NOTICE OF 2017 ANNUAL MEETING AND PROXY STATEMENT

2016 ANNUAL REPORT TO STOCKHOLDERS

May 3, 2017
10:00 a.m., Eastern Daylight Time

GIANT Center
550 West Hersheypark Drive
Hershey, Pennsylvania

Michele G. Buck
President and Chief Executive Officer

March 23, 2017

Dear Stockholder:

It is my pleasure to invite you to attend the 2017 Annual Meeting of Stockholders of The Hershey Company, which will be held at 10:00 a.m., Eastern Daylight Time on Wednesday, May 3, 2017. Detailed instructions regarding meeting attendance and how to vote your Hershey shares prior to the meeting can be found in the proxy materials that accompany this letter. Your vote is extremely important, and I encourage you to review the materials and submit your vote today.

I am honored to serve as the 12th CEO of The Hershey Company. It has been a privilege to work in partnership with J.P. Bilbrey and I am committed to building upon his record of consistent financial performance.

There is no company I would rather lead. Hershey products are part of everyday and special celebrations all around the world. From birthdays to holiday parties, from Halloween to everyday snacks, Hershey products delight millions of consumers. We have a team of remarkable employees who support one another to achieve our goals and win in the market. And we remain committed to operating ethically and building a sustainable future. Bringing goodness to the world is an ideal we live each day through our brands, our people and our involvement in local communities.

Our business operates in an environment defined by rapidly shifting consumer values. More and more, people are thoughtful about the food they consume. A vital part of our job is to clearly understand these shifts and adjust our strategy based on consumers' desires and tastes. That includes a commitment to food transparency, responsible sourcing and simple ingredients. Our connection with our consumers will be key to delivering top-quartile sales growth and growing share on behalf of our stockholders.

I was pleased with the progression of our business in 2016. After a challenging start to the year, we did not lose focus. We executed against our plan and we gained momentum as the year progressed.

During 2016, we had innovation and advertising success. We launched *Kit Kat® Big Kat®* Bar, *Reese's* Snack Mix, *Hershey's* Snack Bites, *Reese's Stuffed With Pieces* Candy and *Hershey's Cookie Layer Crunch* Bar as new products. Performance for these new products has been strong. The *Kit Kat® Big Kat®* Bar is an example of an instant consumable focus launch combined with new core brand advertising, which is driving growth of the entire franchise. The marketing mix for these programs was balanced between direct trade and TV and digital advertising.

Our productivity and cost savings initiatives drove adjusted EBIT margin expansion and adjusted full-year earnings per share-diluted growth of 7%. Full-year net sales increased 1.4% year over year in constant currency. Adjusted gross margin declined about 40 basis points, relatively in line with our original plan for the year. This was driven by a higher trade rate, unfavorable mix and greater supply chain costs. We continue to generate solid operating cash flow, about $1 billion in 2016, which gives us financial flexibility. Our balance sheet and cash flows remain strong and we returned $920 million to stockholders through dividends and share repurchases.

As we anticipated, U.S. marketplace performance sequentially improved throughout the year. Our fourth-quarter U.S. chocolate performance was solid with retail takeaway up 2.9%, resulting in a chocolate market share gain of 0.9 points. For the full year 2016 our U.S. CMG – candy, mint and gum – retail takeaway increased 0.3%, which was more than three times the rate of the category, resulting in a market leading share of 31.2%.

For the full year, our International and Other segment operating profit increased and I'm pleased with the progression. We continue to experience steady net sales growth generated by our Mexico and Brazil teams. In Brazil, our growth was fueled by distribution gains in core brands and the continued rollout of the *Hershey's* Milk Chocolate and *Hershey's Special Dark* Bars, which launched in the third quarter. In Mexico, we gained momentum, driven by *Hershey's Kisses* Chocolates. India is one of the fastest growing chocolate markets in the world and the launch of *Brookside* Chocolates in November officially marked our debut into India's growing premium chocolate category.

Given the macroeconomic challenges, China continues to be a difficult market for many companies. Numerous categories within the modern trade were sluggish, including chocolate, where the category declined about 7% for the full year. In the fourth quarter, China chocolate category sales declined about 4%, the same rate as the second- and third-quarter declines.

Looking to the future, our vision is to be an innovative snacking powerhouse. We are currently the #2 snacking manufacturer in the United States, with a leading position in confection. Confection is a high margin, highly responsive category where fueling the top line is a key driver for our business.

We are working hard to reignite our core confection business and broaden participation in snacking to capture new snacking users and new usage occasions. I'm excited about our 2017 innovation, our activation plans for *Hershey's Cookie Layer Crunch* Bar, and the investments we're making in expanding the *Reese's* franchise. The targeted and precision-based approach we've taken to growing the *Reese's* franchise with *Reese's* Crunchy Cookie Cup and expanding into the hand-to-mouth snacking area via our new *Reese's Crunchers* product line should provide incremental growth to our business.

Our focus is on investing in those areas with the most profitable growth, and increasing the return on investment against dollars spent, to enable margin expansion. This will provide us with the fuel needed to invest in strengthening our capabilities and leveraging technology for commercial advantage and growth.

