Pennsylvania for three governors and as President of the National Association of Insurance Commissioners, Ms. Koken has considerable expertise in the areas of insurance, risk management and regulatory affairs. Her experience in the areas of legal operations and corporate governance, developed throughout her 22-year career at a national life insurer that culminated in her serving as Vice President, General Counsel and Corporate Secretary, will further add to our Board.

None

***PREVIOUS BUSINESS EXPERIENCE***

***CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS***

Commissioner of Insurance in Pennsylvania  
(August 1997 to February 2007)

Capital Blue Cross (December 2011 to present)

Provident Mutual Life Insurance Company  
(October 1975 to July 1997)

NORCAL Mutual (January 2009 to present)

Nationwide Corporation; Nationwide Mutual Insurance Company; Nationwide Mutual Fire Insurance Company (April 2007 to present)

***EDUCATION***

Bachelor's degree, *magna cum laude*, in education from Millersville University

Juris Doctor degree from Villanova University School of Law



***ROBERT M. MALCOLM***

**Director since** Former President, Global Marketing, Sales & Innovation, Diageo PLC, a leading premium drinks company (June 2002 to December 2008)  
December 2011

***QUALIFICATIONS, ATTRIBUTES AND SKILLS***

**Age** 64

**Board Committees** Mr. Malcolm is a globally recognized expert in strategic marketing and is currently Executive in Residence, Center for Customer Insight and Marketing Solutions, McCombs School of Business, University of Texas. He brings to the Board significant experience in international business and in the marketing and sales of consumer products, including consumer packaged goods and fast-moving consumer goods.

Compensation

Finance and Risk  
Management

***PREVIOUS BUSINESS EXPERIENCE***

***EDUCATION***

Spent 24 years at The Procter & Gamble Company in positions of increasing responsibility

Bachelor's degree in marketing from the University of Southern California

Masters of Business Administration degree in marketing from the University of Southern California

***CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS***

American Marketing Association

Boston Consulting Group (senior advisor)

One of two directors nominated for election by the holders of the Common Stock voting separately as a class.

***JAMES M. MEAD***

**Director since**

**Founder and Managing Director, JM Mead, LLC, an economic advisory firm serving the health care industry (July 2004 to present)**

April 2011

***QUALIFICATIONS, ATTRIBUTES AND SKILLS***

**Age** 71

**Board Committees**

Compensation  
(Chair)

One of three representatives of Hershey Trust Company and Milton Hershey School being nominated to serve on our Board, Mr. Mead provides the Board with valuable perspective into the views of our largest stockholder. In addition, he has extensive experience in finance, marketing, insurance, information technology and risk management. Having served as a chief executive officer for 20 years, Mr. Mead also brings considerable leadership experience to the boardroom.

Audit

Executive

***ADDITIONAL POSITIONS***

***EDUCATION***

Director and President, Hershey Trust Company; Member, Board of Managers, Milton Hershey School

Bachelor of Science degree in economics from The Pennsylvania State University

CEO, PinnacleCare International, a private healthcare advisory and navigation company (July 2015 to present)

Masters of Arts degree in economics from The Pennsylvania State University

***CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS***

Capital BlueCross (1984 to present)

PinnacleCare International (2012 to present)

***ANTHONY J. PALMER***

<b>Director since</b>  April 2011	<b>President, Global Brands and Innovation, Kimberly-Clark Corporation, a manufacturer and marketer of various personal care and health care products worldwide (April 2012 to present)</b>
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<b>Age</b> 57	<b><i>QUALIFICATIONS, ATTRIBUTES AND SKILLS</i></b>
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<b>Board Committees</b>  Compensation  Finance and Risk Management	Having spent most of his professional career in the consumer packaged goods industry, Mr. Palmer brings to our Board substantial experience and insight in several key strategic areas for the Company, including fast-moving consumer packaged goods, international business, marketing and human resources.
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<b><i>PREVIOUS BUSINESS EXPERIENCE</i></b>	<b><i>EDUCATION</i></b>
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Senior Vice President and Chief Marketing Officer, Kimberly-Clark Corporation (October 2006 to March 2012)	Bachelor's degree in business marketing from Monash University in Melbourne, Australia  Masters of Business Administration degree, with distinction, from the International Management Institute, Geneva, Switzerland
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***THOMAS J. RIDGE***

**Director since** Chairman, Ridge Global, LLC, a global strategic consulting company (August 2015 to present)

November 2007

***QUALIFICATIONS, ATTRIBUTES AND SKILLS***

**Age** 71

**Board Committees** Mr. Ridge's background and experiences are invaluable to our Board. As Chairman of Ridge Global, LLC, he leads a team of international experts that helps businesses and governments address issues such as risk management, global trade security, technology integration and crisis management. As a partner in Ridge Policy Group, he provides strategic advice to clients to assist them in navigating the complexities of state and local government and raising awareness of their products and services that are relevant to government markets. As twice-elected Governor of Pennsylvania, he earned a reputation for high standards and results and championed issues such as health care and the environment. As Secretary of the Department of Homeland Security, he formed a new agency from 22 agencies employing more than 180,000 employees.

Finance and Risk Management

Governance

***ADDITIONAL POSITIONS***

***PAST PUBLIC COMPANY BOARDS***

Co-founder (with Howard Schmidt), Ridge Schmidt Cyber, a provider of strategic services to companies in the area of cyber security (March 2014 to present)

Chart Acquisition Corp. (July 2011 to August 2015)

Partner, Ridge Policy Group, a bipartisan, full-service government affairs and issue management group (April 2010 to present)

FS Investment Corporation (November 2011 to February 2014)

Exelon Corporation (May 2005 to October 2013)

Brightpoint, Inc. (September 2009 to October 2012)

***PREVIOUS BUSINESS EXPERIENCE***

Geospatial Holdings, Inc. (April 2010 to May 2012)

Chief Executive Officer, Ridge Global, LLC (July 2006 to July 2015)

***EDUCATION***

Secretary, U.S. Department of Homeland Security (October 2001 to February 2005)

Governor, Pennsylvania (1995 to 2001)

Bachelor's degree, *cum laude*, from Harvard University

***CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS***

Juris Doctor degree from The Dickinson School of Law of The Pennsylvania State University

Advaxis, Inc. (August 2015 to present)

Safety Quick Lighting & Fans Corp.  
(November 2014 to present)

LifeLock, Inc. (March 2010 to present)

***DAVID L. SHEDLARZ***

**Director since**

**Former Vice Chairman, Pfizer Inc., a pharmaceutical, consumer and animal products health company (July 2005 to December 2007)**

August 2008

***QUALIFICATIONS, ATTRIBUTES AND SKILLS***

**Age** 68

**Board Committees**

Finance and Risk  
Management  
(Chair)

Mr. Shedlarz spent the majority of his professional career with Pfizer. At the time of his retirement in 2007, Mr. Shedlarz was responsible for operations including the animal health business, finance, accounting, strategic planning, business development, global sourcing, manufacturing, information systems and human resources, skills that are particularly valuable to the Board given his role as chair of the Finance and Risk Management Committee. Mr. Shedlarz also brings to our Board considerable international business and leadership experience he gained while at Pfizer.

Compensation

Executive

***PREVIOUS BUSINESS EXPERIENCE***

***EDUCATION***

Executive Vice President and Chief Financial Officer, Pfizer Inc. (January 1999 to July 2005)

Bachelor's degree in economics and mathematics from Oakland/Michigan State University

Masters of Business Administration degree in finance and accounting from the New York

***CURRENT PUBLIC AND OTHER KEY  
DIRECTORSHIPS***

University, Leonard N. Stern School of  
Business

Teladoc, Inc. (September 2016 to present)

Pitney Bowes, Inc. (May 2001 to present)

Teachers Insurance and Annuity  
Association Board of Trustees (March 2007  
to present)

## NON-EMPLOYEE DIRECTOR COMPENSATION

### The Hershey Company Directors Compensation Plan

We maintain a Directors Compensation Plan that is designed to:

Attract and retain highly qualified, non-employee directors; and

Align the interests of non-employee directors with those of our stockholders by paying a portion of non-employee compensation in units representing shares of our Common Stock.

Directors who are employees of the Company receive no additional compensation for their service on our Board. Mr. Bilbrey, our current Chairman of the Board, is the only employee of the Company who also served as a director during 2016 and thus received no additional compensation for his Board service.

The Board targets non-employee director compensation at the 50<sup>th</sup> percentile of compensation paid to directors at a peer group of companies we call the 2016 Peer Group. Information about the 2016 Peer Group is included in the section entitled "Setting Compensation" in the Compensation Discussion & Analysis. Each year, with the assistance of the Compensation Committee and the Compensation Committee's compensation consultant, the Board reviews the compensation paid to directors at companies in the current peer group to determine whether any changes to non-employee director compensation are warranted.

As a result of its review in December 2015, the Board determined that no changes to non-employee director compensation were warranted for 2016.

Accordingly, compensation paid to non-employee directors in 2016 was as follows:

Form of Compensation	Payment (\$)
Annual retainer for other non-employee directors	100,000
Annual restricted stock unit ( RSU ) award	135,000
Annual fee for Lead Independent Director <sup>(1)</sup>	25,000
Annual fee for chairs of Audit, Compensation, and Finance and Risk Management Committees <sup>(1)</sup>	15,000
Annual fee for chair of Governance Committee <sup>(1)</sup>	10,000

(1) Paid in addition to \$100,000 annual retainer for non-employee directors.

The Board completed its annual review of non-employee director compensation in December 2016 and determined that the following changes were warranted for 2017 to ensure that the program remains aligned to the 50<sup>th</sup> percentile of compensation paid to directors from our 2016 Peer Group. The Board elected to increase the annual RSU award

from \$135,000 to \$150,000 and to increase the annual Governance Committee Chair retainer from \$10,000 to \$15,000. The Board also elected to increase the non-employee director stock ownership guidelines, as described below, from four times the annual retainer to five times the annual retainer. Except for these changes, all other elements of the non-employee director compensation program described above remain unchanged for 2017.

### **Payment of Annual Retainer, Lead Independent Director Fee and Committee Chair Fees**

The annual retainer and any applicable Lead Independent Director or committee chair fees for all non-employee directors are paid in quarterly installments on the 15<sup>th</sup> day of March, June, September and December, or the prior business day if the 15<sup>th</sup> is not a business day. Non-employee directors may elect to receive all or a portion of the annual retainer in cash or in Common Stock. Non-employee directors may also elect to defer receipt of all or a portion of the retainer, Lead Independent Director fee or committee chair fees until the date their membership on the Board ends. Lead Independent Director and committee chair fees that are not deferred are paid only in cash.

Non-employee directors choosing to defer all or a portion of their retainer, Lead Independent Director fee or committee chair fees may invest the deferred amounts in two ways:

In a cash account that values the performance of the investment based upon the performance of one or more third-party investment funds selected by the director from among the mutual funds or other investment options available to all employees participating in our 401(k) Plan. Amounts invested in the cash account are paid only in cash.

In a deferred common stock unit account that we value according to the performance of our Common Stock, including reinvested dividends. Amounts invested in the deferred common stock unit account are paid in shares of Common Stock.

### **Restricted Stock Units**

RSUs are granted quarterly to non-employee directors on the first day of January, April, July and October. In 2016, the number of RSUs granted in each quarter was determined by dividing \$33,750 by the average closing price of a share of our Common Stock on the New York Stock Exchange ( NYSE ) on the last three trading days preceding the grant date. RSUs awarded to non-employee directors vest one year after the date of grant, or earlier upon termination of the director's membership on the Board by reason of retirement (termination of service from the Board after the director's 60<sup>th</sup> birthday), death or disability, for any reason after a Change in Control as defined in our Executive Benefits Protection Plan (Group 3A) ( EBPP 3A ), or under such other circumstances as the Board may determine. Vested RSUs are payable to directors in shares of Common Stock or, at the option of the director, can be deferred as common stock units under the Directors' Compensation Plan until the director's membership on the Board ends. Dividend equivalent units are credited at regular rates on the RSUs during the restriction period and, upon vesting of the RSUs, are payable in shares of Common Stock or deferred as common stock units together with any RSUs the director has deferred.

As of March 6, 2017, Messrs. Davis, Malcolm, Mead, Nevels, Ridge and Shedlarz and Mmes. Arway and Haben had attained retirement age for purposes of the vesting of RSUs.

### **Other Compensation, Reimbursements and Programs**

The Board occasionally establishes committees of limited duration for special purposes. When a special committee is established, the Board will determine whether to provide non-employee directors with additional compensation for service on such committee based on the expected duties of the committee, the anticipated number and length of any committee meetings, and other factors the Board, in its discretion, may deem relevant. In 2016, the Board approved payments of \$25,000 to Ms. Arway as Chair and \$20,000 to each of Ms. Haben and Messrs. Malcolm, Mead, Nevels and Shedlarz for their service on the special committee established in connection with the Company's Chief Executive Officer search.



We reimburse our directors for travel and other out-of-pocket expenses they incur when attending Board and committee meetings and for minor incidental expenses they incur when performing directors' services. We also provide reimbursement for at least one director continuing education program each year. Directors receive travel accident insurance while traveling on the Company's business and receive discounts on the purchase of our products to the same extent and on the same terms as our employees. Directors also are eligible to participate in the Company's Gift Matching Program. Under the Gift Matching Program, the Company will match, upon a director's request, contributions made by the director to one or more charitable organizations, on a dollar-for-dollar basis up to a maximum aggregate contribution of \$5,000 annually.

### Stock Ownership Guidelines

Pursuant to the Board's Corporate Governance Guidelines, non-employee directors are expected to own shares of Common Stock having a value equal to at least five times the annual retainer. Each non-employee director has until January 1 of the year following his or her fifth anniversary of becoming a director to satisfy the guideline.

The Compensation Committee reviews the stock ownership guidelines annually to ensure they are aligned with external market comparisons. Prior to December 2016, non-employee directors were expected to own shares of Common Stock having a value equal to at least four times the annual retainer. As part of the annual review completed in December 2016, the Board, upon the recommendation of the Compensation Committee, elected to increase the non-employee director stock ownership guidelines from four times the annual retainer to five times the annual retainer. Under the Board's Corporate Governance Guidelines, each non-employee director serving on the Board as of the date of the increase has until January 1, 2019 to satisfy the new stock ownership guidelines. Any non-employee director serving on the Board that had not yet reached his or her initial compliance date as of the date of the increase has until the second anniversary of such initial compliance date to satisfy the new stock ownership guidelines.

### 2016 Director Compensation

The following table and explanatory footnotes provide information with respect to the compensation paid or provided to non-employee directors during 2016:

Name	Fees Earned	Stock	All Other	Total
	or Paid in Cash <sup>(1)</sup>	Awards <sup>(2)</sup>	Compensation <sup>(3)</sup>	
	(\$)	(\$)	(\$)	(\$)
Pamela M. Arway	135,000	135,000	5,000	275,000
Robert F. Cavanaugh	100,000	135,000	5,000	240,000
Charles A. Davis	115,000	135,000	5,000	255,000
Mary Kay Haben	120,000	135,000	5,000	260,000
Robert M. Malcolm	120,000	135,000	5,000	260,000
James M. Mead	135,000	135,000	5,000	275,000
James E. Nevels	145,000	135,000	5,000	285,000
Anthony J. Palmer	100,000	135,000	5,000	240,000
Thomas J. Ridge	100,000	135,000	5,000	240,000
David L. Shedlarz	135,000	135,000		270,000

- (1) Includes amounts earned or paid in cash or shares of Common Stock at the election of the director or deferred by the director under the Directors Compensation Plan. Amounts credited as earnings on amounts deferred under the Directors Compensation Plan are based on investment options available to all participants in our 401(k) Plan or our Common Stock and, accordingly, the earnings credited during 2016 were not considered above market or preferential earnings.

The following table sets forth the portion of fees earned or paid in cash or Common Stock, and the portion deferred with respect to retainers and fees earned during 2016:

Name	Immediate Payment			Deferred and Investment Election		
	Cash Paid (\$)	Value Paid in Shares of Common Stock (\$)	Number of Shares of Common Stock (#)	Value Deferred to a Cash Account (\$)	Value Deferred a Common Stock Unit Account (\$)	Number of Deferred Common Stock Units (#)
Pamela M. Arway	135,000					
Robert F. Cavanaugh	100,000					
Charles A. Davis	115,000					
Mary Kay Haben	120,000					
Robert M. Malcolm	120,000					
James M. Mead	135,000					
James E. Nevels	107,500	37,500	393			
Anthony J. Palmer		100,000	1,050			
Thomas J. Ridge	100,000					
David L. Shedlarz	135,000					

- (2) Represents the dollar amount recognized as expense during 2016 for financial statement reporting purposes with respect to RSUs awarded to the directors during 2016. RSUs awarded to directors are charged to expense in the Company's financial statements at the grant date fair value on each quarterly grant date. The target annual grant date fair value of the RSUs for each director during 2016 was \$135,000.

The following table provides information with respect to the number and market value of deferred common stock units and RSUs held as of December 31, 2016, based on the \$103.43 closing price of our Common Stock as reported by NYSE on December 30, 2016, the last trading day of 2016. The information presented includes the accumulated value of each director's deferred common stock units and RSUs. Balances shown below include dividend equivalent units credited in the form of additional common stock units on retainers and committee chair fees that have been deferred as common stock units and dividend equivalent units credited in the form of additional common stock units on RSUs.

Name	Number of Deferred	Market Value of Retainers and	Number of RSUs	Market Value of
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	Common Stock	Committee Chair Fees	(#)	RSUs as of
	Units	Deferred to the		December 31, 2016
	(#)	Common Stock Unit		(\$)
		Account as of		
		December 31, 2016		
		(\$)		
Pamela M. Arway			1,448	149,767
Robert F. Cavanaugh	43,731	4,523,097	1,448	149,767
Charles A. Davis			1,448	149,767
Mary Kay Haben	3,485	360,454	1,448	149,767
Robert M. Malcolm			1,448	149,767
James M. Mead	8,107	838,507	1,448	149,767
James E. Nevels			1,448	149,767
Anthony J. Palmer			1,448	149,767
Thomas J. Ridge	29,942	3,096,901	1,448	149,767
David L. Shedlarz			1,448	149,767

- (3) Represents the Company match for contributions made by the director to one or more charitable organizations during 2016 under the Gift Matching Program.

**SHARE OWNERSHIP OF DIRECTORS, MANAGEMENT  
AND CERTAIN BENEFICIAL OWNERS**

The following table sets forth information with respect to the beneficial ownership of our outstanding voting securities and stock options by:

Stockholders who we believe owned more than 5% of our outstanding Common Stock or Class B Common Stock, as of March 6, 2017; and

Our directors, director nominees, NEOs and all directors and executive officers as a group, as of March 6, 2017.

Holder	Percent of			
	Class B		Class B	
	Common	Common	Common	Common
	Stock <sup>(1)</sup>	Options <sup>(2)</sup>	Stock <sup>(3)</sup>	Stock <sup>(4)</sup>
Hershey Trust Company,  as trustee for the  Milton Hershey School Trust <sup>(5)</sup> 100 Mansion Road Hershey, PA 17033	12,753,521		8.4	60,612,012 99.9
Milton Hershey School <sup>(5)</sup> Founders Hall Hershey, PA 17033				
Hershey Trust Company <sup>(6)</sup>	149,500		**	
BlackRock, Inc. <sup>(7)</sup> 55 East 52nd Street New York, NY 10055	9,680,398		6.4	
Vanguard Group, Inc. <sup>(8)</sup> 100 Vanguard Blvd. Malvern, PA 19355	9,042,606		6.0	
Pamela M. Arway*	11,125		**	
John P. Bilbrey*	105,126	1,000,655	**	
James W. Brown*			**	
Michele G. Buck*	21,039	109,445	**	

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Robert F. Cavanaugh*	1,000		**
Charles A. Davis*	19,103		**
Mary Kay Haben*			**
M. Diane Koken*	600		**
Patricia A. Little		22,486	**
Robert M. Malcolm*	7,061		**
James M. Mead*	700		**
James E. Nevels*	6,808		**
Terence L. O Day	34,913	164,179	**
Anthony J. Palmer*	15,458		**
Thomas J. Ridge*	1,864		**
David L. Shedlarz*	18,336		**
Leslie M. Turner	1,918	51,896	**
All directors and executive officers as a group (19 persons)	285,270	1,665,557	**

\* Director

\*\* Less than 1%

- (1) Amounts listed for NEOs and other executive officers include, if applicable, shares of Common Stock allocated by the Company to the officer's account in The Hershey Company 401(k) Plan. Amounts listed also include the following RSUs that will vest and be paid to the following holders within 60 days of March 6, 2017:

Name	RSUs
	(#)
Pamela M. Arway	374
Michele G. Buck	1,289
Charles A. Davis	374
Robert M. Malcolm	374
James E. Nevels	374
Terence L. O'Day	910
Anthony J. Palmer	374
Thomas J. Ridge	374
David L. Shedlarz	374

Amounts listed also include shares for which certain of the directors and NEOs share voting and/or investment power with one or more other persons as follows: Ms. Arway, 10,751 shares owned jointly with her spouse; Mr. Cavanaugh, 1,000 shares owned jointly with his spouse; Ms. Koken, 600 shares held at Glenmede Trust Company; Mr. Malcolm, 6,687 shares owned jointly with his spouse; Mr. Nevels, 5,546 shares owned jointly with his spouse and 888 shares owned jointly with another individual; Mr. Palmer, 15,084 shares owned jointly with his spouse; and Mr. Ridge, 1,490 shares owned jointly with his spouse.

- (2) This column reflects stock options that were exercisable by the NEOs and the executive officers as a group on March 6, 2017. For Ms. Little, the column reflects stock options that will become exercisable within 60 days of March 6, 2017.
- (3) Based upon 152,069,763 shares of Common Stock outstanding on March 6, 2017.
- (4) Based upon 60,619,777 shares of Class B Common Stock outstanding on March 6, 2017.
- (5) Hershey Trust Company, as trustee for the Milton Hershey School Trust, has the right at any time to convert its Class B Common Stock into Common Stock on a share-for-share basis. If on March 6, 2017, Hershey Trust Company, as trustee for the Milton Hershey School Trust, converted all of its Class B Common Stock into Common Stock, Hershey Trust Company, as trustee for the Milton Hershey School Trust, would own beneficially

73,365,533 shares of our Common Stock (12,753,521 Common Stock shares plus 60,612,012 converted Class B Common Stock shares), or 34.5% of the 212,681,775 shares of Common Stock outstanding following the conversion (calculated as 152,069,763 Common Stock shares outstanding prior to the conversion plus 60,612,012 converted Class B Common Stock shares). For more information about the Milton Hershey School Trust, Hershey Trust Company, Milton Hershey School and the ownership and voting of these securities, please see the section entitled Information Regarding Our Controlling Stockholder.

- (6) Please see the section entitled Information Regarding Our Controlling Stockholder for more information about shares of Common Stock held by Hershey Trust Company as investments.
- (7) Information regarding BlackRock, Inc. and its beneficial holdings was obtained from a Schedule 13G/A filed with the SEC on January 24, 2017. The filing indicated that, as of December 31, 2016, BlackRock, Inc. had sole voting and investment power over 9,680,398 shares of Common Stock. The filing indicated that BlackRock, Inc. is a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G) and that various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, our Common Stock.
- (8) Information regarding Vanguard Group, Inc. and its beneficial holdings was obtained from a Schedule 13G/A filed with the SEC on February 13, 2017. The filing indicated that, as of December 31, 2016, Vanguard Group, Inc. had sole voting and investment power over 9,042,606 shares of Common Stock. The filing indicated that Vanguard Group, Inc. is a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G) and that various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, our Common Stock.

## Ownership of Other Company Securities

Certain directors and NEOs hold Company securities not reflected in the beneficial ownership table above because they will not convert, or cannot be converted, to shares of Common Stock within 60 days of our March 6, 2017 Record Date. These securities include:

Certain unvested RSUs or deferred common stock units held by our directors and NEOs; and

Certain unvested stock options held by our NEOs.

The table below shows these holdings as of March 6, 2017. You can find additional information about RSUs and deferred common stock units held by directors in the Non-Employee Director Compensation section of this Proxy Statement. You can find additional information about stock options, RSUs and deferred common stock units held by the NEOs in the Executive Compensation section of this Proxy Statement.

Holder	Shares Underlying RSUs and Common Stock Units Not	Shares Underlying Stock Options Not
	Beneficially Owned	Beneficially Owned
Pamela M. Arway*	1,053	
John P. Bilbrey*	90,579	
James W. Brown*		
Michele G. Buck*	146,595	130,007
Robert F. Cavanaugh*	45,542	
Charles A. Davis*	1,053	
Mary Kay Haben*	5,296	
M. Diane Koken*		
Patricia A. Little	34,671	60,364
Robert M. Malcolm*	1,053	
James M. Mead*	9,918	
James E. Nevels*	1,053	
Terence L. O Day	10,459	59,921
Anthony J. Palmer*	1,053	
Thomas J. Ridge*	30,996	
David L. Shedlarz*	1,053	
Leslie M. Turner	72,627	68,332

\* Director

## Information Regarding Our Controlling Stockholder

In 1909, Milton S. and Catherine S. Hershey established a trust having as its sole beneficiary Milton Hershey School, a non-profit school for the full-time care and education of disadvantaged children located in Hershey, Pennsylvania. Hershey Trust Company, a state-chartered trust company, is trustee of the Milton Hershey School Trust.

In its capacity as trustee for the Milton Hershey School Trust, Hershey Trust Company is our controlling stockholder. In this capacity, it will have the right to cast 8.4% of all of the votes entitled to be cast on matters requiring the vote of the Common Stock voting separately and 81.6% of all of the votes entitled to be cast on matters requiring the vote of the Common Stock and Class B Common Stock voting together. The board of directors of Hershey Trust Company, with the approval of the board of managers (governing body) of Milton Hershey School, decides how funds held by Hershey Trust Company, as trustee for the Milton Hershey School Trust, will be invested. The board of directors of Hershey Trust Company generally decides how shares of The Hershey Company held by Hershey Trust Company, as trustee for the Milton Hershey School Trust, will be voted.

As of the Record Date, Hershey Trust Company also held 149,500 shares of our Common Stock as investments. The board of directors or management of Hershey Trust Company decides how these shares will be voted.

In all, Hershey Trust Company, as trustee for the Milton Hershey School Trust and as direct owner of investment shares, will be entitled to vote 12,903,021 shares of our Common Stock and 60,612,012 shares of our Class B Common Stock at the Annual Meeting. Stated in terms of voting power, Hershey Trust Company will have the right to cast 8.5% of all of the votes entitled to be cast on matters requiring the vote of the Common Stock voting separately and 81.6% of all of the votes entitled to be cast on matters requiring the vote of the Common Stock and Class B Common Stock voting together at the Annual Meeting.

Our certificate of incorporation contains the following important provisions regarding our Class B Common Stock:

All holders of Class B Common Stock, including Hershey Trust Company, as trustee for Milton Hershey School, may convert any of their Class B Common Stock shares into shares of our Common Stock at any time on a share-for-share basis.

All shares of Class B Common Stock will automatically be converted to shares of Common Stock on a share-for-share basis if Hershey Trust Company, as trustee for Milton Hershey School, or any successor trustee, or Milton Hershey School, as appropriate, ceases to hold more than 50% of the total Class B Common Stock shares outstanding and at least 15% of the total Common Stock and Class B Common Stock shares outstanding.

We must obtain the approval of Hershey Trust Company, as trustee for Milton Hershey School, or any successor trustee, or Milton Hershey School, as appropriate, before we issue any Common Stock or take any other action that would deprive Hershey Trust Company, as trustee for Milton Hershey School, or any successor trustee, or Milton Hershey School, as appropriate, of the ability to cast a majority of the votes on any matter where the Class B Common Stock is entitled to vote, either separately as a class or together with any other class.

## AUDIT COMMITTEE REPORT

### To Our Stockholders:

The Audit Committee is currently comprised of four directors, each of whom is considered independent under the NYSE Rules and the rules and regulations of the SEC. The Board has determined that each member of the Audit Committee is financially literate and that each of Messrs. Davis, Mead and Nevels qualifies as an audit committee financial expert, as that term is defined under the rules promulgated by the SEC.

Our role as the Audit Committee is to assist the Board in its oversight of:

The integrity of the Company's financial statements;

The Company's compliance with legal and regulatory requirements;

The independent auditors' qualifications and independence; and

The performance of the independent auditors and the Company's internal audit function.

The Audit Committee operates under a written charter that was last reviewed by the Audit Committee on December 5, 2016.

Our duties as an Audit Committee include overseeing the Company's management, internal auditors and independent auditors in their performance of the following functions, for which they are responsible:

#### Management

Preparing the Company's financial statements;

Establishing effective financial reporting systems and internal controls and procedures; and

Reporting on the effectiveness of the Company's internal control over financial reporting.

#### Internal Audit Department

Independently assessing management's system of internal controls and procedures; and

Reporting on the effectiveness of that system.

#### Independent Auditors

Auditing the Company's financial statements;

Expressing an opinion about the financial statements' conformity with U.S. generally accepted accounting principles; and

Annually auditing the effectiveness of the Company's internal control over financial reporting.

We meet periodically with management, the internal auditors and independent auditors, independently and collectively, to discuss the quality of the Company's financial reporting process and the adequacy and effectiveness of the Company's internal controls. Prior to the Company filing its Annual Report on Form 10-K for the year ended December 31, 2016 with the SEC, we also:

Reviewed and discussed the audited financial statements with management and the independent auditors;

Discussed with the independent auditors the matters required to be discussed by applicable requirements of the Public Company Accounting Oversight Board;

Received the written disclosures and the letter from the independent auditors in accordance with applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors communications with the Audit Committee concerning independence; and

Discussed with the independent auditors their independence from the Company.

We are not employees of the Company and are not performing the functions of auditors or accountants. We are not responsible as an Audit Committee or individually to conduct field work or other types of auditing or accounting reviews or procedures or to set auditor independence standards. In carrying out our duties as Audit Committee members, we have relied on the information provided to us by management and the independent auditors. Consequently, we do not assure that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with U.S. generally accepted accounting principles or that the Company's auditors are in fact independent.

Based on the reports and discussions described in this report, and subject to the limitations on our role and responsibilities as an Audit Committee referred to above and in our charter, we recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 21, 2017.

**Submitted by the Audit Committee:**

Charles A. Davis, Chair

Pamela M. Arway

James M. Mead

James E. Nevels

## INFORMATION ABOUT OUR INDEPENDENT AUDITORS

The following table sets forth the amount of audit fees, audit-related fees, tax fees and all other fees billed or expected to be billed by KPMG, LLP ( KPMG ), our independent auditors for the fiscal years ended December 31, 2016 and December 31, 2015:

	2016	2015
Nature of Fees	(\$)	(\$)
Audit Fees	5,170,365	5,674,000
Audit-Related Fees <sup>(1)</sup>	85,750	346,500
Tax Fees <sup>(2)</sup>	962,073	222,398
All Other Fees		
<b>Total Fees</b>	<b>6,218,188</b>	<b>6,242,898</b>

(1) Fees associated primarily with services related to due diligence for potential business acquisitions, auditing of carve-out financial statements and auditing of employee benefit plans.

(2) Fees pertaining primarily to tax consultation and tax compliance services.

The Audit Committee pre-approves all audit, audit-related and non-audit services performed by the independent auditors. The Audit Committee is authorized by its charter to delegate to one or more of its members the authority to pre-approve any audit, audit-related or non-audit services, provided that the approval is presented to the Audit Committee at its next scheduled meeting.

The Audit Committee pre-approved all services provided by KPMG in 2016.

On April 21, 2016, upon the approval of the Audit Committee, we notified KPMG that it would be dismissed as our independent auditors effective upon the completion of KPMG's audit of the Company's consolidated financial statements for the fiscal year ending December 31, 2016 (and the effectiveness of internal control over financial reporting as of December 31, 2016), and the issuance of their report thereon. The decision to dismiss KPMG was made as part of a competitive bidding process to determine the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017.

The audit reports of KPMG on the Company's consolidated financial statements as of and for the years ended December 31, 2016 and 2015 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. The audit reports of KPMG on the effectiveness of internal control over financial reporting as of December 31, 2016 and 2015 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles, except that KPMG's report indicates that the Company did not maintain effective internal control over financial reporting as of December 31, 2015, because of the effect of a material weakness related to the Company's accounting for cocoa derivative instruments. During the Company's two most recent fiscal years ended December 31, 2016 and December 31, 2015, there were no (1) disagreements with KPMG on any matter of accounting principles or practices,

financial statement disclosures, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of KPMG, would have caused KPMG to make reference to the subject matter of the disagreements in connection with its reports; and (2) events of the type listed in paragraphs (A) through (D) of Item 304(a)(1)(v) of Regulation S-K, except for the material weakness as described in this paragraph.

On June 15, 2016, the Audit Committee appointed Ernst & Young LLP as the Company's independent registered public accounting firm for the Company's fiscal year ending December 31, 2017. During the Company's two most recent fiscal years ended December 31, 2016 and 2015, neither the Company nor anyone acting on its behalf consulted with Ernst & Young LLP regarding either: (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report nor oral advice was provided to the Company that Ernst & Young LLP concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) of Item 304 of Regulation S-K and the related instructions thereto) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

**PROPOSAL NO. 2   RATIFICATION OF APPOINTMENT  
OF INDEPENDENT AUDITORS**

The Board of Directors unanimously recommends that stockholders vote **FOR** ratification of the Audit Committee's appointment of Ernst & Young LLP as the Company's independent auditors for 2017

The Audit Committee has appointed Ernst & Young LLP as the Company's independent auditors for 2017. Although not required to do so, the Board, upon the Audit Committee's recommendation, has determined to submit the Audit Committee's appointment of Ernst & Young LLP as our independent auditors to stockholders for ratification as a matter of good corporate governance.

The Audit Committee's appointment of Ernst & Young LLP as the Company's independent auditors for 2017 will be considered ratified if a majority of the shares of the Common Stock and Class B Common Stock (voting together without regard to class) present and entitled to vote at the Annual Meeting are voted for the proposal. If stockholders do not ratify the appointment of Ernst & Young LLP as the Company's independent auditors for 2017, the Audit Committee will reconsider its appointment.

Representatives of both Ernst & Young LLP and KPMG (our independent auditors for the fiscal year ended December 31, 2016) will attend the Annual Meeting, will have the opportunity to make a statement, if they so desire, and will respond to questions.

## COMPENSATION DISCUSSION & ANALYSIS

### EXECUTIVE COMPENSATION

This section discusses and analyzes the decisions we made concerning the compensation of our named executive officers ( NEOs ) for 2016. It also describes the process for determining executive compensation and the factors considered in determining the amount of compensation awarded to our NEOs. Our NEOs for 2016 are:

Name	Title
John P. Bilbrey <sup>(1)</sup>	Chairman of the Board, President and Chief Executive Officer ( CEO )
Patricia A. Little	Senior Vice President, Chief Financial Officer ( CFO )
Michele G. Buck <sup>(2)</sup>	Executive Vice President, Chief Operating Officer ( COO )
Terence L. O Day	Senior Vice President, Chief Supply Chain Officer
Leslie M. Turner	Senior Vice President, General Counsel and Secretary

- (1) On March 1, 2017, Mr. Bilbrey retired from the position of President and CEO. He continues to serve as Chairman of the Board.
- (2) On June 2, 2016, Ms. Buck was promoted from President, North America to Executive Vice President, COO. On March 1, 2017, Ms. Buck became our President and CEO.

#### Executive Summary

##### *2016 Highlights*

The Hershey Company (the Company ), headquartered in Hershey, Pa., is a global confectionery leader known for bringing goodness to the world through its chocolate, sweets, mints and other great-tasting snacks. We have approximately 17,980 employees around the world who work every day to deliver delicious, quality products. We have more than 80 brands that drive approximately \$7.4 billion in annual revenues. Building on its core business, the Company is expanding its portfolio to include a broader range of delicious snacks. The Company remains focused on growing its presence in key international markets while continuing to extend its competitive advantage in North America.

In January 2016, we announced the following Company expectations, which are substantially reflected in our 2016 incentive programs:

Increase constant currency net sales<sup>(1)</sup> around 3% from 2015; and

Increase adjusted earnings per share-diluted<sup>(2)</sup> about 6% from 2015.

(1)

While we report our financial results in accordance with U.S. generally accepted accounting principles ( GAAP ), we also use non-GAAP financial measures within Management's Discussion and Analysis in the 2016 Annual Report on Form 10-K that accompanies this Proxy Statement in order to provide additional information to investors to facilitate the comparison of past and present performance. Some of the financial targets under our short- and long-term incentive programs are also based on non-GAAP financial measures. Non-GAAP financial measures are used by management in evaluating results of operations internally and in assessing the impact of known trends and uncertainties on our business, but they are not intended to replace the presentation of financial results in accordance with GAAP.

Constant currency net sales is a non-GAAP financial measure. To calculate net sales on a constant currency basis, net sales for the current fiscal year period for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average rates during the comparable period of the prior fiscal year.

- (2) Adjusted earnings per share-diluted is a non-GAAP financial measure. We define adjusted earnings per share-diluted as diluted earnings per share of the Company's common stock ( Common Stock ), excluding unallocated mark-to-market losses on commodity derivatives, costs associated with business realignment activities, costs relating to the integration of acquisitions, non-service related components of our pension expense (income) ( NSRPE(I) ), goodwill and other intangible asset impairment charges, settlement of the Shanghai Golden Monkey liability in conjunction with the purchase of the remaining 20% of the outstanding shares of Shanghai Golden Monkey, the gain realized on the sale of a trademark, costs associated with the early extinguishment of debt and other non-recurring gains and losses.

In April 2016, we lowered our guidance for our expected 2016 constant currency net sales increase to 2.5% and for our expected 2016 adjusted earnings per share-diluted increase to 3% to 4%. See the section entitled "Annual Incentives" for more information regarding our 2016 annual incentive targets and related results.

Actual results for 2016 were as follows:

While we did not meet our expectations for net sales growth, we exceeded our adjusted earnings per share-diluted expectations. Because of our mixed financial performance results, our NEOs earned significantly below-target performance stock unit (PSU) payouts and slightly above-target annual cash incentive awards, as described further in the sections entitled "Long-Term Incentives" and "Annual Incentives."

#### *Hershey Has Strong Pay-for-Performance Alignment*

The Compensation and Executive Organization Committee (the "Compensation Committee") of our Board of Directors (the "Board") has oversight responsibility for our executive compensation framework and for aligning our executives' pay with the Company's performance. We believe we have a strong pay-for-performance alignment because a significant portion of each NEO's target total direct compensation is tied to the financial performance of the Company as well as shareholder returns.

In 2016, approximately 70% of our CEO's and 60% of our other NEOs' target total direct compensation was variable and tied to Company performance, including a substantial portion tied to shareholder value. Specifically, 34% of our PSUs were tied to Total Shareholder Return (TSR). Combined with the other financial and strategic metrics that determine our NEOs' compensation, we have aligned our executive compensation program with the long-term interests of our stockholders.