Hershey remains a purpose driven company. We have a 123-year history of bringing goodness to the world and one another. I am proud to lead The Hershey Company to its next phase of growth, and I am excited about the opportunities this new environment is creating for us. We appreciate your support and dedication as we continue to create opportunities to prosper and build a sustainable future for our Company.

Thank you for your continued investment in The Hershey Company, and I look forward to seeing you at the meeting.

Michele G. Buck

Safe Harbor Statement

Please refer to the 2016 Annual Report to Stockholders that accompanies this letter for a discussion of Risk Factors that could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied in this letter to stockholders or elsewhere. This letter to stockholders is not part of our proxy soliciting material.

John P. Bilbrey
Chairman of the Board

James E. Nevels
Lead Independent Director

March 23, 2017

Doing well by doing good. That's the cornerstone on which The Hershey Company was built more than 120 years ago. We believe in bringing goodness to the world in all that we do and that means continuing our commitments to corporate social responsibility, sustainable sourcing practices, and community stewardship. More than just a phrase, it's a legacy passed down by our Company's founder, a maxim embedded in the fabric of our nearly 18,000 men and women who come to work every day and a key component of what makes Hershey the *greatest confectionery company in the world*.

It's no surprise then, that the Board spent a considerable amount of time in 2016 focusing on legacy. As stewards of the Company, one of our critical responsibilities is to ensure we have trusted leaders in place to preserve our legacy and continue to build upon it. Faced with pending changes in both the Board and management, we worked on succession planning throughout 2016 to identify the right leaders to take the Company through its next chapter of success and growth.

The next great chapter in this Company's history began on March 1, 2017, when Michele Buck stepped into the role of the Company's 12th Chief Executive Officer. In her 12 years at Hershey, Michele has played an integral role in implementing our strategic vision for growth, developing talented people and championing different ways of working. The Board is pleased to have an internal candidate of such talent and capability move into this leadership role.

Turning to Board succession, the slate of director candidates recommended for election at this year's Annual Meeting of Stockholders consists of a well-qualified, experienced and diverse group of individuals. In fact, the Company has a storied history of board diversity dating back to 1978 when the first female director was elected to the Board. We are extremely proud that one-third of our director candidates are women, continuing the mission we embarked upon in 1978 and, more recently, to increase that important voice on our Board.

Working with the Board, Michele is now entrusted to build upon our legacy while at the same time executing her vision to transform Hershey into an innovative snacking powerhouse. This vision continues with strengthening and fortifying our leadership position in the U.S. market, transforming our international businesses to create a sustainable long-term model, and investing in the capabilities, technologies and leaders required to achieve success.

As CEO, Michele also becomes the steward of the many initiatives we have underway to bring goodness to the world. This effort begins at home, with our commitment to an inclusive workplace that creates opportunity for all our employees. We are proud that Hershey is a diverse company, committed to working in an ethical and responsible manner, and recognized by the Human Rights Campaign and other organizations as a great place to work.

It continues to be an exciting time to be part of The Hershey Company. As a Board, we are confident that the legacy – and the future – of this iconic Company are in the most capable hands. As always, thank you for your loyalty and continued support.

John P. Bilbrey

James E. Nevels

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Notice of 2017 Annual Meeting of Stockholders

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.

Proxy Statement Summary

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
Proposal 1:	**Election of Directors**	**FOR each nominee**	**22**
Proposal 2:	**Ratification of Appointment of Ernst & Young LLP as Independent Auditors**	**FOR**	**40**
Proposal 3:	**Advise on Named Executive Officer Compensation**	**FOR**	**82**
Proposal 4:	**Advise on Frequency of Future Advisory Votes on Named Executive Officer Compensation**	**1 YEAR**	**83**

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 Board	Position	Independent	Committee Memberships*
Pamela M. Arway	63	7	Former President, Japan/ Asia Pacific/Australia Region, American Express International, Inc.	Yes	Audit Executive Governance+
John P. Bilbrey**	60	6	Chairman of the Board, The Hershey Company	No	Executive+
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+ Executive
Mary Kay Haben	60	4	Former President, North America, Wm. Wrigley Jr. Company	Yes	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
James M. Mead	71	6	Founder and Managing Director, JM Mead, LLC	Yes	Audit Compensation+ Executive
Anthony J. Palmer	57	6	President, Global Brands and Innovation, Kimberly-Clark Corporation	Yes	Compensation Finance & Risk
Thomas J. Ridge	71	10	Chairman, Ridge Global, LLC	Yes	Finance & Risk Governance
David L. Shedlarz	68	9	Former Vice Chairman, Pfizer Inc.	Yes	Compensation Executive Finance & Risk+

* 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

Board Composition

- 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

Corporate Governance

- 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
  - 13 Board meetings in 2016
  - 34 standing committee meetings in 2016
  - 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 72nd 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
  - 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.
  - 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.
  - Payouts under our annual cash incentive program for 2016 were 100% performance based.
  - 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.
  - 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 50th percentile of our defined market for talent.
  - 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.
  - 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.
  - 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.
  - 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		✓

Proxy Statement

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*. 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
- 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)* – 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*. 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; 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*.

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 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*.