Over the last three years, we have delivered a TSR of 14%, which is at the bottom of our Financial Peer Group described in the section entitled *Performance Stock Unit Targets and Results*.

Because our TSR metric was below threshold for the 2014-2016 PSU cycle, our NEOs received a 0% payout for this metric, significantly reducing their overall PSU payout, as described in more detail in the section entitled *Performance Stock Unit Targets and Results*.

*Our Stockholders Strongly Approve of Our Pay Practices*

Last year, our stockholders overwhelmingly approved our *say-on-pay* resolution, with more than 93% of the votes cast by the holders of Common Stock and more than 99% of the combined votes cast by the holders of the Common Stock and Class B Common Stock voting in favor. Our Compensation Committee believes the results of last year's *say-on-pay* vote affirmed our stockholders' support of our Company's executive compensation program. Consequentially, our approach to executive compensation in 2016 was substantially the same as the approach stockholders approved in 2015. In keeping with the preference expressed by our stockholders at the 2011 Annual Meeting of Stockholders, our Board has committed to having an annual *say-on-pay* vote as described in Proposal No. 3 *Approval of Named Executive Officer Compensation on a Non-Binding Advisory Basis*. We are asking stockholders to express a preference for the frequency of the *say-on-pay* vote, pursuant to Section 14A of the Exchange Act, in this proxy statement.

We believe our compensation and governance policies and practices are significant drivers of our stockholder support. These policies and practices include:

**Pay for performance.** A substantial percentage of each of our NEO's target total direct compensation is variable, performance-based compensation.

**Performance measures support strategic objectives.** The performance measures we use for our variable, performance-based compensation reflect strategic and operating objectives, creating long-term value for our stockholders.

**Appropriate risk-taking.** We set performance goals that consider our publicly-announced financial expectations, which we believe will encourage appropriate risk taking. Our incentive programs are appropriately capped so as not to encourage excessive risk taking.

**No tax gross-ups.** We do not provide tax gross-ups, except for relocation expenses.

**Double-trigger benefits in the event of a change in control.** In the event of a change in control, the payment of severance benefits and the acceleration of vesting of time-based long-term incentive awards are double-trigger benefits. The severance payments and accelerated vesting of continuing incentive awards will not occur unless there is also a qualifying termination of employment upon or within two years following the change in control.

**No re-pricings or exchanges of underwater stock options.** Our stockholder-approved Equity and Incentive Compensation Plan ( EICP ) prohibits re-pricing or exchange of underwater stock options without stockholder approval.

**Do not provide excessive perquisites.** Executive perquisites are kept to a minimal level relative to a NEO's total compensation and do not play a significant role in our executive compensation program.

**Do not provide for the prepayment of dividends on unearned PSUs.** Dividends are not paid on PSU awards during the three-year performance cycle.

**Significant stock ownership guidelines.** Our NEOs and other executives are required to accumulate and hold stock equal to a multiple of base salary. If an executive has not met his or her ownership requirement in a timely manner, the executive is required to retain a portion of shares received under long-term incentive awards until the requirements are met.

**Anti-hedging policy.** Our NEOs, directors and other insiders are prohibited from entering into hedging transactions related to our stock.

**Anti-pledging policy.** Our NEOs, directors and other insiders are prohibited from entering into pledging transactions related to our stock.

#### **Clawbacks and other covenants.**

- i For the protection of the Company, we require our NEOs to enter into an Employee Confidentiality and Restrictive Covenant Agreement ( ECRCA ) as a condition of receipt of long-term incentive awards. Failure to comply with the ECRCA may subject the employee to cancellation of awards and a requirement to repay amounts received from awards.
- i Under the EICP, when an individual's actions result in the filing of financial documents not in compliance with financial reporting requirements, the Company has the right to recoup or require repayment of an award earned or accrued during the 12-month period following the first public issuance or filing with the SEC of the financial document not in compliance with such financial reporting requirement.

#### **The Role and Philosophy of the Compensation Committee**

The Compensation Committee has primary responsibility for making compensation decisions for our NEOs other than our CEO. Our CEO's compensation is approved by the independent members of the Board based on the recommendations of the Compensation Committee.

The Compensation Committee operates under a charter approved by the Board. The Compensation Committee uses information from Mercer (US) Inc. ( Mercer ), the Compensation Committee's independent executive compensation consultant, input from our CEO (except for matters regarding his own pay) and assistance from our Human Resources Department to make decisions and to conduct its annual review of the Company's executive compensation program.

The Compensation Committee works with a rolling agenda, with its heaviest workload occurring during the first quarter of the year. During this quarter, decisions are made with respect to annual and long-term incentives earned based on the prior year's performance and target compensation levels are finalized for the current year. The Compensation Committee also reviews and approves this Compensation Discussion & Analysis. During the second and third quarters, the Compensation Committee reviews materials relating to peer group composition, tally sheets, competitive pay analysis and other information that forms the foundation for future decisions. The Compensation Committee uses the third and fourth quarters to finalize decisions relating to the peer group and compensation plan design for use in the upcoming year.

The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Compensation Committee and, pursuant to the provisions of the EICP, may appoint the CEO as a committee of the Board as necessary for the purpose of making equity grants under the EICP; provided, however, the Compensation Committee may not delegate the approval of certain transactions to a subcommittee or to the CEO if such transactions involve the approval or grant of equity-based compensation to an officer for purposes of Rule 16b-3 under the Securities Exchange Act of 1934 ( Exchange Act ) or a covered employee for purposes of Section 162(m) of the Internal Revenue Code ( IRC ) unless such subcommittee consists solely of members of the Compensation Committee who are (i) Non-Employee Directors for the purposes of Rule 16b-3 under the Exchange Act, and (ii) outside directors for the purposes of Section 162(m) of the IRC.

The philosophy of our executive compensation program is to provide a compelling, dynamic, market-based total compensation program tied to performance and aligned with our stockholders' interests. Our goal is to ensure the Company has the talent it needs to maintain sustained long-term performance for our stockholders, employees and communities. The guiding principles that help us achieve this goal are:

**Recruit and retain.** Our program is designed to be market competitive and flexible to recruit and retain top talent for our critical roles.

**Pay for performance.** A significant portion of our executives' compensation is tied to the performance of our Company, rewarding executives for both short-term and long-term progress towards our strategic and operational goals.

**Aligned with strategy.** Our compensation program is aligned with the strategies of our Company.

**Aligned with stockholders.** Our compensation program, through both design and payouts, is aligned with the long-term interests of our stockholders.

**Reinforce robust succession planning.** Our compensation program plays a key role in making sure we have the talent we need for long-term success and to deliver our Company strategies.

**Data-driven decision making.** We design our executive compensation program and make pay decisions considering a balance of information.



*Compensation Advisor Independence*

Under its engagement letter with the Compensation Committee, Mercer has acknowledged that the firm is retained by and performs its services for the Compensation Committee while working with management to provide advice, counsel and recommendations that reinforce the Company's business strategy, economics, organization and management style. Mercer has provided and continues to provide services and products to the Company in addition to its work for the Compensation Committee, including services related to global compensation consulting and surveys for various geographies. Mercer and its affiliates also provide products and services to the Company that are unrelated to compensation, including expatriate consulting services (provided by Mercer), international benefits consulting and claims processing services (provided by Mercer) and coordination of certain third party health and welfare benefits (coordinated by Marsh). Mercer's affiliates, Marsh USA Inc. and Marsh INSCO LLC, provided property and casualty insurance consulting services until June 2016.

The Compensation Committee reviews all fees for services related to executive and director compensation provided by Mercer to the Compensation Committee, as well as fees for compensation-related products and services provided to the Company. The decision to engage Mercer for other services was made by management. Neither the Compensation Committee nor the Board has a role in the engagement of Mercer or Mercer affiliates that provide products or services to the Company that are unrelated to compensation; however, the Compensation Committee reviews the fees for such products and services concurrently with its review of compensation-related fees paid to Mercer.

Fees paid to Mercer and its affiliates for services provided in 2016 related to executive and director compensation totaled \$476,782. Fees paid to Mercer and its affiliates for other services provided in 2016 were as follows:

Compensation-related products and services	\$ 116,301
Services unrelated to compensation	\$ 294,401
Total other services	\$ 410,702

The Compensation Committee also received and discussed with Mercer its letter to the Compensation Committee addressing factors relevant under the Securities Exchange Commission (SEC) and New York Stock Exchange (NYSE) rules in assessing Mercer's independence from management and whether Mercer's work for the Compensation Committee has raised any conflicts of interest, as well as Mercer's belief that no conflict of interest exists and that it serves as an independent advisor to the Compensation Committee. The factors addressed included the extent of any business or personal relationships with any member of the Compensation Committee or any executive officer of the Company; Mercer's and its affiliates' provision of other services to the Company; the level of fees received from the Company as a percentage of total revenue of each of Mercer and Mercer's parent company; the policies and procedures employed by Mercer to avoid conflicts of interest; and any ownership of Company stock by individuals employed by Mercer to advise the Compensation Committee. The Compensation Committee considered these factors before selecting or receiving advice from Mercer, and after considering these and other factors in their totality, the Compensation Committee identified no conflicts of interest with respect to Mercer's advice.

In establishing compensation levels and awards for executive officers other than our CEO, the Compensation Committee takes into consideration the recommendations of Mercer and the Human Resources Department, evaluations by our CEO of each officer's individual performance and Company performance. The Compensation Committee evaluates director compensation primarily on the basis of peer group data used for benchmarking director compensation provided by Mercer.



## Compensation Components

Our executive compensation program includes the following key elements:

Element	Design	Purpose	Key 2016 Actions
Base Salary	Fixed compensation component. Reviewed annually and adjusted as appropriate.	Intended to attract and retain executives with proven skills and leadership abilities that will enable us to be successful.	Each NEO received an increase at the beginning of the year consistent with how the Company sets compensation as described below. <sup>(1)</sup>
Annual Incentive Award	Variable, performance-based compensation component. Payable based on business results and individual performance.	Intended to motivate and reward executives for successful execution of strategic priorities.	Targets as a percentage of base salary were established at the beginning of 2016 for each NEO. <sup>(1)</sup> The metric weightings were changed in 2016 as follows: Net Sales <sup>(2)</sup> 50% to 45%, Adjusted Earnings per Share-Diluted <sup>(3)</sup> remained at 40% and Operating Cash Flow <sup>(4)</sup> 10% to 15%.
Long-Term Incentive Awards	Variable, performance-based compensation component. Granted annually as a combination of Restricted Stock Units ( RSUs ), PSUs and stock options. The value of amounts actually earned depend on Company and stock price performance.	Intended to motivate and reward executives for long-term Company financial performance and enhanced long-term stockholder value by balancing compensation opportunity and risk, while encouraging sustained performance and retention.	Targets as a percentage of base salary were established at the beginning of 2016 for each NEO. In 2016, the Compensation Committee approved changing the equity mix from 50% stock options and 50% PSUs to 25% stock options, 50% PSUs and 25% RSUs. In addition, the Compensation Committee approved changing the PSU metrics and weightings for the 2016 – 2018 performance cycle as described in the section entitled Long-Term

Incentives.

- (1) Ms. Buck's base salary and annual incentive award were adjusted when she was promoted to Executive Vice President, COO, as described further in the sections entitled "Base Salary" and "Annual Incentives."
- (2) Net Sales is measured on a constant currency basis, which is a non-GAAP performance measure. For more information regarding how we define constant currency net sales, please see footnote (1) in the section entitled "Executive Summary."
- (3) Adjusted earnings per share-diluted is a non-GAAP performance measure. For more information regarding how we define adjusted earnings per share-diluted, please see footnote (2) in the section entitled "Executive Summary."
- (4) Operating cash flow is a non-GAAP performance measure. We define operating cash flow as the average of cash from operations less certain one-time items impacting comparability. For more information regarding our use of non-GAAP performance measures, please see footnote (1) in the section entitled "Executive Summary."

The following charts illustrate the weighting of base salary, annual incentive awards and long-term incentive awards at target for our CEO and our other NEOs during 2016:

### Setting Compensation

The Compensation Committee's annual compensation review for 2016 included an analysis of data, comparing the Company's executive and director compensation levels against a peer group of publicly-held consumer products companies. Mercer provides the Compensation Committee with advice, counsel and recommendations with respect to the composition of the peer group and competitive data used for benchmarking our compensation program. The Compensation Committee uses this and other information provided by Mercer to reach an independent recommendation regarding compensation to be paid to our CEO, directors and other officers. The Compensation Committee's final recommendation is then given to the independent directors of our Board for review and final approval.

Before 2015, the Company had two separate peer groups, which we referred to as our Compensation Peer Group and our Financial Peer Group. Since 2015, the Compensation Committee has utilized one common peer group. Companies in the peer group used to benchmark executive and director pay levels for 2016 (the 2016 Peer Group) are:

Brown-Forman Corporation  
Campbell Soup Company  
Colgate-Palmolive Company  
ConAgra Foods, Inc.  
Constellation Brands, Inc.  
Dean Foods Company  
Dr Pepper Snapple Group, Inc.  
General Mills, Inc.

Hormel Foods Corporation  
Kellogg Company  
McCormick & Company, Inc.  
Mead Johnson Nutrition Company  
Molson Coors Brewing Company  
Mondelez International  
The Clorox Company  
The J. M. Smucker Company

The Compensation Committee selected these companies after reviewing publicly-held companies offering products/services similar to ours, with annual revenues within a range of approximately one-half to two and one-half times our annual revenue (with the exception of Mondelez International whom we also consider a peer company for executive talent) and market capitalization within a reasonable range of our market capitalization. The 2016 Peer Group was composed of companies with annual revenues ranging from \$3.6 billion to \$29.6 billion (as of fiscal year 2015) and market capitalization ranging from \$1.6 billion to \$71.3 billion (as of December 31, 2015). Hershey's fiscal year 2015 revenue of \$7.4 billion and December 31, 2015 market capitalization of \$19.4 billion were at the 51<sup>st</sup> and 56<sup>th</sup> percentiles, respectively. Except for Colgate-Palmolive Company and Mead Johnson Nutrition Company, all of the companies in our 2016 Peer Group were included in our 2015 Peer Group. Kraft Foods Group, included in 2015, was not included in the 2016 Peer Group due to a merger occurring in 2015.

Data from the 2016 Peer Group was supplemented by composite data from consumer products companies ranging in size from \$3 billion to \$17 billion in approximate annual sales. This information was included in three national surveys conducted by Aon Hewitt, Mercer and Towers Watson. The survey composite data provided us with broader, industry-specific information regarding pay levels at consumer products companies for our NEOs.

The Compensation Committee reviewed a report summarizing compensation levels at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles of the 2016 Peer Group and the survey composite data for positions comparable to those held by each of our NEOs. The Compensation Committee also reviewed a report comparing the target total cash compensation (base salary plus target annual incentive) and target total direct compensation (base salary plus target annual incentive plus target long-term incentive) for each of the NEOs against these benchmarks. For retention and competitive considerations, the Company targets each NEO's total cash compensation and total direct compensation levels around the 50<sup>th</sup> percentile of the 2016 Peer Group data or survey composite data applicable to his or her position. The Compensation Committee's final determinations with respect to base salary, target annual incentive compensation and target long-term incentive compensation reflect consideration of the Company's and the NEO's performance, internal comparisons and other factors the Compensation Committee deems appropriate. As a result of these factors, the target total cash compensation and target total direct compensation of our NEOs in 2016 was generally set around the applicable median.

During 2016, the Compensation Committee received detailed tally sheets prepared by management. Each tally sheet captures comprehensive compensation, benefits and stock ownership data. The tally sheets provide the Compensation Committee with a complete picture of each executive's current and projected compensation and the amount of each element of compensation or other benefit the executive would receive in the event of voluntary or involuntary termination, retirement, disability, death, or upon change in control. The Compensation Committee considers this information, as well as the benchmark information, when making compensation decisions.

### **Base Salary**

Base salary is the largest fixed component of our executive compensation program and is determined by considering the relative importance of the position, the competitive marketplace and the individual's performance, responsibilities and experience. Salary reviews are generally conducted annually at the beginning of the year. Each NEO's base salary is compared to internal and external references. Base salary adjustments, if any, are made after considering market references, Company performance against financial goals and individual performance. CEO performance is evaluated by the Compensation Committee and independent members of the Board. The CEO evaluates the performance of his direct reports, including all NEOs, and reviews his recommendations for salary adjustments with the Compensation Committee prior to its approval of the base salary for each NEO. If a NEO has responsibility for a particular business unit, the business unit's financial results also will be strongly considered.



On the basis of the foregoing considerations, the Compensation Committee, and all independent directors in the case of our CEO, approved base salaries for 2016 as follows:

Name	2016	Increase	Percent of Target Total
	Base Salary	from 2015	Direct Compensation
	(\$)	(%)	(%)
Mr. Bilbrey	1,236,000	3.0	13.8
Ms. Little	627,000	4.5	26.7
Ms. Buck	750,000 <sup>(1)</sup>	14.9	23.9
Mr. O Day	587,800	3.0	29.9
Ms. Turner	627,000	4.5	29.4

(1) In addition to a merit increase at the beginning of the year to \$672,400, Ms. Buck's base salary was increased to \$750,000 effective June 2, 2016 in connection with her promotion to Executive Vice President, COO. The percent of target total direct compensation for Ms. Buck is based on a base salary of \$716,274, reflecting her target base salary both before and after the June increase.

See Column (c) of the 2016 Summary Compensation Table for information regarding the base salary earned by each of our NEOs during 2016.

### Annual Incentives

Our NEOs are eligible to receive an annual cash incentive award under the One Hershey Incentive Program ( OHIP ), a program established under our EICP.

The OHIP links the NEO's payout opportunity to measures he or she can affect most directly. For 2016, our CEO and all employees reporting directly to him, including the NEOs, had common financial objectives tied to total Company performance consistent with their responsibility to manage the entire Company. Total Company performance targets are established in the context of our announced expectations for financial performance, prior year results and market conditions.

For 2016, our NEOs were eligible to earn individual OHIP awards as follows:

Name	2016 Target One Hershey	Percent of Target
	Incentive Program	Total Direct
	(% of Base Salary)	Compensation
		(%)

Mr. Bilbrey	150	20.7
Ms. Little	80	21.3
Ms. Buck	90 <sup>(1)</sup>	21.0 <sup>(1)</sup>
Mr. O Day	65	19.4
Ms. Turner	70	20.6

(1) Ms. Buck's target was initially set at 85% in January 2016. Upon her promotion to Executive Vice President, COO, Ms. Buck's target increased to 90%. The percent of target total direct compensation for Ms. Buck is based on a base salary of \$716,274, reflecting her target base salary both before and after the June increase.

In determining the target OHIP percentage for each of the NEOs, the Compensation Committee, and the independent directors in the case of our CEO, considered the value of target total cash compensation against market references. Target total cash compensation levels for each of the NEOs fall within an appropriate range relative to the median for comparable positions given each incumbent's performance, responsibilities and tenure in the role.

In general, the final OHIP award is determined by multiplying the NEO's base salary, the applicable target percentage and performance scores ranging from 0% to 200% based on Company and individual performance. The Company performance goals are established at the beginning of each year by the Compensation Committee. Individual performance goals also are established at that time, or at the time of hire if later. If performance scores exceed the target objectives, a NEO may receive an OHIP payout greater than his or her target award value. If performance scores are below the target objectives, the NEO's OHIP payout will be below his or her target award value, subject to no award if performance is below threshold levels.

For 2016, Company financial performance metrics accounted for 65% of each NEO's target award under the program. The remaining 35% was based upon individual performance toward achievement of up to six individual performance goals focused on strategic priorities applicable to the NEO's position, but tied to the overall Company's top priorities for the year.

### *2016 OHIP Performance Targets and Results*

The Company performance targets for the 2016 OHIP were as follows:

Consolidated net sales<sup>(1)</sup> of \$7.571 billion, a 2.5% increase from 2015;

Adjusted earnings per share-diluted<sup>(2)</sup> of \$4.37, a 6.0% increase from 2015; and

Operating cash flow<sup>(3)</sup> of \$1.190 billion, an 8.0% increase from 2015.

Our financial performance during 2016 and the resulting financial performance scores for OHIP were as follows:

Metric	2016 Target (\$)	2016 Actual (\$)	Target Award (%)	Performance Score (%)
Net Sales <sup>(1)</sup>	7.571 billion	7.455 billion	45.00	43.50
Adjusted Earnings per Share-Diluted <sup>(2)</sup>	4.37	4.45	40.00	48.86
Operating Cash Flow <sup>(3)</sup>	1.190 billion	1.172 billion	15.00	14.73
<b>Total One Hershey Incentive Program Company Score</b>			<b>100.00</b>	<b>107.09</b>

(1) Net Sales is measured on a constant currency basis, which is a non-GAAP performance measure. For more information regarding how we define constant currency net sales, please see footnote (1) in the section entitled Executive Summary. The Net Sales results above differ from those disclosed in our fourth quarter 2016 earnings release as a result of acquisitions made during 2016.

(2)

Adjusted earnings per share-diluted is a non-GAAP performance measure. For more information regarding how we define adjusted earnings per share-diluted, please see footnote (2) in the section entitled Executive Summary. Adjusted Earnings Per Share-Diluted results above differ from those disclosed in our fourth quarter 2016 earnings release as a result of acquisitions made during 2016.

- (3) Operating cash flow is a non-GAAP performance measure. We define operating cash flow as the average of cash from operations less certain one-time items impacting comparability. For more information regarding our use of non-GAAP performance measures, please see footnote (1) in the section entitled Executive Summary.

We achieved below-target performance in net sales and operating cash flow and above-target performance in adjusted earnings per share-diluted. As a result, 65% of the 2016 OHIP award for each NEO was based on the Company performance score of 107.09%. The remainder of the OHIP award was determined by individual performance ratings.

The individual performance goals for Mr. Bilbrey centered on delivery of the Company's financial goals, strategic leadership and succession planning.

At the beginning of 2016, Ms. Buck served as our President, North America. On June 2, 2016, Ms. Buck took on an expanded role of Executive Vice President, COO, while continuing to lead the Company's day-to-day North American operations. Her goals and evaluation reflected both roles. Ms. Buck was responsible for strategic leadership and delivery of the Company's financial objectives, establishing future growth pipelines, building critical capabilities and improving the Company's operations.

Ms. Little, our CFO, had individual performance goals that included building the Company's global financial capabilities, delivering continued process improvements and delivering on our strategic plan. The individual performance goals for Mr. O'Day, Senior Vice President, Chief Supply Chain Officer, focused on delivering a supply chain network that enables growth and delivering enterprise margin expansion. For Ms. Turner, Senior Vice President, General Counsel and Secretary, the individual performance goals included enhancing our global ethics and compliance culture as well as supporting our CEO and Board on a variety of legal matters.

Following the close of 2016, the Compensation Committee provided the independent directors with an assessment of Mr. Bilbrey's 2016 performance and achievement relative to his individual performance goals. Our financial results were around target despite challenging industry conditions in the category. Mr. Bilbrey also delivered on his strategic leadership goals, including enabling continued growth through portfolio expansion, investing in key geographies, capturing significant cost savings, delivering above-target innovation, succession planning and diversity efforts. Based upon those assessments, the Compensation Committee recommended, and the Board approved, the individual performance award and total OHIP payout for Mr. Bilbrey as shown in the table below.

Mr. Bilbrey provided the Compensation Committee with his assessment of each NEO's 2016 performance and achievement in relation to their performance goals. Based upon those assessments, Mr. Bilbrey recommended, and the Compensation Committee approved, the individual performance awards and total OHIP payouts as shown in the table below.

Based upon a 65% weight for the Company financial score of 107.09% of target and a 35% weight for the individual performance award, our NEOs earned the following 2016 OHIP awards:

Name	Company				
			Financial	Individual	
			Performance	Performance	2016
	Award	Award	Award	Award	OHIP
	Target	Target <sup>(1)</sup>	(65% Weighting)	(35% Weighting)	Award
	(%)	(\$)	(\$)	(\$)	(\$)
Mr. Bilbrey	150	1,853,169	1,289,963	810,762	2,100,725
Ms. Little	80	501,268	348,925	210,532	559,457
Ms. Buck	90 <sup>(2)</sup>	629,778 <sup>(2)</sup>	438,379	275,528	713,907
Mr. O'Day	65	381,898	265,834	200,496	466,330
Ms. Turner	70	438,609	305,309	191,892	497,201

- (1) Target award is based upon actual salary received in 2016.
  - (2) Ms. Buck's target was initially set at 85% in January 2016. Upon her promotion to Executive Vice President, COO, Ms. Buck's target increased to 90%.
- The 2016 OHIP payments are included in Column (g) of the 2016 Summary Compensation Table for each NEO.

## Long-Term Incentives

We provide long-term incentive opportunities to motivate, retain and reward our NEOs for their contributions to multi-year performance in achieving strategies and improving long-term share value. In February of each year, the Compensation Committee awards long-term incentive grants to our NEOs. Prior to 2016, long-term incentive grants were comprised of PSUs and stock options. In 2016, we updated our equity mix to include RSUs, increasing the retentive value of our long-term incentive program.

The Compensation Committee, and the independent directors in the case of our CEO, determines the value of long-term incentive awards made to each NEO by considering the NEO's target total direct compensation against internal and external references. The target award percentages approved in February 2016, expressed as a percentage of base salary, were:

Name	Target Long-Term Incentive Award (% of Salary)	Percent of Target Total Direct Compensation (%)
Mr. Bilbrey	475	65.5
Ms. Little	195	52.0
Ms. Buck	230	55.0 <sup>(1)</sup>
Mr. O'Day	170	50.8
Ms. Turner	170	50.0

(1) The percent of target total direct compensation for Ms. Buck is based on a base salary of \$716,274, reflecting her target base salary both before and after the June increase.

The Compensation Committee values RSUs and PSUs using the closing stock price of the Company's Common Stock on the NYSE on the date of grant. The Compensation Committee values stock options using the value of the stock options at the date of grant as determined for financial reporting purposes (the Black-Scholes value). Target total direct compensation levels for each of the NEOs fall within an appropriate range relative to the median for comparable positions given the each incumbent's, performance, responsibilities and tenure in the role.

### *Performance Stock Unit Targets and Results*

PSUs are granted to NEOs and other executives in a position to affect the Company's long-term results. At the start of each three-year cycle, a contingent target number of PSUs is established for each executive. This target is expressed as a percentage of the executive's base salary and is determined as part of a total compensation package based on the peer group and survey composite benchmarks. The PSU award generally represents approximately one-half of the recipient's long-term incentive compensation target award. Dividends are not paid on PSU awards during the

three-year performance cycle.

2014-2016 PSU Award

The performance objectives for the 2014-2016 performance cycle awarded in 2014 were based upon the following metrics:

Three-year relative TSR versus the Financial Peer Group described below;

Three-year compound annual growth rate ( CAGR ) in organic net sales outside the United States and Canada;

Three-year CAGR in adjusted earnings per share-diluted measured against an internal target; and

Annual (as opposed to three-year) growth in adjusted earnings per share-diluted measured against an internal target for each year of the three-year performance cycle.

The Compensation Committee selected these metrics to measure performance against internal targets aligned with our stockholders' interests and investment returns offered by our peer companies. Although the Company decided to utilize one common peer group beginning in 2015, PSU cycles prior to 2015 still utilize our Financial Peer Group. The Financial Peer Group is a high-performing group of companies with whom we compete for investors in the food and beverage industry. Initially the Compensation Committee approved a Financial Peer Group of 15 companies with median revenues of \$8.1 billion. As a result of corporate transactions, Hillshire Brands and Kraft Foods Group were removed from the Financial Peer Group. Therefore, 13 companies remained in the 2014-2016 cycle for use in assessing our Company's 2014-2016 TSR.

Companies included in the Financial Peer Group for the 2014-2016 PSU cycle award were:

Brown-Forman Corporation

Campbell Soup Company

ConAgra Foods, Inc.

Constellation Brands, Inc.

Dean Foods Company

Dr Pepper Snapple Group, Inc.

General Mills, Inc.

Hormel Foods Corporation

Kellogg Company

McCormick & Company, Inc.

Molson Coors Brewing Company

Mondelez International

The J. M. Smucker Company

The Compensation Committee approves the annual adjusted earnings per share-diluted target for each year of the three-year performance cycle at the beginning of the performance year. The annual component allows the Compensation Committee to establish performance thresholds, targets and maximums that reflect current business conditions, thus strengthening the link between pay and performance for each year of the three-year cycle. Payment of any amounts earned, including amounts based on the annual performance goals, will be made in shares of our Common Stock at the conclusion of the three-year performance cycle. The maximum award for any participant in a performance cycle is 250% of the contingent target award.

Targets and results for the 2014-2016 performance cycle and the Company's TSR and financial performance during the three-year cycle were as follows:

Metric	Target	Actual Performance	Target Award Weighting (%)	Final Performance Score (%)
Total Shareholder Return	50 <sup>th</sup> Percentile	0 <sup>th</sup> Percentile	50.00	0.00
Three-year CAGR in Organic Net Sales Outside the United States and Canada	18.3% CAGR <sup>(1)</sup>	1.9% CAGR <sup>(1)</sup>	15.00	0.00
Three-year CAGR in Adjusted Earnings per Share-Diluted <sup>(3)</sup>	10.1% CAGR <sup>(1),(2)</sup>	8.1% CAGR <sup>(1),(2)</sup>	15.00	4.64
2014 Adjusted Earnings per Share-Diluted <sup>(3)</sup>	\$4.10 <sup>(1)</sup>	\$3.98 <sup>(1)</sup>	6.66	3.10

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	(10.2% increase)	(7.0% increase)		
2015 Adjusted Earnings per Share-Diluted <sup>(3)</sup>	\$4.34	\$4.12	6.67	4.03
	(9.0% increase)	(3.5% increase)		
2016 Adjusted Earnings per Share-Diluted <sup>(3)</sup>	\$4.37 <sup>(1)</sup>	\$4.45 <sup>(1)</sup>	6.67	8.89
	(6.1% increase)	(8.0% increase)		
<b>Total</b>			<b>100.00</b>	<b>20.66</b>

- (1) Results for our Shanghai Golden Monkey business, our Allan Candy business, our KRAVE business and our barkTHINS business were excluded from the following metrics, as applicable, as these acquisitions were made in September 2014, December 2014, March 2015 and April 2016, respectively:

Three-year CAGR in organic net sales outside the United States and Canada;

Three-year CAGR in adjusted earnings per share-diluted;

2014 adjusted earnings per share-diluted; and

2016 adjusted earnings per share-diluted.

- (2) Results for our Mauna Loa business were excluded from the three-year CAGR in adjusted earnings per share-diluted as the divestiture was completed in February 2015.
- (3) Adjusted earnings per share-diluted is a non-GAAP performance measure. For more information regarding how we define adjusted earnings per share-diluted, please see footnote (2) in the section entitled Executive Summary. At the conclusion of each three-year and annual performance period, the Compensation Committee reviews the level of performance achieved and the percentage, if any, of the applicable portion of the target number of PSUs earned. In determining the final performance cycle score, negative adjustments may be made by the Compensation Committee to the Company's performance score to take into account extraordinary or unusual items occurring during the period. No adjustments were made in determining the 20.66% performance score or the number of PSUs earned by our NEOs for the 2014-2016 performance cycle.

#### 2015-2017 PSU Award

The performance metrics and weightings for the 2015-2017 performance cycle are the same as the 2014-2016 performance cycle. In 2015, the Company decided to utilize one common peer group for benchmarking compensation and for measuring financial performance in PSU cycles. The 2015 peer group originally included 15 companies, all of which were included in the Financial Peer Group used for the 2014-2016 PSU cycle, except that Hillshire Brands was removed as a result of a corporate transaction and was replaced by the Clorox Company. Kraft Foods Group was subsequently removed from the 2015 peer group as a result of a corporate transaction so that the 2015 peer group currently includes 14 companies. Actual Company results of \$4.45 for the 2016 adjusted earnings per share-diluted metric reflected an 8% increase from 2015 exceeding the 2016 target of \$4.37. As a result, 8.89% of the final award was earned for this metric in the 2015-2017 performance cycle. These PSUs will be paid at the end of the three-year performance cycle to participating executives who are entitled to payouts under the terms of the program.

#### 2016-2018 PSU Award

In December 2016, the Committee approved changes to the performance metrics and weightings for the 2016-2018 performance cycle to simplify our program, reduce complexity and improve focus on our current long-term growth strategies.

The performance objectives for the 2016-2018 performance cycle are based upon the following metrics:

Three-year relative TSR versus the 2016 Peer Group described above;

Three-year CAGR in Total Company net sales; and

Three-year CAGR in adjusted earnings per share-diluted measured against an internal target.  
These metrics are weighted 34%, 33% and 33%, respectively.

See Column (e) of the 2016 Summary Compensation Table, Columns (f) through (h) of the 2016 Grants of Plan-Based Awards Table, Columns (i) and (j) of the Outstanding Equity Awards at 2016 Fiscal-Year End Table and Columns (d) and (e) of the 2016 Option Exercises and Stock Vested Table for more information about PSUs awarded to the NEOs.

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*Stock Options*

Stock options are an important element of our long-term incentive program, enabling us to align the interests of NEOs with those of stockholders. In general, stock options are awarded annually to the Company's executives as well as to other key managerial employees. Stock options entitle the holder to purchase a fixed number of shares of Common Stock at a set price during a specified period of time. The right to exercise the options is subject to a vesting schedule. Because stock options vest over time and only have value if the price of our Common Stock increases, they encourage efforts to enhance long-term stockholder value.

The Compensation Committee sets guidelines for the value of stock options to be awarded based on competitive compensation data. The stock option award represents approximately one-quarter of the NEO's long-term incentive compensation target award. In 2016, the target number of stock options awarded to each NEO was determined by multiplying the NEO's base salary by one-quarter of his or her target long-term incentive award percentage divided by the Black-Scholes value of each option on the grant date. The Black-Scholes option-pricing model is described in Note 10 to the Consolidated Financial Statements contained in the 2016 Annual Report on Form 10-K that accompanies this Proxy Statement. The actual number of options awarded may vary from the target level based on each NEO's individual performance evaluation.

Stock options vest in equal increments over four years and have a 10-year term. As required by the EICP, the options have an exercise price equal to the closing market price of the Common Stock on the NYSE on the date of the award.

See Column (f) of the 2016 Summary Compensation Table, Columns (j) through (l) of the 2016 Grants of Plan-Based Awards Table, Columns (b) through (f) of the Outstanding Equity Awards at 2016 Fiscal-Year End Table and Columns (b) and (c) of the 2016 Option Exercises and Stock Vested Table for more information on stock options awarded to the NEOs.

*Restricted Stock Units*

In 2016, we updated our long-term incentive program to include RSUs in our annual equity mix. The Compensation Committee sets guidelines for the value of the annual RSUs to be awarded based on competitive compensation data. These RSU awards represent approximately one-quarter of the NEO's long-term incentive compensation target award. In 2016, the target number of RSUs awarded to each NEO was determined by multiplying the NEO's base salary by one-quarter of his or her target long-term incentive award percentage divided by the closing price of the Company's Common Stock on the NYSE on the grant date. The actual number of RSUs awarded may vary from the target level based on each NEO's individual performance evaluation. Annual RSUs vest in equal increments over three years.

The Compensation Committee also awards RSUs to NEOs and other executives from time to time as special incentives. RSUs also are awarded by the Compensation Committee to replace compensation forfeited by newly-hired executive officers and by the CEO to employees other than executive officers from the RSU pool described below. In February 2016, retention RSUs were granted to Mmes. Little, Buck and Turner, which vest in the event the recipient remains employed by the Company and/or its subsidiaries as of the third-anniversary of the grant date. In June 2016, retention RSUs were granted to Mr. O'Day, which vest in the event the recipient remains employed by the Company and/or its subsidiaries as of the one-year anniversary of the grant date.

See Column (e) of the 2016 Summary Compensation Table, Column (i) of the 2016 Grants of Plan-Based Awards Table, Columns (g) and (h) of the Outstanding Equity Awards at 2016 Fiscal-Year End Table and Columns (d) and (e) of the 2016 Option Exercises and Stock Vested Table for more information about RSUs awarded to the NEOs.



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### *Equity Pools*

To ensure flexibility in providing awards for recruitment, retention, performance recognition or in conjunction with a promotion, the Compensation Committee is authorized under the EICP to establish a stock option pool, a PSU pool, a RSU pool and a separate CEO discretionary equity pool for use by our CEO for such purposes. The pools are available for approximately 12 months from the date created. The Compensation Committee determines whether to establish any or all of these pools annually. Options, PSUs and RSUs remaining in any pool at the end of the period do not carry over to pools established for a subsequent period. The CEO may not make discretionary awards from any pool to the NEOs. Awards from the CEO pools and the CEO discretionary equity pool are made monthly according to an annually pre-determined schedule. The exercise price for the options is based on the closing price of our Common Stock on the date of the award.

### **Perquisites**

Executive perquisites are kept to a minimal level relative to a NEO's total compensation and do not play a significant role in our executive compensation program. The perquisites that we provide, include personal use of Company aircraft, security services for our CEO, and financial counseling and tax preparation reimbursement. See the footnotes to Column (i) of the 2016 Summary Compensation Table for information regarding the perquisites received by our NEOs.

Our CEO and the other NEOs are eligible to participate in our Gift Matching Program on the same basis as other employees, retirees or their spouses. Through the Gift Matching Program, we match contributions made to one or more non-profit organizations on a dollar-for-dollar basis up to a maximum aggregate contribution of \$5,000 per employee annually. These matching contributions are not considered compensation and are not included in Column (i) of the 2016 Summary Compensation Table.

### **Retirement Plans**

NEOs participate in our tax-qualified defined benefit pension plan ( pension plan ) and tax-qualified defined contribution 401(k) plan ( 401(k) plan ) on the same basis as other salaried employees of the Company. IRC regulations do not permit the Company to use base salary and other compensation paid above certain limits to determine the benefits earned by the NEOs under tax-qualified plans. The Company maintains a defined benefit Supplemental Executive Retirement Plan ( DB SERP ), a defined contribution Supplemental Executive Retirement Plan ( DC SERP ) and a Deferred Compensation Plan to provide these and additional benefits that are comparable to those offered by our peers. Under the provisions of the Deferred Compensation Plan, our NEOs may elect to defer payments from the DB SERP, DC SERP, OHIP, PSU and RSU awards, but not stock options or base salary.

The DB SERP was closed to new participants in 2006. No new participants have been or will be added to the DB SERP. NEOs and other senior executives reporting to the CEO not eligible for the DB SERP are considered by the Compensation Committee for participation in the DC SERP. In comparison, the DC SERP typically yields a lower benefit than the DB SERP upon retirement. The Company believes that the DB SERP, DC SERP and Deferred Compensation Plan help, in the aggregate, to attract and retain executive talent, as similar plans are often components of the executive compensation programs within our Peer Group. The DC SERP was established as part of our Deferred Compensation Plan and is not a separate plan.