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. 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*. 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 72nd 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 Executive Organization Committee	• Oversees risks relating to the Company's compensation program and policies. • 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	**Audit**
Meetings	9
Duties and Responsibilities	• Oversee the Company's financial reporting processes and the integrity of the Company's financial statements. • Oversee the Company's compliance with legal and regulatory requirements. • Oversee the performance of the Company's independent auditors and the internal audit function. • Approve all audit and non-audit services and fees. • Oversee (in consultation with the Finance and Risk Management Committee) the Company's risk management processes and policies. • Review the adequacy of internal controls. • Review and discuss with management Quarterly Reports on Form 10-Q and Annual Report on Form 10-K prior to filing with the SEC. • Review and discuss with management earnings releases. • Administer the Company's Procedures for Submission and Handling of Complaints Regarding Compliance Matters.
General Information	• 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*. • 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	**Compensation and Executive Organization**
Meetings	8
Duties and Responsibilities	• 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. • Monitor the development of personnel available to fill key executive positions as part of the succession planning process.
General Information	• Charter can be viewed on the Investors section of our website at *www.thehersheycompany.com*.

Committee	Finance and Risk Management
Meetings	8
Duties and Responsibilities	• 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.
General Information	• Charter can be viewed on the Investors section of our website at *www.thehersheycompany.com*.

Committee	Governance
Meetings	8
Duties and Responsibilities	• 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.
General Information	• Charter can be viewed on the Investors section of our website at *www.thehersheycompany.com*.

Committee	Executive
Meetings	1
Duties and Responsibilities	• 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*. • For more information regarding the review, approval or ratification of related-party transactions, please refer to the section entitled “Certain Transactions and Relationships.”

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 72nd 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.

Director since
May 2010

Age 63

Board Committees
- Governance (Chair)
- Audit
- Executive

PAMELA M. ARWAY

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)

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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

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

CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS

- Iron Mountain Incorporated (May 2014 to present)
- DaVita Inc. (July 2009 to present)

EDUCATION

- Bachelor's degree in languages from Memorial University of Newfoundland
- Masters of Business Administration degree from Queen's University, Kingston, Ontario, Canada

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Director since
June 2011

Age 60

Board Committees
- Executive (Chair)

JOHN P. BILBREY

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

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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. 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

- Chairman of the Board, President and Chief Executive Officer, The Hershey Company (April 2015 to March 2017)
- President and Chief Executive Officer, The Hershey Company (May 2011 to April 2015)
- Executive Vice President, Chief Operating Officer, The Hershey Company (November 2010 to May 2011)
- Senior Vice President, President Hershey North America, The Hershey Company (December 2007 to November 2010)
- Senior Vice President, President International Commercial Group, The Hershey Company (November 2005 to December 2007)
- Senior Vice President, President Hershey International, The Hershey Company (November 2003 to November 2005)

CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS

- Colgate-Palmolive Company (March 2015 to present)

PAST PUBLIC COMPANY BOARDS

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

EDUCATION

- Bachelor's degree in psychology from Kansas State University

Director Nominee

Age 65

Board Committees
- None

JAMES W. BROWN

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

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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.

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

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Director since
March 2017

Age 55

Board Committees
- None

MICHELE G. BUCK

President and Chief Executive Officer, The Hershey Company (March 2017 to present)

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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

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

CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS

- New York Life Insurance (November 2013 to present)

EDUCATION

- Bachelor's degree from Shippensburg University of Pennsylvania
- Master's degree from the University of North Carolina

Director since
November 2007

Age 68

Board Committees
- Audit (Chair)
- Executive

CHARLES A. DAVIS

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

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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

- MMC Capital, Inc., the private equity business of Marsh & McLennan Companies, Inc.:
  - Chairman (January 2002 to May 2005)
  - Chief Executive Officer (January 1999 to May 2005)
  - President (April 1998 to December 2002)

CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS

- 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

Director since
August 2013

Age 60

Board Committees
- Compensation
- Governance

MARY KAY HABEN

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

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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.

PREVIOUS BUSINESS EXPERIENCE

- Group Vice President and Managing Director, North America, Wm. Wrigley Jr. Company (April 2007 to October 2008)
- Held several key positions during 27-year career with Kraft Foods, Inc., a grocery manufacturing and processing conglomerate

CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS

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

Director Nominee

Age 64

Board Committees
- None

M. DIANE KOKEN

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

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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.

PREVIOUS BUSINESS EXPERIENCE

- Commissioner of Insurance in Pennsylvania (August 1997 to February 2007)
- Provident Mutual Life Insurance Company (October 1975 to July 1997)

CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS

- Capital Blue Cross (December 2011 to present)
- 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

Director since
December 2011

Age 64

Board Committees
- Compensation
- Finance and Risk Management

ROBERT M. MALCOLM

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

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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.

PREVIOUS BUSINESS EXPERIENCE

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

CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS

- American Marketing Association
- Boston Consulting Group (senior advisor)

EDUCATION

- Bachelor's degree in marketing from the University of Southern California
- Masters of Business Administration degree in marketing from the University of Southern California

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

Director since
April 2011

Age 71

Board Committees
- Compensation (Chair)
- Audit
- Executive

JAMES M. MEAD

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

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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.

ADDITIONAL POSITIONS

- Director and President, Hershey Trust Company; Member, Board of Managers, Milton Hershey School
- CEO, PinnacleCare International, a private healthcare advisory and navigation company (July 2015 to present)

CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS

- Capital BlueCross (1984 to present)
- PinnacleCare International (2012 to present)

EDUCATION

- Bachelor of Science degree in economics from The Pennsylvania State University
- Masters of Arts degree in economics from The Pennsylvania State University

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Director since
April 2011

Age 57

Board Committees
- Compensation
- Finance and Risk Management

ANTHONY J. PALMER

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)

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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.

PREVIOUS BUSINESS EXPERIENCE

- Senior Vice President and Chief Marketing Officer, Kimberly-Clark Corporation (October 2006 to March 2012)

EDUCATION

- 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

Director since
November 2007

Age 71

Board Committees
- Finance and Risk Management
- Governance

THOMAS J. RIDGE

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

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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.

ADDITIONAL POSITIONS

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

PREVIOUS BUSINESS EXPERIENCE

- Chief Executive Officer, Ridge Global, LLC (July 2006 to July 2015)
- Secretary, U.S. Department of Homeland Security (October 2001 to February 2005)
- Governor, Pennsylvania (1995 to 2001)

CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS

- Advaxis, Inc. (August 2015 to present)
- Safety Quick Lighting & Fans Corp. (November 2014 to present)
- LifeLock, Inc. (March 2010 to present)

PAST PUBLIC COMPANY BOARDS

- Chart Acquisition Corp. (July 2011 to August 2015)
- FS Investment Corporation (November 2011 to February 2014)
- Exelon Corporation (May 2005 to October 2013)
- Brightpoint, Inc. (September 2009 to October 2012)
- Geospatial Holdings, Inc. (April 2010 to May 2012)

EDUCATION

- Bachelor's degree, *cum laude,* from Harvard University
- Juris Doctor degree from The Dickinson School of Law of The Pennsylvania State University

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Director since
August 2008

Age 68

Board Committees
- Finance and Risk Management (Chair)
- Compensation
- Executive

DAVID L. SHEDLARZ

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

QUALIFICATIONS, ATTRIBUTES AND SKILLS

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.

PREVIOUS BUSINESS EXPERIENCE

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

CURRENT PUBLIC AND OTHER KEY DIRECTORSHIPS

- 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)

EDUCATION

- 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 University, Leonard N. Stern School of Business

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 50th 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[1]	25,000
Annual fee for chairs of Audit, Compensation, and Finance and Risk Management Committees[1]	15,000
Annual fee for chair of Governance Committee[1]	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 50th 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 15th day of March, June, September and December, or the prior business day if the 15th 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 60th 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 or Paid in Cash[(1)] ($)	Stock Awards[(2)] ($)	All Other Compensation[(3)] ($)	Total ($)
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 ($)	Value Deferred to a Common Stock Unit Account ($)	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 Common Stock Units (#)	Market Value of Retainers and Committee Chair Fees Deferred to the Common Stock Unit Account as of December 31, 2016 ($)	Number of RSUs (#)	Market Value of RSUs as of December 31, 2016 ($)
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	Common Stock[1]	Exercisable Stock Options[2]	Percent of Common Stock[3]	Class B Common Stock	Percent of Class B Common Stock[4]
Hershey Trust Company, as trustee for the Milton Hershey School Trust[5] 100 Mansion Road Hershey, PA 17033 Milton Hershey School[5] Founders Hall Hershey, PA 17033	12,753,521	—	8.4	60,612,012	99.9
Hershey Trust Company[6]	149,500	—	**	—	—
BlackRock, Inc.[7] 55 East 52nd Street New York, NY 10055	9,680,398	—	6.4	—	—
Vanguard Group, Inc.[8] 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	**	—	—
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 Beneficially Owned	Shares Underlying Stock Options Not 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:

Nature of Fees	2016 ($)	2015 ($)
Audit Fees	5,170,365	5,674,000
Audit-Related Fees[1]	85,750	346,500
Tax Fees[2]	962,073	222,398
All Other Fees	—	—
Total Fees	**6,218,188**	**6,242,898**

(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[1]	Chairman of the Board, President and Chief Executive Officer ("CEO")
Patricia A. Little	Senior Vice President, Chief Financial Officer ("CFO")
Michele G. Buck[2]	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[1] around 3% from 2015; and
- Increase adjusted earnings per share-diluted[2] about 6% from 2015.