See the 2016 Pension Benefits Table and accompanying narrative and the 2016 Non-Qualified Deferred Compensation Table and accompanying narrative for more information regarding the DB SERP, DC SERP and other retirement benefits.



## Employment Agreements

The Company entered into an employment agreement with Mr. Bilbrey in August 2012, which provided for Mr. Bilbrey's continued employment as President and CEO and continued nomination as a member of the Board of Directors. In November 2015, the Company and Mr. Bilbrey entered into an amendment to this employment agreement to reflect revisions to Mr. Bilbrey's compensation and other benefits as a result of his election as Chairman of the Board. The employment agreement did not have a specified term. Under the terms of the employment agreement, in the event Mr. Bilbrey's employment was terminated by the Company without Cause or he resigned for Good Reason (in each case as defined in the employment agreement), Mr. Bilbrey would have been entitled to certain severance benefits. In the event of his termination after a change in control, Mr. Bilbrey would have been eligible to receive benefits under the Executive Benefits Protection Plan (Group 3A) (EBPP 3A). He was not entitled to an excise tax gross-up. The employment agreement subjected Mr. Bilbrey to certain non-competition and non-solicitation covenants under the ECRCA and to compensation recovery (clawback) to the extent required by applicable law and regulations.

Mr. Bilbrey retired as our President and CEO effective March 1, 2017. In connection with his retirement, the Company and Mr. Bilbrey entered into a retirement agreement in February 2017 in order to set forth the benefits Mr. Bilbrey will receive in connection with his retirement. The retirement agreement supersedes and replaces Mr. Bilbrey's employment agreement.

In February 2017, the Company entered into an employment agreement with Ms. Buck to reflect the terms and conditions of her employment as President and CEO, effective March 1, 2017. The terms of Ms. Buck's employment agreement are substantially similar to the terms of Mr. Bilbrey's employment agreement prior to the November 2015 amendment.

See the section entitled "Potential Payments upon Termination or Change in Control" for information regarding the payments Mr. Bilbrey and Ms. Buck would have received in the event of an applicable termination or change in control occurring on December 31, 2016.

Other than as set forth above, we have not entered into employment agreements with any NEO.

## Severance and Change in Control Plans

All of the NEOs are covered by our EBPP 3A. The EBPP 3A is intended to help us attract and retain executive talent and maintain a stable work environment in the event of activity that could potentially result in a Change in Control. The severance protection provided under the EBPP 3A upon a Change in Control is based upon a "double trigger." The terms of the plan generally provide that a covered NEO whose employment with the Company terminates in qualifying circumstances within two years after a Change in Control of the Company is entitled to certain severance payments and benefits. The EBPP 3A also provides severance benefits in the event of involuntary termination without Cause unrelated to a Change in Control or voluntary termination for Good Reason within two years after election of a new CEO. Change in Control, Cause and Good Reason are defined in the EBPP 3A.

See the discussion in the section entitled "Potential Payments upon Termination or Change in Control" for information regarding the payments that would be due to our NEOs under the EBPP 3A in the event of an applicable termination of employment or a Change in Control.

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## Compensation Policies and Practices

### *Clawbacks*

Under the EICP, when an individual's actions result in the filing of financial documents not in compliance with financial reporting requirements, the Company has the right to recoup or require repayment of an award earned or accrued during the twelve-month period following the first public issuance or filing with the SEC of the financial document not in compliance with such financial reporting requirement. Repayment or clawback occurs where the material noncompliance results from misconduct, the participant's knowledge or gross negligence in engaging in the misconduct or failing to prevent the misconduct, or if the participant is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002.

In 2008, the Company initiated the execution of the ECRCA by executive officers as a condition for the receipt of long-term incentive awards and, for new executive officers, also as a condition of employment. The purpose of the ECRCA is to protect the Company and further align the interests of the executive officer with those of the Company. The terms of the ECRCA prohibit the executive from misusing or disclosing the Company's confidential information, competing with the Company in specific categories for a period of 12 months following separation from employment, recruiting or soliciting the Company's employees, or disparaging the Company's reputation in any way. For those officers or employees based outside the U.S., the restrictive covenants and terms may be modified to comply with local laws.

Failure to comply with the provisions of the ECRCA may result in cancellation of the unvested portion of PSU and RSU awards, cancellation of any unexercised stock options and a requirement for repayment of amounts received from equity awards during the last year of employment, as well as any amounts received from the DB SERP or DC SERP.

### *Tax Considerations*

The anticipated cost of the various components of executive compensation is also a factor in the Compensation Committee's deliberations. Section 162(m) of the IRC may limit the Company's ability to deduct certain compensation in excess of \$1 million paid to our CEO or to our other NEOs who are employed on the last day of the fiscal year (other than officers who served as CFO during the year). This limitation does not apply to compensation that qualifies as performance-based under applicable Internal Revenue Service (IRS) regulations or that is paid after termination of employment. The Compensation Committee has considered the effect of Section 162(m) of the IRC on the Company's executive compensation program. The Compensation Committee exercises discretion in setting base salaries, structuring incentive compensation awards and in determining payments in relation to levels of achievement of performance goals. The Compensation Committee believes that the total compensation program for NEOs should be managed in accordance with the objectives outlined in the Company's compensation philosophy and in the best overall interests of the Company's stockholders. Accordingly, compensation paid by the Company may not be deductible because such compensation exceeds the limitations, or does not meet the performance-based or other requirements, for deductibility under Section 162(m) of the IRC.

Section 409A of the IRC specifies certain rules and limitations regarding the operation of our Deferred Compensation Plan and other retirement programs. Failure to comply with these rules could subject participants in those plans and programs to additional income tax and interest penalties. We believe our plans and programs comply with Section 409A of the IRC.

## Stock Ownership Guidelines

The Compensation Committee believes that requiring NEOs and other executive officers to hold significant amounts of our Common Stock strengthens their alignment with the interest of our stockholders and promotes achievement of long-term business objectives. Our executive stock ownership policy has been in place for more than 20 years. The Compensation Committee reviews ownership requirements annually to ensure they are aligned with external market comparisons.

Executives with stock ownership requirements have five years from their initial election to their position to accumulate and hold the minimum number of shares required. For purposes of this requirement, shares include shares of our Common Stock that are owned by the executive, unvested time-based RSUs, PSUs earned for the annual segments of open performance cycles and vested RSUs and PSUs that have been deferred by the executive as Common Stock units under our Deferred Compensation Plan. It is anticipated that executives will hold a significant number of the shares earned from PSU and RSU awards and the exercise of stock options to satisfy their obligations. Minimum stockholding requirements for the CEO and the other NEOs are as follows:

Position	Stock Ownership Level
CEO	5 times base salary
COO	4 times base salary
CFO and Senior Vice Presidents	3 times base salary
Other executives subject to stockholding requirements	1 times base salary

The dollar value of shares which must be acquired and held equals a multiple of the individual executive's base salary. Stockholding requirements are updated whenever a change in base salary occurs. Failure to reach the minimum within the five-year period results in a notification letter to the executive, with a copy to the CEO, and a requirement that future stock option exercises and PSU payments be settled by retaining at least 50% of the shares of Common Stock received until the minimum ownership level is attained. The Compensation Committee receives an annual summary of each individual executive's ownership status to monitor compliance.

## COMPENSATION COMMITTEE REPORT

### To Our Stockholders:

We have reviewed and discussed with management the Compensation Discussion & Analysis. Based on that review and discussion, we have recommended to the Board of Directors that the Compensation Discussion & Analysis be included in this Proxy Statement.

Submitted by the Compensation and Executive Organization Committee of the Board of Directors:

James M. Mead, Chair

Mary Kay Haben

Robert M. Malcolm

Anthony J. Palmer

David L. Shedlarz

The independent members of the Board of Directors who are not members of the Compensation and Executive Organization Committee join in the Compensation Committee Report with respect to the approval of Mr. Bilbrey's compensation.

Pamela M. Arway

Robert F. Cavanaugh

Charles A. Davis

James E. Nevels

Thomas J. Ridge

**2016 Summary Compensation Table**

The following table and explanatory footnotes provide information regarding compensation earned by, held by, or paid to, individuals holding the positions of Chief (Principal) Executive Officer and Chief (Principal) Financial Officer during 2016 and the three most highly compensated of our other executive officers, which collectively comprise our NEOs. The following table provides information with respect to 2016, as well as 2015 and 2014 compensation where required. 2014 information is not provided for Mmes. Little and Turner because they were not NEOs in 2014.

Name and Principal Position <sup>(1)</sup>	Year	Change in Pension Value and Non-Qualified Non-Equity Incentive Plan Compensation <sup>(6)</sup> Deferred Compensation Earnings <sup>(7)</sup> All Other Compensation <sup>(8)</sup>							Total
		Salary <sup>(2)</sup> (\$)	Bonus <sup>(3)</sup> (\$)	Stock Awards <sup>(4)</sup> (\$)	Option Awards <sup>(5)</sup> (\$)	Non-Equity Incentive Plan Compensation <sup>(6)</sup> (\$)	Deferred Compensation Earnings <sup>(7)</sup> (\$)	All Other Compensation <sup>(8)</sup> (\$)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Mr. Bilbrey Chairman of the Board, President and CEO	2016	1,240,753		5,031,976	1,470,896	2,100,725	2,700,403	134,823	12,679,576
	2015	1,204,616		3,146,305	2,844,073	1,005,930	2,438,084	170,991	10,809,999
	2014	1,164,462		3,947,534	4,123,889	1,018,395	7,293,845	229,276	17,777,401
Ms. Little Senior Vice President, CFO	2016	629,412		2,067,059	368,695	559,457		194,425	3,819,048
	2015	482,308		2,172,076	510,003	288,805		246,579	3,699,771
Ms. Buck Executive Vice President, COO	2016	720,352		6,208,007	356,418	713,907	832,570	67,490	8,898,744
	2015	655,310		746,418	685,505	403,015	587,394	73,220	3,150,862
	2014	642,461		944,845	1,008,038	307,046	1,312,980	69,596	4,284,966
Mr. O Day Senior Vice President, Chief Supply Chain Officer	2016	590,061		1,354,674	252,782	466,330		188,577	2,852,424
	2015	572,845		538,594	485,067	269,435		168,052	2,033,993
	2014	567,172		695,571	576,407	222,292		231,604	2,293,046
Ms. Turner Senior Vice President, General Counsel and Secretary	2016	629,412		3,959,690	323,586	497,201		210,647	5,620,536
	2015	602,308		550,394	765,062	341,376		196,234	2,455,374

- (1) Mr. Bilbrey was Chairman of the Board, President and CEO for the entirety of 2016, retiring from the position of President and CEO on March 1, 2017. Mr. Bilbrey continues to serve as non-executive Chairman of the Board. Ms. Buck was promoted to Executive Vice President, COO in June 2016 and served in that position at the end of fiscal 2016. On March 1, 2017, Ms. Buck was promoted to President and CEO.
- (2) Column (c) reflects base salary earned, on an accrual basis, for the years indicated and includes IRC Section 125 deductions pursuant to The Hershey Company Flexible Benefits Plan and amounts deferred by the NEOs in accordance with the provisions of the 401(k) plan.
- (3) Column (d) indicates that no discretionary bonuses were paid to the NEOs in 2016, 2015 or 2014.
- (4) Column (e) shows the aggregate grant date fair value of RSUs and contingent target PSU awards granted to the NEOs in the years indicated. The assumptions used to determine the grant date fair value of awards listed in Column (e) are set forth in Note 10 to the Company's Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K that accompanies this Proxy Statement. The amounts in Column (e) do not reflect the value of shares actually received or which may be received in the future with respect to such awards.

For 2016, the amount shown in Column (e) includes the aggregate grant date fair value of contingent target PSU awards for the 2016-2018 performance cycle, the 2016 adjusted earnings per share-diluted component of the 2015-2017 performance cycle and, with the exception of Ms. Little, the 2016 adjusted earnings per share-diluted component of the 2014-2016 performance cycle.

The number of contingent target PSUs awarded in 2016 to each NEO is shown on the 2016 Grants of Plan-Based Awards Table in Column (g). Assuming the highest level of performance is achieved for each of the PSU awards included in Column (e), the value of the awards at grant date for each of the NEOs would be as follows:

Name	Year	Maximum Value at
		Grant Date
		(\$)
Mr. Bilbrey	2016	8,194,305
	2015	7,308,849
	2014	7,858,523
Ms. Little	2016	1,612,558
	2015	1,105,137
Ms. Buck	2016	1,968,242
	2015	1,732,476
	2014	1,872,631
Mr. O Day	2016	1,393,633
	2015	1,251,856
	2014	1,389,453
Ms. Turner	2016	1,475,165
	2015	1,276,533

The unvested portion of RSU awards is included in the amounts presented in Columns (g) and (h) of the Outstanding Equity Awards at 2016 Fiscal-Year End Table. The number of shares acquired and value received by the NEOs with respect to PSU and RSU awards that vested in 2016 is included in Columns (d) and (e) of the 2016 Option Exercises and Stock Vested Table.

- (5) Column (f) presents the grant date fair value of stock options awarded to the NEOs for the years indicated and does not reflect the value of shares actually received or which may be received in the future with respect to such stock options. The assumptions we made to determine the value of these awards are set forth in Note 10 to the Company's Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K that accompanies this Proxy Statement. The number of stock options awarded to each NEO during 2016 appears in Column (j) of the 2016 Grants of Plan-Based Awards Table.
- (6) Column (g) reflects the OHIP payments made to each NEO based upon actual salary received in 2016.
- (7) Column (h) reflects the aggregate change in the actuarial present value of the NEO's retirement benefit under the Company's pension plan and the DB SERP. The change in value calculation uses the same discount rate and mortality rate assumptions as the 2015 and 2016 audited financial statements, as applicable, and measures the change in value between the pension plan measurement date in the 2015 and 2016 audited financial statements. The change in value during a year is primarily driven by three factors: 1) changes in valuation assumptions; 2) changes in the NEO's pensionable earnings; and 3) an additional year of service and age. During 2014, each of

these factors contributed significantly to the increase in the pension value. During 2015, the primary driver of the increase in pension value was the additional year of age and service. The impact of changes in valuation assumptions and pensionable earnings during 2015 were relatively smaller and mostly offsetting. During 2016, each of the three factors driving change caused a minor increase to the pension value. The impact when combining each of the three minor increases resulted in a relatively larger increase to the pension value. The amounts in Column (h) do not reflect amounts paid or that might be paid to the NEO.

Mmes. Little and Turner and Mr. O Day participate in the DC SERP rather than the DB SERP. The DC SERP is established under the Company's Deferred Compensation Plan. DC SERP contributions for Mmes. Little and Turner and Mr. O Day are included in Column (i) as explained in more detail in footnote (8) below.

The NEOs also participate in our non-qualified, non-funded Deferred Compensation Plan under which deferred amounts are credited with notional earnings based on the performance of one or more third-party investment options available to all participants in our 401(k) plan. No portion of the notional earnings credited during 2016 was above market or preferential. Consequently, no Deferred Compensation Plan earnings are included in amounts reported in Column (h) above. See the 2016 Pension Benefits Table and the 2016 Non-Qualified Deferred Compensation Table for more information on the benefits payable to the NEOs under the pension plan, DB SERP and Deferred Compensation Plan.

(8) All other compensation includes amounts as described below:

Perquisites and Other Benefits					
Personal Use of Company Aircraft <sup>(c)</sup>	Security Services <sup>(d)</sup>	Company- Paid Financial Counseling	Reimburse- ment of Personal Tax  Return Preparation Fee	Relocation Expenses  and Related Taxes <sup>(e)</sup>	Attorney Fees <sup>(f)</sup>
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	8,680	8,400	1,500		14,108
52,825	7,479	8,400	1,500		
	52,561	8,400	1,500		
		10,782			
		12,379		139,585	
4,325		10,200	1,500		
18,975		10,200			
		8,914	1,485		
		8,400		8,278	
		8,400	1,077		
		8,400	1,049		
		15,000	1,490		
		15,000	1,500		

(a) Employees who earn over the IRS compensation limit and/or defer any portion of their OHIP award are eligible for the Supplemental 401(k) Match, contingent on the employee contributing an amount to the 401(k) plan equal to the annual pre-tax limit established by the IRS. Messrs. Bilbrey and O Day and Mmes. Little, Buck, and Turner are eligible to receive a Supplemental 401(k) Match Contribution equal to 4.5% of the amount by which their eligible earnings (salary and OHIP) exceeds the IRS compensation limit.

(b) As are all new hires of the Company since January 1, 2007, Mmes. Little and Turner and Mr. O Day are eligible to receive a contribution to their 401(k) plan account equal to 3% of base salary and OHIP up to the maximum amount permitted by the IRS. We call this contribution the

Core Retirement Contribution ( CRC ). They also are eligible to receive a Supplemental Core Retirement Contribution ( Supplemental CRC ) equal to 3% of the amount by which their eligible earnings (salary and OHIP) exceeds the IRS compensation limit.

- (c) The value of any personal use of Company aircraft by the NEOs is based on the Company's aggregate incremental per-flight hour cost for the aircraft used and flight time of the applicable flight. The incremental per-flight hour cost is calculated by reference to fuel, maintenance (labor and parts), crew, landing and parking expenses.
- (d) From time to time the Company provides security services for Mr. Bilbrey when the Company determines that conditions warrant such services for the safety and protection of Mr. Bilbrey and his family. The amount reported is the Company's incremental cost for such services.
- (e) For Mr. O Day, reflects payment for relocation expenses and related taxes incurred in years prior to 2016, but not billed until 2016.
- (f) Reflects attorney fees paid or incurred in connection with the negotiation of Mr. Bilbrey's retirement agreement.

**2016 Grants of Plan-Based Awards Table**

The following table and explanatory footnotes provide information with regard to the potential cash award that each NEO had the opportunity to earn during 2016 under the OHIP, and with regard to PSUs, RSUs and stock options awarded to each NEO during 2016, as applicable. The amounts that were actually earned under the OHIP during 2016 by the NEOs are set forth in Column (g) of the 2016 Summary Compensation Table.

			Estimated		
Possible				Possible	All Other
Under				Payouts Under	Stock
Incentive				Equity Incentive	Awards:
ards <sup>(2)</sup>				Plan Awards <sup>(3)</sup>	Number of
			Shares of		
			Stock or		
Target	Maximum	Thresh- old	Target	Maxi- mum	Units <sup>(4)</sup>
(b)	(\$)	(#)	(#)	(#)	(#)
(c)	(e)	(f)	(g)	(h)	(i)
1,853,169	3,706,338	51	36,262	90,655	16,136
501,268	1,002,535	10	7,136	17,840	15,060
629,778	1,259,557	12	8,710	21,775	59,185
381,898	763,797	9	6,167	15,418	2,732
					5,206
438,609	877,218	9	6,528	16,320	36,687

(1) Column (b) represents the grant date for the PSUs reflected in Columns (f), (g) and (h), the RSUs reflected in Column (i) and the stock options reflected in Column (j). All awards were made under the EICP.

(2) Columns (c), (d) and (e) represent the threshold, target and maximum potential amounts that each NEO had the opportunity to earn based on the OHIP targets approved for the NEOs in February 2016 and adjusted for Ms. Buck's target change in June 2016. All amounts shown in Columns (c), (d) and (e) are based upon actual salary received in 2016.

The threshold amount is the amount that would have been payable had the minimum individual performance score been achieved and the Company performance score been zero. The target amount is the amount that would

have been payable had the business and individual performance scores been 100% on all metrics. The maximum amount is the amount that would have been payable had the maximum score been achieved on all metrics.

- (3) Columns (f), (g) and (h) represent the number of threshold, target and maximum potential PSUs that can be earned for the 2016-2018 performance cycle and for the 2016 adjusted earnings per share-diluted component of the 2015-2017 performance cycle and, with the exception of Ms. Little, the 2016 adjusted earnings per share-diluted component of the 2014-2016 performance cycle.

Each PSU represents the value of one share of our Common Stock. The number of PSUs earned for the 2016-2018 performance cycle and for the 2016 adjusted earnings per share-diluted component of the 2015-2017 and 2014-2016 performance cycles will depend upon achievement against the metrics explained in the Compensation Discussion & Analysis in the section entitled Performance Stock Unit Targets and Results.

Payment, if any, will be made in shares of the Company's Common Stock at the conclusion of the three-year performance cycle. The Compensation Committee will approve the targets for the annual adjusted earnings per share-diluted metrics at the beginning of each of the three years in the performance cycle. The minimum award as shown in Column (f) is the number of shares payable for achievement of the threshold level of performance on one of the metrics and the maximum award as shown in Column (h) is the number of shares payable for achievement of the maximum level of performance on all metrics.

More information regarding PSUs and the 2016 awards can be found in the Compensation Discussion & Analysis and the Outstanding Equity Awards at 2016 Fiscal-Year End Table.

- (4) Column (i) represents the number of annual RSUs granted to Messrs. Bilbrey and O'Day and Mmes. Little, Buck and Turner on February 16, 2016. Target RSU awards were determined by multiplying one-quarter of the executive's long-term incentive target percentage times his or her 2016 base salary, divided by the closing price of the Company's Common Stock on the NYSE on the award date (\$90.39) for each NEO. The actual number of RSUs awarded varied from the target level based on the executive's performance evaluation for the year ended December 31, 2015. Annual RSU awards vest in thirds over three years.

For Mmes. Little, Buck and Turner, Column (i) also represents the number of retention RSUs granted to each NEO on February 16, 2016. These retention RSU awards will vest in the event the recipient remains employed by the Company and/or its subsidiaries as of February 16, 2019, the third-anniversary of the grant date.

For Mr. O'Day, the second number in Column (i) represents the number of retention RSUs granted to Mr. O'Day on June 15, 2016. These retention RSU awards will vest in the event the recipient remains employed by the Company and/or its subsidiaries as of June 15, 2017, the one-year anniversary of the grant date.

Information on the treatment of RSUs upon retirement, death, disability, termination, or Change in Control can be found in the section entitled Potential Payments upon Termination or Change in Control.

- (5) Column (j) represents the number of options awarded to each NEO. Target option awards were determined by multiplying one-quarter of the executive's long-term incentive target percentage times his or her 2016 base salary, divided by the Black-Scholes value of (i) \$11.42 per option for each NEO. The Black-Scholes value is based on the option exercise price, which is equal to the closing price of the Company's Common Stock on the NYSE on the award date. The actual number of options awarded varied from the target level based on the executive's performance evaluation for the year ended December 31, 2016.

Stock option awards vest in 25% increments over four years and have a 10-year term. Information on the treatment of stock options upon retirement, death, disability, termination, or Change in Control can be found in the section entitled Potential Payments upon Termination or Change in Control.

- (6) Column (k) presents the exercise price for each option award based upon the closing price of the Company's Common Stock on the NYSE on the award date shown in Column (b).
- (7) Column (l) presents the aggregate grant date fair value of the target number of PSUs reported in Column (g), the number of RSUs reported in Column (i) and the number of stock options reported in Column (j), in each case as determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. The assumptions used in determining these amounts are set forth in Note 10 to the Company's Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K that accompanies this Proxy Statement.

**Outstanding Equity Awards at 2016 Fiscal-Year End Table**

The following table and explanatory footnotes provide information regarding unexercised stock options and unvested stock awards held by our NEOs as of December 31, 2016:

Name	Option Awards <sup>(1)</sup>				Option Expiration Date	Stock Awards		Equity Incentive	
	Number of Securities Underlying Unexercised Options- Exercisable <sup>(2)</sup>	Number of Securities Underlying Unexercised Options- Unexercisable <sup>(3)</sup>	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options- Unearned <sup>(4)</sup>	Option Exercise Price		Number of Shares or Units of Stock That Have Not Vested <sup>(4)</sup>	Market Value of Shares or Units of Stock That Have Not Vested <sup>(4)</sup>	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested <sup>(5)</sup>	Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(5)</sup>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Mr. Bilbrey		128,800		90.39	02/15/2026	16,136	1,707,705	81,363	8,415,375
	36,821	110,464		105.91	02/16/2025			26,967	2,789,197
	95,637	95,638		105.96	02/17/2024				
	157,983	52,662		81.73	02/18/2023				
	207,370			60.68	02/20/2022				
	71,275			55.48	05/17/2021				
	25,328			51.42	02/21/2021				
<b>Total</b>	<b>594,414</b>	<b>387,564</b>				<b>16,136</b>	<b>1,707,705</b>	<b>108,330</b>	<b>11,204,572</b>
Ms. Little		32,285		90.39	02/15/2026	27,468	2,928,099	16,995	1,757,793
	7,207	21,623		100.65	04/14/2025			5,068	524,183
<b>Total</b>	<b>7,207</b>	<b>53,908</b>				<b>27,468</b>	<b>2,928,099</b>	<b>22,063</b>	<b>2,281,976</b>
Ms. Buck		31,210		90.39	02/15/2026	59,185	6,263,667	19,528	2,019,781
	8,875	26,625		105.91	02/16/2025			6,472	669,399
	23,377	23,378		105.96	02/17/2024				
	31,740	10,580		81.73	02/18/2023				
	17,007			60.68	02/20/2022				

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<b>Total</b>	<b>80,999</b>	<b>91,793</b>			<b>59,185</b>	<b>6,263,667</b>	<b>26,000</b>	<b>2,689,180</b>
Mr. O Day		22,135	90.39	02/15/2026	7,938	834,024	13,820	1,429,403
	6,280	18,840	105.91	02/16/2025			4,580	473,709
	13,367	13,368	105.96	02/17/2024				
	28,702	9,568	81.73	02/18/2023				
	49,890		60.68	02/20/2022				
	37,875		51.42	02/21/2021				
<b>Total</b>	<b>136,114</b>	<b>63,911</b>			<b>7,938</b>	<b>834,024</b>	<b>18,400</b>	<b>1,903,112</b>
Ms. Turner		28,335	90.39	02/15/2026	36,687	3,882,658	14,743	1,524,868
	9,905	29,715	105.91	02/16/2025			4,816	498,119
	12,420	12,420	105.96	02/17/2024				
		6,373	81.73	02/18/2023				
<b>Total</b>	<b>22,325</b>	<b>76,843</b>			<b>36,687</b>	<b>3,882,658</b>	<b>19,559</b>	<b>2,022,987</b>

(1) Columns (b) through (f) represent information about stock options awarded to each NEO under the EICP. Stock option awards vest in 25% increments over four years and have a ten-year term. Information on the treatment of stock options upon retirement, death, disability, termination, or Change in Control can be found in the section entitled Potential Payments upon Termination or Change in Control.

(2) Options listed in Column (b) are vested and may be exercised by the NEO at any time subject to the terms of the stock option.

- (3) Options listed in Column (c) were not vested as of December 31, 2016. The following table provides information with respect to the dates on which these options are scheduled to vest, subject to continued employment (or retirement, death or disability), prorating in the event of severance and possible acceleration in the event of a Change in Control:

Grant Date	Future Vesting Dates	Number of Options Vesting				
		Mr. Bilbrey	Ms. Little	Ms. Buck	Mr. O Day	Ms. Turner
02/16/2016	02/16/2017	32,200	8,071	7,802	5,533	7,083
	02/16/2018	32,200	8,071	7,803	5,534	7,084
	02/16/2019	32,200	8,071	7,802	5,534	7,084
	02/16/2020	32,200	8,072	7,803	5,534	7,084
04/15/2015	04/15/2017		7,208			
	04/15/2018		7,207			
	04/15/2019		7,208			
02/17/2015	02/17/2017	36,821		8,875	6,280	9,905
	02/17/2018	36,821		8,875	6,280	9,905
	02/17/2019	36,822		8,875	6,280	9,905
02/18/2014	02/18/2017	47,819		11,689	6,684	6,210
	02/18/2018	47,819		11,689	6,684	6,210
02/19/2013	02/19/2017	52,662		10,580	9,568	6,373
<b>Total per NEO</b>		<b>387,564</b>	<b>53,908</b>	<b>91,793</b>	<b>63,911</b>	<b>76,843</b>

- (4) Column (g) includes unvested annual RSUs awarded to each NEO in February 2016, which vest ratably over 3 years. For Ms. Little, Column (g) also includes unvested retention RSUs granted in February 2016, which cliff vest after 3 years and unvested new hire RSUs granted in April 2015, which vest ratably over 3 years. For Mmes. Buck and Turner, Column (g) also includes unvested retention RSUs granted in February 2016, which cliff vest after 3 years. For Mr. O Day, Column (g) also includes unvested retention RSUs granted in June 2016, which vest after 1 year. Column (h) sets forth the value of the RSUs reported in Column (g) using the \$103.43 closing price per share of our Common Stock on the NYSE on December 30, 2016, the last trading day of 2016. Column (h) also includes the value of dividend equivalents accrued through December 31, 2016, on the RSUs included in Column (g).
- (5) Based on progress to date against the performance metrics established for open PSU performance cycles, the first number in Column (i) for each NEO is the maximum number of PSUs potentially payable for the 2016-2018 performance cycle ending on December 31, 2018 and the second number in Column (i) for each NEO is the target number of PSUs potentially payable for the 2015-2017 performance cycle ending on December 31, 2017. The actual number of PSUs earned, if any, will be determined at the end of each performance cycle and may be fewer or more than the number reflected in Column (i). Column (j) sets forth the value of PSUs reported in Column (i) using the \$103.43 closing price per share of our Common Stock on the NYSE on December 30, 2016, the last trading day of 2016.



**2016 Option Exercises and Stock Vested Table**

The following table and explanatory footnotes provide information with regard to amounts paid to or received by our NEOs during 2016 as a result of the exercise of stock options or the vesting of stock awards:

Name	Option Awards <sup>(1)</sup>		Stock Awards <sup>(2)</sup>	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	(\$)	(#)	(\$)
(a)	(b)	(c)	(d)	(e)
Mr. Bilbrey			5,940	641,223
Ms. Little			4,135 <sup>(3)</sup>	392,717 <sup>(3)</sup>
Ms. Buck	34,369	1,549,963	1,446	156,096
Mr. O Day			1,034	111,620
Ms. Turner	40,128	1,017,311	960	103,632
			7,000 <sup>(4)</sup>	823,263 <sup>(4)</sup>

- (1) Column (b) represents the number of stock options exercised by each NEO during 2016, and Column (c) represents the market value at the time of exercise of the shares purchased less the exercise price paid.
- (2) For Messrs. Bilbrey and O Day and Ms. Buck, the number in Column (d), and for Ms. Turner, the first number in Column (d), includes the number of PSUs earned from the 2014-2016 performance cycle that ended on December 31, 2016, as determined by the Compensation Committee, or, in the case of Mr. Bilbrey, by the independent members of our Board. The aggregate results of the 2014-2016 performance cycle exceeded the financial thresholds, but did not meet the financial targets, established at the start of the performance cycle; therefore, the number of PSUs included in Column (d) reflects payment at 20.66% of target. All of the applicable NEOs received payment of the award in Common Stock in February 2017. In accordance with the terms of the PSU award agreement, each PSU represents one share of our Common Stock valued in Column (e) at \$107.95 the closing price of our Common Stock on the NYSE on February 22, 2017, the date the Compensation Committee approved the PSU payment.
- (3) For Ms. Little, the number in Column (d) reflects RSUs that were distributed in 2016 from a 2015 award and the number in Column (e) sets forth the value of such RSUs at vesting on May 15, 2016 and cash credits equivalent

to dividends accrued during the vesting period. Ms. Little elected to defer 100% of this award. As a result, on the vesting date of these RSUs, because the cash credits earned for the 4,135 shares deferred did not exceed the tax liability associated with those shares, 43 shares were liquidated to cover the tax liability. The remaining 4,092 shares were credited to Ms. Little's Deferred Compensation account and she received a cash payment for the remaining liquidated share value (less cash withheld to meet tax obligations).

- (4) For Ms. Turner, the second number in Column (d) reflects RSUs that were distributed in 2016 from a 2012 award and the second number in Column (e) sets forth the value of such RSUs at vesting on July 9, 2016 and cash credits equivalent to dividends accrued during the vesting period. Ms. Turner elected to defer 80% of this award and to receive immediate payment in shares of the Company's Common Stock for 20% of this award. As a result, on the vesting date of these RSUs, Ms. Turner received immediate payment of 1,400 RSUs and their respective dividends (less cash and shares withheld to meet tax obligations). Because the cash credits earned for the 5,600 shares deferred exceeded the tax liability associated with those shares, the 5,600 shares were credited to Ms. Turner's Deferred Compensation account and she received a cash payment for the remaining dividend value (less cash withheld to meet tax obligations).

#### **2016 Pension Benefits Table**

Mr. Bilbrey and Ms. Buck are participants in our pension plan and are fully vested in benefits under that plan. Mr. Bilbrey and Ms. Buck are also eligible to participate in our non-qualified DB SERP. No benefit is payable under the DB SERP if the executive officer terminates employment prior to age 55 or if he or she does not have five years of service with the Company. As of December 31, 2016, Mr. Bilbrey and Ms. Buck had attained age 55 with five years of service and therefore were fully vested in their respective DB SERP benefits.

The combination of the pension and DB SERP plans was designed to provide a benefit upon retirement at or after reaching age 60 based on a joint and survivor annuity equal to 55% of final average compensation for an executive with 15 or more years of service (reduced pro rata for each year of service under 15). Effective January 1, 2007, the benefit payable under the DB SERP to an executive who was age 50 or over as of January 1, 2007, was reduced by 10%, and the benefit payable to an executive who had not attained age 50 as of January 1, 2007, was reduced by 20%. As a result, the benefit payable to Mr. Bilbrey was reduced by 10% and the benefit payable to Ms. Buck was reduced by 20%.

Under the terms of the DB SERP, final average compensation is calculated as the sum of (i) the average of the highest three calendar years of base salary paid over the last five years of employment with the Company and (ii) the average of the highest three OHIP awards, paid or deferred, for the last five years of employment with the Company. The benefit accrued under the DB SERP is payable upon retirement (subject to the provisions of Section 409A of the IRC) as a lump sum or a life annuity with 50% benefit continuation to the participant's surviving spouse, or payment may be deferred in accordance with the provisions of the Company's Deferred Compensation Plan. The lump sum is equal to the actuarial present value of the joint and survivor pension earned, reduced by the lump sum value of the benefits to be paid under the pension plan and the value of the executive's Social Security benefits. If the executive terminates employment after age 55 but before age 60, the benefit is reduced for early retirement at a rate of 5% per year for the period until the executive would have turned 60.

On November 16, 2015, the Company and Mr. Bilbrey entered into an amendment to his existing employment agreement, the effect of which was to increase, from five to ten years, the duration of the look-back period for selecting the highest three years of base salary and annual incentive payment used to calculate Mr. Bilbrey's final average compensation for determining his benefit under the DB SERP. The amendment also established the interest rate to be applied to the calculation of amounts payable to Mr. Bilbrey under the DB SERP as the rate equal to the Lump Sum Interest Rate (as defined in the DB SERP) as of October 31, 2015.

The following table and explanatory footnote provide information regarding the present value of benefits accrued under the pension plan and the DB SERP, as applicable, for each NEO as of December 31, 2016. The amounts shown for the DB SERP reflect the reduction for the present value of the benefits under the pension plan and Social Security benefits.

		Number of Years	Present Value of	Payments During
		Credited	Accumulated	Last Fiscal
		Service	Benefit <sup>(1)</sup>	Year
Name	Plan Name	(#)	(\$)	(\$)
(a)	(b)	(c)	(d)	(e)
Mr. Bilbrey	Pension Plan	13	184,718	
	DB SERP	13	24,683,231	
Ms. Little				
Ms. Buck	Pension Plan	12	137,564	
	DB SERP	12	5,411,831	

Mr. O Day  
Ms. Turner

- (1) These amounts have been calculated using discount rate, mortality and other assumptions consistent with those used for financial reporting purposes as set forth in Note 9 to the Company's Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K which accompanies this Proxy Statement. The actual payments would differ due to plan assumptions. The estimated vested DB SERP benefit, as of December 31, 2016, for Mr. Bilbrey was \$24,410,704. The estimated vested DB SERP benefit, as of December 31, 2016, for Ms. Buck was \$5,898,259. The amounts are based on the final average compensation of each eligible executive officer under the terms of the DB SERP (as modified by Mr. Bilbrey's amended employment agreement), as of December 31, 2016, as shown below:

	Final Average Compensation
Name	(\$)
Mr. Bilbrey	3,284,087
Ms. Little	
Ms. Buck	1,216,194
Mr. O'Day	
Ms. Turner	

#### 2016 Non-Qualified Deferred Compensation Table

Our NEOs are eligible to participate in the Company's Deferred Compensation Plan. The Deferred Compensation Plan is a non-qualified, non-funded plan that permits participants to defer compensation that would otherwise be paid to them currently. The Deferred Compensation Plan is intended to secure the goodwill and loyalty of participants by enabling them to defer compensation when the participants deem it beneficial to do so and by providing a vehicle for the Company to make, on a non-qualified basis, contributions that could not be made on the participants' behalf to the 401(k) plan. The Company credits the Deferred Compensation Plan with a specified percentage of compensation for NEOs participating in the non-qualified DC SERP.

Our NEOs may elect to defer payments to be received from the DB SERP, DC SERP, OHIP, PSU and RSU awards, but not stock options or base salary. Amounts deferred are fully vested and are credited to the individual's account under the Deferred Compensation Plan. Participants elect to receive payment at termination of employment or some other future date. DB SERP payments designated for deferral into the Deferred Compensation Plan are not credited as earned but are credited in full upon the participant's retirement.

Payments are distributed in a lump sum or in annual installments for up to 15 years. All amounts are payable in a lump sum following a Change in Control (as such terms is defined in the EICP). All elections and payments under the Deferred Compensation Plan are subject to compliance with Section 409A of the IRC, which may limit elections and require a delay in payment of benefits in certain circumstances.

While deferred, amounts are credited with notional earnings as if they were invested by the participant in one or more investment options offered by the Deferred Compensation Plan. The investment options under the Deferred Compensation Plan consist of investment in a deferred common stock unit account that we value according to the performance of our Common Stock (for awards paid in stock) or in mutual funds or other investments available to participants in our 401(k) plan (for awards paid in cash). The participants' accounts under the Deferred Compensation Plan fluctuate daily, depending upon performance of the investment options elected.

Effective January 1, 2007, we began crediting the deferred compensation accounts of all employees, including the NEOs, with the amount of employer matching contributions that exceed the limits established by the IRS for contribution to the 401(k) plan. These amounts are credited in the first quarter of the year after they are earned. As shown in the footnotes to the 2016 Summary Compensation Table, these amounts are designated as Supplemental 401(k) Match and are included as All Other Compensation in the year earned. These amounts also are included in Column (c) of the 2016 Non-Qualified Deferred Compensation Table in the year earned. With the exception of Ms. Little, all of the NEOs are fully vested in the Supplemental 401(k) Match credits presented and will be paid at a future date or at termination of employment, as elected by the executive subject to the provisions of Section 409A of the IRC. Ms. Little will vest in this benefit upon completion of two years of employment. If vested, she will receive payment for this benefit at termination of employment subject to the provisions of Section 409A of the IRC.