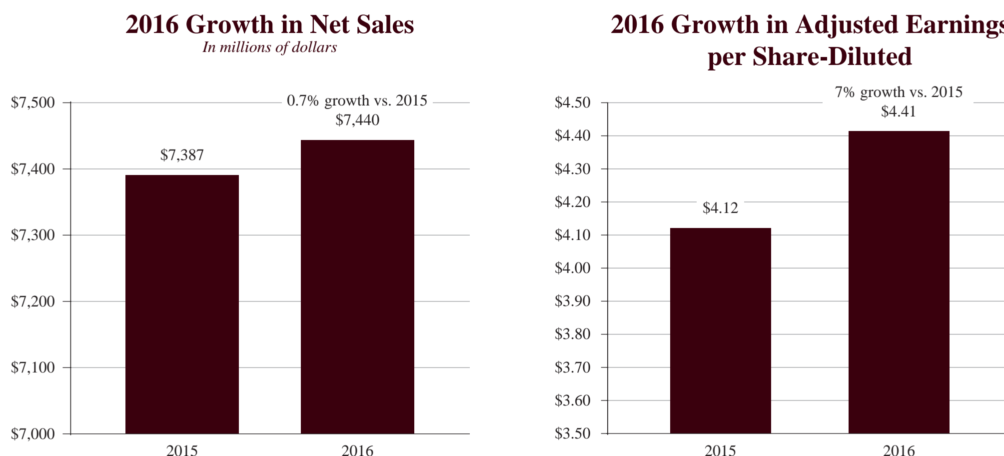
(1) While we report our financial results in accordance with U.S. generally accepted accounting principles ("GAAP"), we also use non-GAAP financial measures within Management's Discussion and Analysis in the 2016 Annual Report on Form 10-K that accompanies this Proxy Statement in order to provide additional 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:



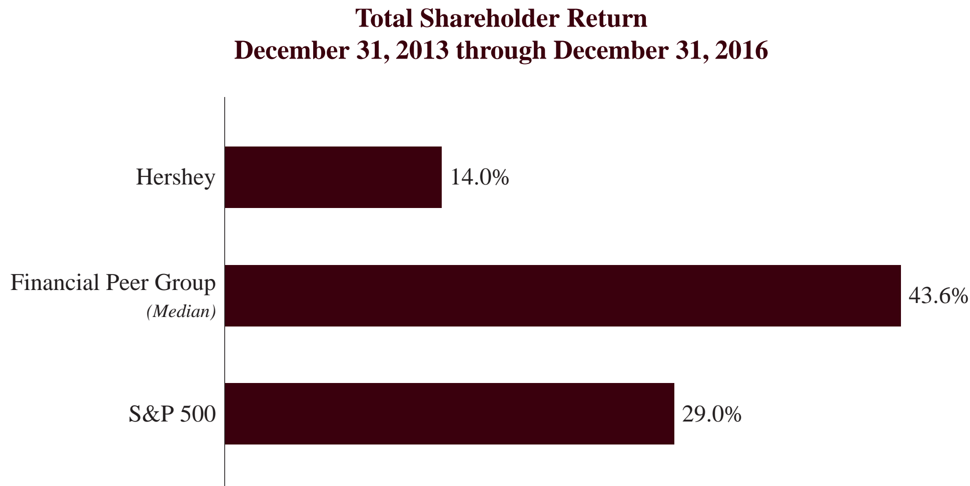
While we did not meet our expectations for net sales growth, we exceeded our adjusted earnings per share-diluted expectations. Because of our mixed financial performance results, our NEOs earned significantly below-target performance stock unit (“PSU”) payouts and slightly above-target annual cash incentive 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.**
  - 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.
  - 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.[(1)]
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.[(1)] The metric weightings were changed in 2016 as follows: Net Sales[(2)] – 50% to 45%, Adjusted Earnings per Share-Diluted[(3)] – remained at 40% and Operating Cash Flow[(4)] – 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.”

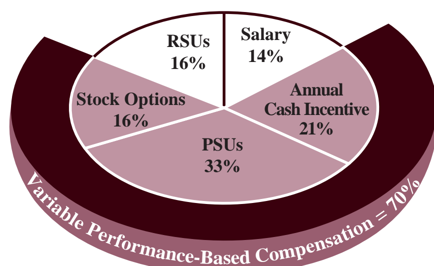
(2) Net Sales is measured on a constant currency basis, which is a non-GAAP performance measure. For more information regarding how we define constant currency net sales, please see footnote (1) in the section entitled “Executive Summary.”

(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.”

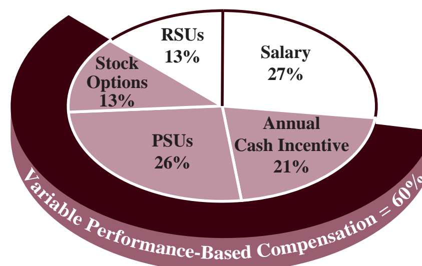
The following charts illustrate the weighting of base salary, annual incentive awards and long-term incentive awards at target for our CEO and our other NEOs during 2016:

Target Total Direct Compensation CEO



Target Total Direct Compensation Other NEOs

(Average)



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 51st and 56th 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 25th, 50th and 75th 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 50th 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 Base Salary ($)	Increase from 2015 (%)	Percent of Target Total Direct Compensation (%)
Mr. Bilbrey	1,236,000	3.0	13.8
Ms. Little	627,000	4.5	26.7
Ms. Buck	750,000[1]	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 Incentive Program (% of Base Salary)	Percent of Target Total Direct Compensation (%)
Mr. Bilbrey	150	20.7
Ms. Little	80	21.3
Ms. Buck	90[1]	21.0[1]
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(1) of $7.571 billion, a 2.5% increase from 2015;
- Adjusted earnings per share-diluted(2) of $4.37, a 6.0% increase from 2015; and
- Operating cash flow(3) 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(1)	7.571 billion	7.455 billion	45.00	43.50
Adjusted Earnings per Share-Diluted(2)	4.37	4.45	40.00	48.86
Operating Cash Flow(3)	1.190 billion	1.172 billion	15.00	14.73
Total One Hershey Incentive Program Company Score			**100.00**	**107.09**