Effective January 1, 2007, we began crediting the deferred compensation accounts of all employees hired on or after January 1, 2007, including eligible NEOs, with the amount of Core Retirement Contributions that exceed the limits established by the IRS for contribution to the 401(k) plan. These amounts are credited in the first quarter of the year after they are earned. As shown in the footnotes to the 2016 Summary Compensation Table, these amounts are designated as Supplemental Core Retirement Contribution and are included as All Other Compensation in the year earned. These amounts also are included in Column (c) of the 2016 Non-Qualified Deferred Compensation Table in the year earned. Mmes. Little and Turner and Mr. O Day are eligible for a Supplemental CRC credit for 2016. Ms. Turner and Mr. O Day are fully vested in this benefit and will receive payment at termination of employment subject to the provisions of Section 409A of the IRC. Ms. Little will vest in this benefit upon completion of two years of employment. If vested, she will receive payment for this benefit at termination of employment subject to the provisions of Section 409A of the IRC.

Mmes. Little and Turner and Mr. O Day are also eligible to participate in our DC SERP, a part of the Deferred Compensation Plan. The DC SERP provides annual allocations to the Deferred Compensation Plan equal to a percentage of compensation determined by the Compensation Committee in its sole discretion. In order to receive the annual DC SERP allocation, an executive must (i) defer into the 401(k) plan the maximum amount allowed by the Company or the IRS and (ii) be employed on the last day of the plan year, unless the executive terminates employment after age 55 and completion of five years of continuous employment preceding termination, dies or becomes disabled. After completing five years of service with the Company, an executive is vested in 10% increments based on his or her age. An executive age 46 with five years of service is 10% vested and an executive age 55 with five years of service is 100% vested. The annual DC SERP allocation for Mmes. Little and Turner and Mr. O Day is equal to 12.5% of base salary and OHIP award for the calendar year, whether paid or deferred. Mr. O Day is 100% vested in his DC SERP benefit, while Mmes. Little and Turner are 0% vested because they have not yet completed five years of continuous employment with the Company.

The following table and explanatory footnotes provide information relating to the activity in the Deferred Compensation Plan accounts of the NEOs during 2016 and the aggregate balance of the accounts as of December 31, 2016:

	<b>Executive</b>	<b>Registrant</b>	<b>Aggregate</b>		<b>Aggregate</b>
	<b>Contributions in</b>	<b>Contributions in</b>	<b>Earnings in</b>	<b>Aggregate</b>	<b>Balance at</b>
	<b>Last Fiscal</b>	<b>Last Fiscal</b>	<b>Last Fiscal</b>	<b>Withdrawals/</b>	<b>Last Fiscal</b>
	<b>Year<sup>(1)</sup></b>	<b>Year<sup>(2)</sup></b>	<b>Year<sup>(3)</sup></b>	<b>Distributions</b>	<b>Year-End<sup>(4)</sup></b>
<b>Name</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>	<b>(f)</b>
Mr. Bilbrey		88,937	1,313,390		9,394,484
Ms. Little	379,287	163,204	58,186		675,417
Ms. Buck		38,429	1,302,335		9,201,259
Mr. O Day		151,519	83,810		1,566,387
Ms. Turner	801,632	173,717	442,316		4,154,530

- (1) Column (b) reflects the value of RSU awards that otherwise would have been received by Mmes. Little and Turner during 2016 and the value of PSU awards that otherwise would have been received by Ms. Turner had they not been deferred under the Deferred Compensation Plan.
- (2) For Mr. Bilbrey and Ms. Buck, Column (c) reflects the Supplemental 401(k) Match contributions earned for 2016. For Mmes. Little and Turner and Mr. O Day, Column (c) reflects the DC SERP, the Supplemental 401(k) Match contributions and the Supplemental CRC earned for 2016. These contributions are included in Column (i) of the 2016 Summary Compensation Table.
- (3) Column (d) reflects the adjustment made to each NEO's account during 2016 to reflect the performance of the investment options chosen by the executive. Amounts reported in Column (d) were not required to be reported as compensation in the 2016 Summary Compensation Table.
- (4) Column (f) reflects the aggregate balance credited to each NEO as of December 31, 2016, including the 2016 amounts reflected in Columns (b), (c) and (d). The following table indicates the portion of the Column (f) balance that reflects amounts disclosed in a Summary Compensation Table included in proxy statements for years prior to 2016:

Amounts Reported in Previous Years <sup>(1)</sup>	
Name	(\$)
Mr. Bilbrey	7,027,379
Ms. Little	512,214
Ms. Buck	3,463,701
Mr. O Day	1,407,297
Ms. Turner	3,794,064

- (1) This amount reflects the fair market value as of December 31, 2016, of vested PSU, RSU and OHIP awards as well as DC SERP, Supplemental Match and Supplemental CRC credits. The amounts disclosed in the Summary Compensation Table included in proxy statements for years prior to 2016 reflect the grant date value of such awards, rather than the fair market value as of December 31, 2016.

#### **Potential Payments upon Termination or Change in Control**

We maintain plans covering our NEOs that will require us to provide incremental compensation in the event of termination of employment or a Change in Control (as such term is defined in the applicable governing document), provided certain conditions are met.

The following narrative takes each termination of employment situation – voluntary resignation, termination for Cause, death, disability, retirement, termination without Cause, and resignation for Good Reason – and a Change in Control of the Company, and describes the additional amounts, if any, that the Company would pay or provide to the NEOs, or their beneficiaries, as a result.

The narrative below and the amounts shown reflect certain assumptions we have made in accordance with SEC rules. We have assumed that the termination of employment or Change in Control occurred on December 31, 2016, and that the value of a share of our Common Stock on that day was \$103.43, the closing price on the NYSE on December 30, 2016, the last trading day of 2016.

In addition, in keeping with SEC rules, the following narrative and amounts do not include payments and benefits which are not enhanced by a qualifying termination of employment or Change in Control. These payments and benefits are referred to as *vested benefits* and include:

Vested benefits accrued under the 401(k) and pension plans;

Accrued vacation pay, health plan continuation and other similar amounts payable when employment terminates under programs generally applicable to the Company's salaried employees;

Vested Supplemental 401(k) Match and Supplemental CRC provided to the NEOs on the same basis as all other employees eligible for Supplemental 401(k) Match and Supplemental CRC;

Vested benefits accrued under the DB SERP and account balances held under the Deferred Compensation Plan as previously described in the sections entitled *2016 Pension Benefits Table* and *2016 Non-Qualified Deferred Compensation Table*; and

Stock options which have vested and become exercisable prior to termination of employment or Change in Control.

*Voluntary Resignation (other than a Resignation for Good Reason)*

We are not obligated to pay amounts over and above vested benefits to a NEO who voluntarily resigns. Vested stock options may not be exercised after the NEO's resignation date unless the executive meets retirement eligibility requirements (separation after attainment of age 55 with at least five years of continuous service).

*Termination for Cause*

If we terminate a NEO's employment for Cause, we are not obligated to pay the executive any amounts over and above vested benefits. The NEO's right to exercise vested stock options expires upon termination for Cause, and amounts otherwise payable under the DB SERP are subject to forfeiture at the Company's discretion. In general, a termination will be for Cause if the executive has been convicted of a felony or has engaged in gross negligence or willful misconduct in the performance of duties, material dishonesty or a material violation of Company policies, including our Code of Ethical Business Conduct, or bad faith actions in the performance of duties not in the best interests of the Company.

*Death or Disability*

If a NEO dies prior to meeting the vesting requirements under the DB SERP, no benefits are paid. As of December 31, 2016, Mr. Bilbrey and Ms. Buck were fully vested in their respective DB SERP benefits and their respective estates would therefore be entitled to a payout of such benefits in the event of their death.



In the event of termination due to disability, long-term disability ( LTD ) benefits are generally payable until age 65, but may extend for longer if disability benefits begin after age 60, and are offset by other benefits such as Social Security. The maximum amount of the monthly LTD payments from all sources, assuming LTD began on December 31, 2016, is set forth in the table below:

Long-Term Disability Benefit				
Name	Maximum Monthly Amount  (\$)	Years and Months Until End of LTD Benefits  (#)	Total of Payments  (\$)	Lump Sum
				Benefit <sup>(1)</sup>  (\$)
Mr. Bilbrey	35,000	5 years 0 months	2,100,000	(2)
Ms. Little	25,000	8 years 5 months	2,525,000	446,900
Ms. Buck	35,000 <sup>(3)</sup>	9 years 9 months	4,095,000	718,892
Mr. O Day	25,000	1 year 6 months	450,000	187,383
Ms. Turner	25,000	5 years 10 months	1,750,000	787,586

(1) For Ms. Buck, amounts reflect additional DB SERP and pension plan benefits payable at age 65 that are attributable to vesting and benefit service credited during the disability period. For Mr. O Day, the amount reflects 18 additional months of Supplemental CRC and DC SERP credit upon disability. For Ms. Turner, the amount reflects two additional years of Supplemental CRC credit and two additional years of DC SERP credit and vesting upon disability. For Ms. Little, the amount reflects reflect two additional years of Supplemental CRC and DC SERP credit and vesting upon disability. In addition to the amounts shown, Ms. Little would become vested in her 401(k) Match, CRC, Supplemental 401(k) Match and Supplemental CRC.

(2) Mr. Bilbrey would not be entitled to any additional DB SERP or pension plan benefits in the event of termination due to disability.

(3) Ms. Buck's maximum monthly amount increased from \$25,000 to \$35,000 effective June 2, 2016 in connection with her promotion to Executive Vice President, COO.

*Treatment of Stock Options upon Retirement, Death or Disability*

In the event of retirement, death or disability, vested stock options remain exercisable for a period of three or five years, not to exceed the option expiration date. The exercise period is based upon the terms and conditions of the individual grant. Retirement is defined as separation after attainment of age 55 with at least five years of continuous service.

Options that are not vested at the time of retirement, death or disability will generally vest in full (subject to the exception described in the following sentence) and the options will remain exercisable for three or five years following termination, depending on the terms and conditions of the grant. Options granted in the year of retirement are prorated based upon the number of full calendar months worked in that year.

The following table provides the number of unvested stock options as of December 31, 2016, that would have become vested and remained exercisable during the three-year or five-year periods following death or disability, or retirement if applicable, on December 31, 2016, and the value of those options based on the excess of the fair market value of our Common Stock on December 30, 2016, the last trading day of 2016, over the applicable option exercise price. As of December 31, 2016, Messrs. Bilbrey, O Day and Ms. Buck were considered retirement eligible based on the provisions of all outstanding option awards. Because Mmes. Little and Turner were not considered retirement eligible as of December 31, 2016, they would forfeit 53,908 stock options and 76,843 stock options, respectively, upon voluntary separation.

Name	Stock Options	
	Number <sup>(1)</sup>	Value <sup>(2)</sup>
	(#)	(\$)
Mr. Bilbrey	387,564	2,822,317
Ms. Little	53,908	481,108
Ms. Buck	91,793	636,564
Mr. O Day	63,911	496,266
Ms. Turner	76,843	507,783

(1) Represents the total number of unvested options as of December 31, 2016.

(2) Reflects the difference between \$103.43 the closing price for our Common Stock on the NYSE on December 30, 2016, the last trading day of 2016, and the exercise price for each option. Options for which the exercise price exceeds \$103.43 are not included in the calculations.

*Treatment of RSUs upon Retirement, Death or Disability*

Upon retirement, any unvested RSUs are forfeited. Unvested RSUs will vest in full upon death or disability.

The following table provides the number of unvested RSUs that would have vested on December 31, 2016, if the executive's employment terminated that day due to death or disability:

Name	Restricted Stock Units	
	Number <sup>(1)</sup>	Value <sup>(2)</sup>
	(#)	(\$)

Mr. Bilbrey	16,136	1,707,705
Ms. Little	27,468	2,928,099
Ms. Buck	59,185	6,263,667
Mr. O Day	7,938	834,024
Ms. Turner	36,687	3,882,658

- (1) Represents the total number of unvested RSUs as of December 31, 2016.
- (2) Based on the closing price of \$103.43 for our Common Stock on the NYSE on December 30, 2016, the last trading day of 2016, plus accrued dividend equivalents.

*Treatment of PSUs upon Retirement, Death or Disability*

In the event of retirement, death or disability, any unvested contingent PSUs are prorated based on the number of full or partial months worked in each of the open PSU cycles. Any remaining unvested contingent PSUs not prorated are forfeited. The following table provides the total number of contingent PSUs each NEO would be entitled to if the executive's employment ended on December 31, 2016 due to death or disability, or retirement if applicable. As of December 31, 2016, Messrs. Bilbrey and O'Day and Ms. Buck were considered retirement eligible based on the provisions of all open PSU cycles. Because Mmes. Little and Turner were not considered retirement eligible as of December 31, 2016, they would forfeit all of their contingent PSUs upon voluntary separation.

Name	Performance Stock Units	
	Number <sup>(1)</sup>	Value <sup>(2)</sup>
	(#)	(\$)
Mr. Bilbrey	34,766	3,595,847
Ms. Little	5,645	583,862
Ms. Buck	8,365	865,192
Mr. O'Day	5,930	613,340
Ms. Turner	6,137	634,750

(1) For the 2014-2016 PSU cycle, amount reflects the total number of contingent PSUs calculated by multiplying the number of contingent target PSUs by 20.66%, the final performance score for that cycle. For the 2015-2017 and 2016-2018 PSU cycles, amount reflects the total number of contingent PSUs at target.

(2) Based on the closing price of \$103.43 for our Common Stock on the NYSE on December 30, 2016, the last trading day of 2016.

*Termination without Cause; Resignation for Good Reason*

Under Mr. Bilbrey's employment agreement and the EBPP 3A, as applicable, we have agreed to pay severance benefits if we terminate a NEO's active employment without Cause or if the NEO resigns from active employment for Good Reason, in each case as defined in the applicable document. Severance benefits consist of a lump sum payment calculated as a multiple of base salary and target OHIP as well as continuation of health and welfare benefits for a set period of time, as shown in the table below. Additionally, all NEOs would be entitled to receive a pro rata payment of the OHIP award, if any, earned for the year in which termination occurs.

**Benefit Entitlement**

Plan	Severance Multiple	Health and Welfare Benefits
Mr. Bilbrey's employment agreement and participants in EBPP 3A on or before February 22, 2011	2 times	24 months
Participants in EBPP 3A after February 22, 2011	1.5 times	18 months

If a NEO has not met retirement eligibility requirements and his or her employment is terminated for reasons other than for Cause, or if the NEO terminates for Good Reason, he or she will be eligible to exercise all vested stock options and a prorated portion of his or her unvested stock options held on the date of separation from service for a period of 120 days following separation. If the NEO is age 55 or older with five or more years of continuous service and his or her employment is terminated for reasons other than for Cause, or if the NEO terminates for Good Reason, the NEO will be entitled to exercise any vested stock options until the earlier of three or five years (based on the provisions of the individual grant) from the date of termination or the expiration of the options. In addition, if a NEO's employment is terminated for reasons other than for Cause, or if the NEO terminates for Good Reason, the NEO will vest in a prorated portion of any unvested RSUs held on the date of separation from service.

The following table provides the incremental amounts that would have been payable to each NEO had his or her employment terminated on December 31, 2016, under circumstances entitling the NEO to severance benefits as described above:

Name	One Hershey			
	Salary	Incentive Program	Value of Benefits	Total
	(\$)	at Target	Continuation <sup>(1)</sup>	(\$)
		(\$)	(\$)	
Mr. Bilbrey	2,472,000	3,708,000	29,424	6,209,424
Ms. Little	940,500	752,400	26,341	1,719,241
Ms. Buck	1,500,000	1,350,000	38,242	2,888,242
Mr. O Day	1,175,600	764,140	25,558	1,965,298
Ms. Turner	940,500	658,350	9,783	1,608,633

(1) Reflects projected medical, dental, vision and life insurance continuation premiums paid by the Company during the applicable time period following termination.

For information with respect to stock options and RSUs held by each NEO as of December 31, 2016, refer to the Outstanding Equity Awards at 2016 Fiscal-Year End Table.

#### *Change in Control*

The EBPP 3A provides for the vesting and payment of the following benefits to each of the NEOs upon a Change in Control:

An OHIP payment for the year in which the Change in Control occurs, calculated as the greater of target or the estimated payment based on actual performance through the date of the Change in Control;

To the extent not vested, full vesting of benefits accrued under the DB SERP and the Deferred Compensation Plan; and

To the extent not vested, full vesting of benefits under the 401(k) and pension plans. Under our EICP, awards are continued as qualifying replacement awards after a Change in Control, and therefore, no accelerated vesting or payment will occur for such awards because of the Change in Control. In the event of termination of employment within two years following the Change in Control for any reason other than termination for Cause or resignation without Good Reason, the replacement awards will vest and become payable as described below.

The following table and explanatory footnotes provide information with respect to the incremental amounts that would have vested and become payable on December 31, 2016, if a Change in Control occurred on that date. All unvested awards would continue as qualifying replacement awards, and therefore are not included in the table below:

Name	One Hershey Incentive Program Related Payment <sup>(1)</sup>	PSU Related Payments	Vesting of Stock Options	Vesting of Restricted Stock Units	Retirement and Deferred Compensation Benefits <sup>(2)</sup>	Total <sup>(3)</sup>
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Mr. Bilbrey						
Ms. Little					285,153	285,153
Ms. Buck					1,795,122	1,795,122
Mr. O Day						
Ms. Turner					503,289	503,289

- (1) The amount of the OHIP award earned for 2016 was greater than target. Therefore no incremental amount attributable to that program would have been payable upon a Change in Control.
- (2) Reflects the full vesting value of DB SERP benefits and more favorable early retirement discount factors as provided under the EBPP 3A. Mr. Bilbrey is fully vested in his unreduced DB SERP benefit so no additional benefit is applicable. Ms. Buck is fully vested in her DB SERP benefit so the amount includes the value of more favorable early retirement discount factors. For Ms. Little, the amount includes the vesting of her DC SERP benefit, 401(k), Supplemental Match, CRC and Supplemental CRC. Mr. O Day is fully vested in his DC SERP benefit so no additional benefit is applicable. For Ms. Turner, the amount includes the vesting of her DC SERP benefit.
- (3) For any given executive, the total payments made in the event of termination after a Change in Control would be reduced to the safe harbor limit under IRC Section 280G if such reduction would result in a greater after-tax benefit for the executive.

*Termination without Cause or Resignation for Good Reason after Change in Control*

If a NEO's employment is terminated by the Company without Cause or by the NEO for Good Reason within two years after a Change in Control, we pay severance benefits under the EBPP 3A to assist the NEO in transitioning to new employment. These severance benefits as of December 31, 2016, consist of:

A lump sum cash payment equal to two (or, if less, the number of full and fractional years from the date of termination to the executive's 65<sup>th</sup> birthday, but not less than one) times:

- i The executive's base salary; and
- i The highest OHIP award payment paid or payable during the three years preceding the year of the Change in Control (but not less than the OHIP target award for the year of the termination);

For replacement PSU awards, full vesting of PSUs for the performance cycle ending in the year of the Change in Control. The cash payment will be based upon the greater of target or actual performance through the date of the Change in Control, with each PSU valued at the highest closing price for our Common Stock during the 60 days prior to the Change in Control;

For replacement PSU awards, full vesting of outstanding PSUs at target that are in the second year of the performance cycle and prorated vesting of outstanding PSUs at target that are in the first year of the performance cycle at the time of the Change in Control;

For replacement stock options and RSU awards (including accrued cash credits equivalent to dividends that would have been earned had the executive held Common Stock instead of RSUs), full vesting of all unvested stock options and RSUs;

Continuation of medical, dental, vision and life benefits for 24 months (or, if less, the number of months until the executive attains age 65, but not less than 12 months), or payment of the value of such benefits if continuation is not permitted under the terms of the applicable plan;

For executives who do not participate in the pension plan, a lump sum equal to the CRC rate times the sum of their base salary and OHIP earnings times the number of years in their severance period (two, or, if less, the number of full and fractional years from the date of termination to the executive's 65<sup>th</sup> birthday, but not less than one). IRS limitations imposed on the 401(k) and pension plans will not apply for this purpose;

Outplacement services up to \$35,000 and reimbursement for financial counseling and tax preparation services for two years;

An enhanced matching contribution cash payment equal to the 401(k) matching contribution rate of 4.5% multiplied by the executive's base salary and last OHIP payment calculated as if such amounts were paid during the years in the executive's severance period. For this purpose, the IRS limitations imposed on the 401(k) plan do not apply;

For executives who participate in the DB SERP, an enhanced benefit reflecting an additional two years of credit; and

For executives who participate in the DC SERP, an enhanced benefit reflecting a cash payment equal to the applicable percentage rate multiplied by his or her base salary and last OHIP payment calculated as if such amounts were paid during the years in the executive's severance period.

The following table provides the severance payments and all other amounts that would have vested and become payable if a Change in Control occurred and the executive's employment terminated on December 31, 2016:

Name	Lump Sum Cash Severance Payment	PSU Related Payments <sup>(1)</sup>	Vesting of Stock Options <sup>(2)</sup>	Vesting of RSUs	Value of Medical and Other Benefits Continuation	Value of Financial Planning and Outplace- ment <sup>(3)</sup>	Value of Enhanced DB SERP/ DC SERP and 401(k) Benefit <sup>(4)</sup>	Total <sup>(5)</sup>
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Mr. Bilbrey	7,525,372	3,356,202	2,822,317	1,707,705	29,424	68,000	4,419,735	19,928,755
Ms. Little	2,257,200	765,963	481,108	2,928,099	35,444	68,000	451,440	6,987,254
Ms. Buck	2,850,000	813,819	636,564	6,263,667	38,242	68,000	2,957,388	13,627,680
Mr. O Day	1,133,757	579,643	496,266	834,024	12,438	68,000	226,752	3,350,880

Ms. Turner	2,166,965	1,094,630	507,783	3,882,658	13,149	68,000	433,393	8,166,578
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(1) Amounts reflect vesting of PSUs awarded, as follows:

For the performance cycle which ended on December 31, 2016, the difference between target and actual performance as of December 31, 2016, and the difference between a value per PSU of \$104.44 the highest closing price for our Common Stock on the NYSE during the last 60 days of 2016, and a value per PSU of \$103.43 the closing price of our Common Stock on the NYSE on December 30, 2016, the last trading day of 2016;

For the performance cycle ending December 31, 2017, at target performance, with a value per PSU of \$104.44 the highest closing price for our Common Stock on the NYSE during the last 60 days of 2016; and

For the performance cycle ending December 31, 2018, one-third of the contingent target units awarded, at target performance, with a value per PSU of \$104.44 the highest closing price for our Common Stock on the NYSE during the last 60 days of 2016.

Because Messrs. Bilbrey and O Day and Ms. Buck were retirement eligible as of December 31, 2016, as of that date they had already vested in a portion of the PSU awards for the performance cycles ending December 31, 2017 and December 31, 2018. Accordingly, with respect to these NEOs, the amount for the performance cycle ending December 31, 2017, reflects only (i) an incremental payment of the portion of the PSU award that would vest upon termination following a Change in Control (*i.e.* 1/3 of the total award) and (ii) an incremental benefit equal to the difference between a value per PSU of \$104.44 the highest closing price of our Common Stock on the NYSE during the last 60 days of 2016, and a value per PSU of \$103.43 the closing price of our Common Stock on the NYSE on December 30, 2016, the last trading day of 2016, while the amount for the performance cycle ending December 31, 2018, reflects only an incremental benefit equal to the difference between a value per PSU of \$104.44 and a value per PSU of \$103.43.

- (2) Reflects the value of unvested options that would vest upon the executive's employment termination following a Change in Control based on the excess, if any, of the value of our Common Stock of \$103.43 on December 30, 2016, the last trading day of 2016, over the exercise price for the options. Information regarding unvested options as of December 31, 2016 can be found in the Outstanding Equity Awards at 2016 Fiscal-Year End Table.
- (3) Value of maximum payment for financial planning and tax preparation continuation for two years following termination of employment plus outplacement services of \$35,000.
- (4) For Mr. Bilbrey and Ms. Buck, this value reflects the amounts of enhanced DB SERP, 401(k) Match and Supplemental 401(k) Match over a 24 month period. For Mmes. Little and Turner the value reflects the amounts of DC SERP, CRC, Supplemental CRC, 401(k) Match and Supplemental 401(k) Match that would have been paid had they remained employees for 24 months after their termination. For Mr. O Day, the value reflects the amounts of DC SERP, CRC, Supplemental CRC, 401(k) Match and Supplemental 401(k) Match that would have been paid had he remained an employee for 12 months after his termination.
- (5) For any given executive the total payments made in the event of termination after a Change in Control would be reduced to the safe harbor limit under IRC Section 280G if such reduction would result in a greater after-tax benefit for the executive.

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**PROPOSAL NO. 3 ADVISE ON NAMED EXECUTIVE**

**OFFICER COMPENSATION**

The Board of Directors unanimously recommends that stockholders  
vote **FOR** approval, on a non-binding advisory basis, of the compensation  
of the Company's named executive officers

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and related SEC rules, and as required under Section 14A of the Exchange Act, we are providing stockholders an opportunity to conduct an advisory vote regarding the compensation of our NEOs as disclosed in this Proxy Statement.

Prior to submitting your vote, we encourage you to read our Compensation Discussion & Analysis and the accompanying executive compensation tables for details about our executive compensation program, including information about the 2016 compensation of our NEOs.

As discussed in more detail in the Compensation Discussion & Analysis, we believe our executive compensation program is competitive and governed by pay-for-performance principles. We emphasize compensation opportunities that reward results. Our stock ownership requirements and use of stock-based incentives reinforce the alignment of the interests of our executives with those of our long-term stockholders. In doing so, our executive compensation program supports our strategic objectives and mission.

Accordingly, we ask you to approve the following resolution at the Annual Meeting:

RESOLVED, that the stockholders of The Hershey Company approve, on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed in the Proxy Statement for the 2017 Annual Meeting of Stockholders pursuant to the SEC's compensation disclosure rules, including the Compensation Discussion & Analysis, the Executive Compensation Tables and the related narrative discussion.

Because your vote is advisory, it will not be binding upon the Board. However, as noted in the Compensation Discussion & Analysis, the Compensation Committee and the Board will, as deemed appropriate, take into account the outcome of the vote when considering future decisions affecting executive compensation.

The affirmative vote of the holders of at least a majority of the shares of Common Stock and Class B Common Stock (voting together as a class) represented at the Annual Meeting, in person or by proxy, is required to approve this proposal.

**PROPOSAL NO. 4 ADVISE ON FREQUENCY OF FUTURE ADVISORY VOTES ON NAMED EXECUTIVE OFFICER COMPENSATION**

The Board of Directors unanimously recommends that stockholders  
vote to hold future advisory votes on named executive officer compensation  
every **1 YEAR**

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and related SEC rules, and as required under Section 14A of the Exchange Act, we are providing stockholders an opportunity to conduct an advisory vote regarding the frequency with which future advisory votes on the compensation of our NEOs should be held.

At our 2011 Annual Meeting of Stockholders, a majority of stockholders indicated a preference for holding advisory votes on NEO compensation every year, and we have conducted such an annual vote since that time. Under Section 14A of the Exchange Act, every six years we are required to provide stockholders an opportunity to again advise on the frequency with which future votes on NEO compensation should be held.

After careful consideration, the Board has determined that continuing to conduct an advisory vote on NEO compensation each year remains the most appropriate policy at this time. The Board believes such an annual vote best enables stockholders to timely express their views on the Company's executive compensation program and policies and assists the Board and the Compensation Committee in determining current stockholder sentiment. Additionally, conducting an annual advisory vote on NEO compensation is consistent with our practice of regularly seeking input from stockholders on corporate governance matters.

You are not being asked to vote for or against this proposal. Instead, this proposal asks stockholders to inform us how often we should conduct an advisory vote on the compensation of our NEOs. You may cast your vote by choosing the option of every 1, 2 or 3 years, or abstaining, in response to the following resolution:

RESOLVED, that the option of every 1 year, 2 years or 3 years that receives the highest number of votes cast for this resolution will be determined to be the preferred frequency with which the Company is to hold future advisory votes on named executive officer compensation, as disclosed in the Company's annual proxy statement pursuant to the SEC's compensation disclosure rules, including the Compensation Discussion & Analysis, the Executive Compensation Tables and the related narrative discussion.

The frequency that receives the greatest number of votes from the holders of our Common Stock and Class B Common Stock voting together will be deemed to be stockholders' preferred frequency for conducting future advisory votes on NEO compensation. Because your vote is advisory, it will not be binding upon the Board. However, the Board will, as it deems appropriate, take into account the outcome of the vote when determining how often the Company will conduct advisory votes on NEO compensation in future years.

## **SECTION 16(a) BENEFICIAL OWNERSHIP**

### **REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors and executive officers, as well as any person who is the beneficial owner of more than 10% of our outstanding Common Stock, to file reports with the SEC and NYSE showing their ownership and changes in ownership of the Company's securities. Copies of these reports also must be furnished to us. Based on an examination of these reports and on written representations provided to us, it is our opinion that all reports for 2016 were timely filed, except for a Form 4 filed by Thomas J. Ridge on April 21, 2016 reporting the disposition of shares on March 9, 2016.

### **CERTAIN TRANSACTIONS AND RELATIONSHIPS**

Item 404 of SEC Regulation S-K requires that we disclose any transaction or series of similar transactions, or any currently proposed transaction(s), in which (i) the Company was or is to be a participant, (ii) the amount involved exceeds \$120,000 and (iii) any of the following persons had or will have a direct or indirect material interest:

Our directors or nominees for director;

Our executive officers;

Persons owning more than 5% of any class of our outstanding voting securities; or

The immediate family members of any of the persons identified in the preceding three bullets.

#### **Policies and Procedures Regarding Transactions with Related Persons**

The Board has adopted a written Related Person Transaction Policy that governs the review, approval or ratification of related person transactions. The Related Person Transaction Policy may be viewed on the Investors section of our website at [www.thehersheycompany.com](http://www.thehersheycompany.com).

Under the Related Person Transaction Policy, each related person transaction, and any significant amendment or modification to a related person transaction, must be reviewed and approved or ratified by a committee of our Board composed solely of independent directors who have no interest in the transaction. We refer to each such committee as a Reviewing Committee. The Related Person Transaction Policy also permits the disinterested members of the full Board to act as a Reviewing Committee.

The Board has designated the Governance Committee as the Reviewing Committee primarily responsible for the administration of the Related Person Transaction Policy. In addition, the Board has designated special Reviewing Committees to oversee certain transactions involving the Company and Hershey Trust Company, Milton Hershey School, the Milton Hershey School Trust and companies owned by or affiliated with any of the foregoing. Finally, the Related Person Transaction Policy provides that the Compensation Committee will review and approve, or review and recommend to the Board for approval, any employment relationship or transaction involving an executive officer of the Company and any related compensation.

When reviewing, approving or ratifying a related person transaction, the Reviewing Committee will examine all material facts about the related person's interest in, or relationship to, the transaction, including the approximate dollar value of the transaction. If the related person transaction involves an outside director or nominee for director, the Reviewing Committee also may consider whether the transaction would compromise the director's status as an independent director, outside director or non-employee director under the Board's Corporate Governance Guidelines, the NYSE Rules, the Code or the Exchange Act.

### **Transactions with Hershey Trust Company, Milton Hershey School and the Milton Hershey School Trust**

During 2016, there were no transactions with the Company in which any executive officer, director or nominee for director, or any of their immediate family members, had a direct or indirect material interest that would need to be disclosed pursuant to Item 404 of SEC Regulation S-K, nor were any such transactions planned.

In any given year, we may engage in certain transactions with Hershey Trust Company, Milton Hershey School, the Milton Hershey School Trust and companies owned by or affiliated with any of the foregoing. These transactions are typically immaterial, ordinary-course transactions that do not constitute related person transactions. However, from time to time we may also engage in related person transactions with Hershey Trust Company, Milton Hershey School, the Milton Hershey School Trust and/or their subsidiaries and affiliates. Under the Board's Corporate Governance Guidelines, a special Reviewing Committee normally composed of the directors elected by the holders of the Common Stock voting separately as a class reviews and makes recommendations to the Board regarding these transactions. The Corporate Governance Guidelines also authorize the independent directors having no affiliation with Hershey Trust Company, Milton Hershey School, the Milton Hershey School Trust or their affiliates to designate a different special Reviewing Committee to review these transactions.

The Company was not a participant in any transactions in 2016, and does not currently contemplate being a participant in any transactions in 2017, involving Hershey Trust Company, as trustee for the Milton Hershey School Trust, or any other stockholder owning more than 5% of any class of the Company's outstanding voting securities that would need to be disclosed pursuant to Item 404 of SEC Regulation S-K.

During 2016, we engaged in transactions in the ordinary course of our business with Hershey Trust Company, Milton Hershey School and companies affiliated with Hershey Trust Company, Milton Hershey School and the Milton Hershey School Trust. These transactions involved the sale and purchase of goods and services as well as the leasing of real estate at market rates. The transactions were primarily with Hershey Entertainment & Resorts Company, a company that is owned by the Milton Hershey School Trust. All sales and purchases were made on terms and at prices we believe were generally available in the marketplace and were in amounts that were not material to us or to Hershey Entertainment & Resorts Company. Therefore, these transactions did not require approval under our Related Person Transaction Policy.

Although our transactions with Hershey Trust Company, Milton Hershey School and the companies affiliated with each of the foregoing and with the Milton Hershey School Trust (including Hershey Entertainment & Resorts Company) are either immaterial or otherwise not required to be disclosed under Item 404 of SEC Regulation S-K, because of our relationship with these entities, we have elected to disclose the aggregate amounts of our purchase and sale transactions with these entities for your information. In this regard:

Our total sales to these entities in 2016 were approximately \$1.5 million; and

Our total purchases from these entities in 2016 were approximately \$3.2 million.  
We do not expect the types of transactions or the amount of payments to change materially in 2017.

The Company also leases to Hershey Entertainment & Resorts Company a portion of a building owned and occupied by the Company in Hershey, Pennsylvania. The leased area consists of approximately 67,500 square feet of storage space in the building that is not being utilized currently by the Company. The lease was first entered into on January 1, 2011, and had a term of one year. The lease permits Hershey Entertainment & Resorts Company to renew the lease for subsequent one-year terms and, if space is available, to request an increase in the area occupied.

Hershey Entertainment & Resorts Company has renewed the lease for additional one-year terms each year since 2012. The lease is on terms we believe are generally available in the marketplace and is not material to us or Hershey Entertainment & Resorts Company. Rent during 2016 was \$288,900 and for 2017 is expected to be \$297,000, which amounts include a pro rata allocation of utilities, insurance, maintenance and other operating costs.

## **COMPENSATION COMMITTEE INTERLOCKS**

### **AND INSIDER PARTICIPATION**

Ms. Haben and Messrs. Malcolm, Mead, Palmer and Shedlarz served as members of our Compensation Committee during 2016. None of the members of our Compensation Committee served as one of our officers or employees during 2016 or at any time in the past, and neither they nor any other director served as an executive officer of any entity for which any of our executive officers served as a director or member of its compensation committee.

None of the members of our Compensation Committee has a relationship with us that is required to be disclosed under Item 404 of SEC Regulation S-K.

## **OTHER MATTERS**

### **Householding of Proxy Materials**

The SEC has adopted rules that allow us to send in a single envelope our Notice of Internet Availability of Proxy Materials or a single copy of our proxy solicitation and other required annual meeting materials to two or more stockholders sharing the same address. We may do this only if the stockholders at that address share the same last name or if we reasonably believe that the stockholders are members of the same family. If we are sending a Notice of Internet Availability of Proxy Materials, the envelope must contain a separate notice for each stockholder at the shared address. Each Notice of Internet Availability of Proxy Materials must contain a unique control number that each stockholder will use to gain access to our proxy materials and vote online. If we are mailing a paper copy of our proxy materials, the rules require us to send each stockholder at the shared address a separate proxy card.

We believe this rule is beneficial both to our stockholders and to the Company. Our printing and postage costs are lowered anytime we eliminate duplicate mailings to the same household. However, stockholders at a shared address may revoke their consent to the householding program and receive their Notice of Internet Availability of Proxy Materials in a separate envelope, or, if they have elected to receive a full copy of our proxy materials in the mail, receive a separate copy of these materials. If you have elected to receive paper copies of our proxy materials and want to receive a separate copy of these materials for our 2017 Annual Meeting, please call our Investor Relations Department, toll free, at (800) 539-0261. If you consented to the householding program and wish to revoke your consent for future years, simply call, toll free, (866) 540-7095, or write to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

### Information Regarding the 2018 Annual Meeting of Stockholders

The 2018 Annual Meeting of Stockholders is expected to be held on May 2, 2018. To be eligible for inclusion in the proxy materials for the 2018 Annual Meeting of Stockholders, a stockholder proposal must be received by our Corporate Secretary by no later than November 23, 2017, and must comply in all respects with applicable rules of the SEC. Stockholder proposals should be addressed to The Hershey Company, c/o Corporate Secretary, 100 Crystal A Drive, Hershey, Pennsylvania 17033-0810.

A stockholder may present a proposal not included in our proxy materials from the floor of the 2018 Annual Meeting of Stockholders only if our Corporate Secretary receives notice of the proposal, along with additional information required by our by-laws, between January 3, 2018 and February 2, 2018. Notice should be addressed to The Hershey Company, c/o Corporate Secretary, 100 Crystal A Drive, Hershey, Pennsylvania 17033-0810.

The notice must contain the following additional information:

The stockholder's name and address;

The stockholder's shareholdings;

A brief description of the proposal;

A brief description of any financial or other interest the stockholder has in the proposal; and

Any additional information that the SEC would require if the proposal were presented in a proxy statement. A stockholder may nominate a director from the floor of the 2018 Annual Meeting of Stockholders only if our Corporate Secretary receives notice of the nomination, along with additional information required by our by-laws, between January 3, 2018 and February 2, 2018. The notice must contain the following additional information:

The stockholder's name and address;

A representation that the stockholder is a holder of record of any class of our equity securities;

A representation that the stockholder intends to make the nomination in person or by proxy at the meeting;

A description of any arrangement the stockholder has with the individual the stockholder plans to nominate and the reason for making the nomination;

The nominee's name, address and biographical information;

The written consent of the nominee to serve as a director if elected; and

Any additional information regarding the nominee that the SEC would require if the nomination were included in a proxy statement regardless of whether the nomination may be included in such proxy statement.

Any stockholder holding 25% or more of the votes entitled to be cast at the 2018 Annual Meeting of Stockholders is not required to comply with these pre-notification requirements.

By order of the Board of Directors,

Leslie M. Turner

Senior Vice President,

General Counsel and Secretary

March 23, 2017