(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	Award Target (%)	Award Target[1] ($)	Company Financial Performance Award (65% Weighting) ($)	Individual Performance Award (35% Weighting) ($)	2016 OHIP Award ($)
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[2]	629,778[2]	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[1]
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	50th Percentile	0th Percentile	50.00	0.00
Three-year CAGR in Organic Net Sales Outside the United States and Canada	18.3% CAGR[1]	1.9% CAGR[1]	15.00	0.00
Three-year CAGR in Adjusted Earnings per Share-Diluted[3]	10.1% CAGR[1],[2]	8.1% CAGR[1],[2]	15.00	4.64
2014 Adjusted Earnings per Share-Diluted[3]	$4.10[1] (10.2% increase)	$3.98[1] (7.0% increase)	6.66	3.10
2015 Adjusted Earnings per Share-Diluted[3]	$4.34 (9.0% increase)	$4.12 (3.5% increase)	6.67	4.03
2016 Adjusted Earnings per Share-Diluted[3]	$4.37[1] (6.1% increase)	$4.45[1] (8.0% increase)	6.67	8.89
Total			**100.00**	**20.66**

(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.

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.

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.

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

(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 2015 2014	8,194,305 7,308,849 7,858,523
Ms. Little	2016 2015	1,612,558 1,105,137
Ms. Buck	2016 2015 2014	1,968,242 1,732,476 1,872,631
Mr. O'Day	2016 2015 2014	1,393,633 1,251,856 1,389,453
Ms. Turner	2016 2015	1,475,165 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:

		Retirement Income						Perquisites and Other Benefits					
Name	Year	401(k) Match ($)	Supplemental 401(k) Match[(a)] ($)	Supplemental Retirement Contribution ($)	DC SERP Contribution ($)	Core Retirement Contribution[(b)] ($)	Supplemental Core Retirement Contribution[(b)] ($)	Personal Use of Company Aircraft[(c)] ($)	Security Services[(d)] ($)	Company-Paid Financial Counseling ($)	Reimbursement of Personal Tax Return Preparation Fee ($)	Relocation Expenses and Related Taxes[(e)] ($)	Attorney Fees[(f)] ($)
Mr. Bilbrey	2016	11,925	89,176	1,034	—	—	—	—	8,680	8,400	1,500	—	14,108
	2015	11,925	87,882	980	—	—	—	52,825	7,479	8,400	1,500	—	—
	2014	11,700	154,189	926	—	—	—	—	52,561	8,400	1,500	—	—
Ms. Little	2016	11,925	29,395	—	114,777	7,950	19,596	—	—	10,782	—	—	—
	2015	11,925	9,363	—	59,135	7,950	6,242	—	—	12,379	—	139,585	—
Ms. Buck	2016	11,925	38,627	913	—	—	—	4,325	—	10,200	1,500	—	—
	2015	11,925	31,261	859	—	—	—	18,975	—	10,200	—	—	—
	2014	11,700	46,692	805	—	—	—	—	—	8,914	1,485	—	—
Mr. O'Day	2016	11,925	26,752	—	107,437	7,950	17,835	—	—	8,400	—	8,278	—
	2015	11,925	23,754	—	99,110	7,950	15,836	—	—	8,400	1,077	—	—
	2014	11,700	38,285	—	138,847	7,800	25,523	—	—	8,400	1,049	—	—
Ms. Turner	2016	11,925	31,760	—	121,348	7,950	21,174	—	—	15,000	1,490	—	—
	2015	11,925	28,515	—	112,334	7,950	19,010	—	—	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.

Name	Grant Date[1]	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[2]			Estimated Possible Payouts Under Equity Incentive Plan Awards[3]			All Other Stock Awards: Number of Shares of Stock or Units[4] (#)	All Other Option Awards: Number of Securities Under-lying Options[5] (#)	Exercise or Base Price of Option Awards[6] ($/Sh)	Grant Date Fair Value of Stock and Option Awards[7] ($)
		Thresh-old ($)	Target ($)	Maximum ($)	Thresh-old (#)	Target (#)	Maxi-mum (#)				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Mr. Bilbrey	02/16/2016	6,486	1,853,169	3,706,338	51	36,262	90,655	16,136	128,800	90.39	6,502,872
Ms. Little	02/16/2016	1,754	501,268	1,002,535	10	7,136	17,840	15,060	32,285	90.39	2,435,754
Ms. Buck	02/16/2016	2,204	629,778	1,259,557	12	8,710	21,775	59,185	31,210	90.39	6,564,425
Mr. O'Day	02/16/2016	1,337	381,898	763,797	9	6,167	15,418	2,732	22,135	90.39	1,107,420
	06/15/2016	—	—	—	—	—	—	5,206	—	96.05	500,036
Ms. Turner	02/16/2016	1,535	438,609	877,218	9	6,528	16,320	36,687	28,335	90.39	4,283,276

(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:

	Option Awards[1]					Stock Awards			
Name	Number of Securities Underlying Unexercised Options-Exercisable[2] (#)	Number of Securities Underlying Unexercised Options-Unexercisable[3] (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested[4] (#)	Market Value of Shares or Units of Stock That Have Not Vested[4] ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested[5] (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested[5] ($)
(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	—	—	—	—
Total	**594,414**	**387,564**	**—**	**—**	**—**	**16,136**	**1,707,705**	**108,330**	**11,204,572**
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
Total	**7,207**	**53,908**	**—**	**—**	**—**	**27,468**	**2,928,099**	**22,063**	**2,281,976**
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	—	—	—	—
Total	**80,999**	**91,793**	**—**	**—**	**—**	**59,185**	**6,263,667**	**26,000**	**2,689,180**
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	—	—	—	—
Total	**136,114**	**63,911**	**—**	**—**	**—**	**7,938**	**834,024**	**18,400**	**1,903,112**
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	—	—	—	—
Total	**22,325**	**76,843**	**—**	**—**	**—**	**36,687**	**3,882,658**	**19,559**	**2,022,987**

(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 02/16/2018 02/16/2019 02/16/2020	32,200 32,200 32,200 32,200	8,071 8,071 8,071 8,072	7,802 7,803 7,802 7,803	5,533 5,534 5,534 5,534	7,083 7,084 7,084 7,084
04/15/2015	04/15/2017 04/15/2018 04/15/2019	— — —	7,208 7,207 7,208	— — —	— — —	— — —
02/17/2015	02/17/2017 02/17/2018 02/17/2019	36,821 36,821 36,822	— — —	8,875 8,875 8,875	6,280 6,280 6,280	9,905 9,905 9,905
02/18/2014	02/18/2017 02/18/2018	47,819 47,819	— —	11,689 11,689	6,684 6,684	6,210 6,210
02/19/2013	02/19/2017	52,662	—	10,580	9,568	6,373
Total per NEO		**387,564**	**53,908**	**91,793**	**63,911**	**76,843**

(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[1]		Stock Awards[2]	
	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[3]	392,717[3]
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 7,000[4]	103,632 823,263[4]

(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.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit[1] ($)	Payments During Last Fiscal Year ($)
(a)	(b)	(c)	(d)	(e)
Mr. Bilbrey	Pension Plan DB SERP	13 13	184,718 24,683,231	— —
Ms. Little	—	—	—	—
Ms. Buck	Pension Plan DB SERP	12 12	137,564 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:

Name	Final Average Compensation ($)
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:

Name	Executive Contributions in Last Fiscal Year[1] ($)	Registrant Contributions in Last Fiscal Year[2] ($)	Aggregate Earnings in Last Fiscal Year[3] ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year-End[4] ($)
(a)	(b)	(c)	(d)	(e)	(f)
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:

Name	Amounts Reported in Previous Years[1] ($)
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:

Name	Long-Term Disability Benefit			
	Maximum Monthly Amount ($)	Years and Months Until End of LTD Benefits (#)	Total of Payments ($)	Lump Sum Benefit[1] ($)
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[3]	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[1] (#)	Value[2] ($)
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[1] (#)	Value[2] ($)
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[(1)] (#)	Value[(2)] ($)
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.

Plan	Benefit Entitlement	
	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	Salary ($)	One Hershey Incentive Program at Target ($)	Value of Benefits Continuation[1] ($)	Total ($)
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[1] ($)	PSU Related Payments ($)	Vesting of Stock Options ($)	Vesting of Restricted Stock Units ($)	Retirement and Deferred Compensation Benefits[2] ($)	Total[3] ($)
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 65th birthday, but not less than one) times:
  - The executive's base salary; and
  - 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 65th 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 ($)	PSU Related Payments[1] ($)	Vesting of Stock Options[2] ($)	Vesting of RSUs ($)	Value of Medical and Other Benefits Continuation ($)	Value of Financial Planning and Outplace-ment[3] ($)	Value of Enhanced DB SERP/ DC SERP and 401(k) Benefit[4] ($)	Total[5] ($)
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

(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.

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*.

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:

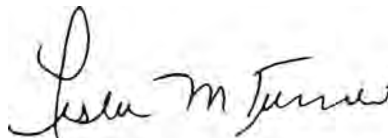
- The stockholder's name and address;
- The stockholder's shareholdings;
- A brief description of the proposal;
- A brief description of any financial or other interest the stockholder has in the proposal; and
- Any additional information that the SEC would require if the proposal were presented in a 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

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

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2016
OR
☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to
Commission File Number 1-183

THE HERSHEY COMPANY
(Exact name of registrant as specified in its charter)

Delaware	23-0691590
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Crystal A Drive, Hershey, PA	17033
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (717) 534-4200

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

Title of each class	Name of each exchange on which registered
Common Stock, one dollar par value	New York Stock Exchange

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

Title of class

Class B Common Stock, one dollar par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐

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

As of July 1, 2016 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting and non-voting common equity held by non-affiliates was $15,563,409,682. Class B Common Stock is not listed for public trading on any exchange or market system. However, Class B shares are convertible into shares of Common Stock at any time on a share-for-share basis. Determination of aggregate market value assumes all outstanding shares of Class B Common Stock were converted to Common Stock as of July 1, 2016. The market value indicated is calculated based on the closing price of the Common Stock on the New York Stock Exchange on July 1, 2016 ($111.95 per share).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.
Common Stock, one dollar par value—151,794,895 shares, as of February 10, 2017.
Class B Common Stock, one dollar par value—60,619,777 shares, as of February 10, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2017 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

THE HERSHEY COMPANY
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2016

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PART I

Item 1. *BUSINESS*

The Hershey Company was incorporated under the laws of the State of Delaware on October 24, 1927 as a successor to a business founded in 1894 by Milton S. Hershey. In this report, the terms "Hershey," "Company," "we," "us" or "our" mean The Hershey Company and its wholly-owned subsidiaries and entities in which it has a controlling financial interest, unless the context indicates otherwise.

We are the largest producer of quality chocolate in North America and a global leader in chocolate and non-chocolate confectionery. We market, sell and distribute our products under more than 80 brand names in approximately 70 countries worldwide.

Reportable Segments

Our organizational structure is designed to ensure continued focus on North America, coupled with an emphasis on profitable growth in our focus international markets. Our business is organized around geographic regions, which enables us to build processes for repeatable success in our global markets. As a result, we have defined our operating segments on a geographic basis, as this aligns with how our Chief Operating Decision Maker ("CODM") manages our business, including resource allocation and performance assessment. Our North America business, which generates approximately 88% of our consolidated revenue, is our only reportable segment. None of our other operating segments meet the quantitative thresholds to qualify as reportable segments; therefore, these operating segments are combined and disclosed below as International and Other.

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

Financial and other information regarding our reportable segments is provided in our Management's Discussion and Analysis and Note 11 to the Consolidated Financial Statements.

Business Acquisitions and Divestitures

In April 2016, we completed the acquisition of all of the outstanding shares of Ripple Brand Collective, LLC, a privately held company based in Congers, New York that owns the *barkTHINS* mass premium chocolate snacking brand. The acquisition was undertaken in order to broaden our product offerings in the premium and portable snacking categories.

In March 2015, we completed the acquisition of all of the outstanding shares of KRAVE Pure Foods, Inc. ("Krave"), the Sonoma, California based manufacturer of *Krave*, a leading all-natural brand of premium meat snack products. The transaction was undertaken to enable us to tap into the rapidly growing meat snacks category and further expand into the broader snacks space.

In September 2014, we completed the acquisition of 80% of the outstanding shares of Shanghai Golden Monkey Food Joint Stock Co., Ltd. ("SGM"), a confectionery company based in Shanghai, China, whose product line is primarily sold through traditional trade channels. The acquisition was undertaken in order to leverage these traditional trade channels, which complement our traditional China chocolate business that is primarily distributed through Tier 1 or

hypermarket channels. We completed the purchase of the remaining 20% of the outstanding shares of SGM on February 3, 2016.

Products

Our principal product offerings include chocolate and non-chocolate confectionery products; gum and mint refreshment products; pantry items, such as baking ingredients, toppings and beverages; and snack items such as spreads, meat snacks, bars and snack bites and mixes.

- Within our North America markets, our product portfolio includes a wide variety of chocolate offerings marketed and sold under the renowned brands of *Hershey's*, *Reese's* and *Kisses*, along with other popular chocolate and non-chocolate confectionery brands such as *Jolly Rancher*, *Almond Joy*, *Brookside*, *Cadbury, Good & Plenty*, *Heath*, *Kit Kat*®, *Lancaster*, *Payday*, *Rolo*®, *Twizzlers*, *Whoppers* and *York*. We also offer premium chocolate products, primarily in the United States, through the *Scharffen Berger* and *Dagoba* brands. Our gum and mint products include *Ice Breakers* mints and chewing gum, *Breathsavers* mints and *Bubble Yum* bubble gum. Our pantry and snack items that are principally sold in North America include baking products and toppings and sundae syrups sold under the *Hershey's*, *Reese's* and *Heath* brands, as well as *Hershey's* and *Reese's* chocolate spreads and snack bites and mixes and *Krave* meat snack products.
- Within our International and Other markets, we manufacture, market and sell many of these same brands, as well as other brands that are marketed regionally, such as *Golden Monkey* confectionery and *Munching Monkey* snack products in China, *Pelon Pelo Rico* confectionery products in Mexico, *IO-IO* snack products in Brazil, and *Nutrine* and *Maha Lacto* confectionery products and *Jumpin* and *Sofit* beverage products in India.

Principal Customers and Marketing Strategy

Our customers are mainly wholesale distributors, chain grocery stores, mass merchandisers, chain drug stores, vending companies, wholesale clubs, convenience stores, dollar stores, concessionaires and department stores. The majority of our customers, with the exception of wholesale distributors, resell our products to end-consumers in retail outlets in North America and other locations worldwide.

In 2016, approximately 25% of our consolidated net sales were made to McLane Company, Inc., one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers and the primary distributor of our products to Wal-Mart Stores, Inc.

The foundation of our marketing strategy is our strong brand equities, product innovation and the consistently superior quality of our products. We devote considerable resources to the identification, development, testing, manufacturing and marketing of new products. We utilize a variety of promotional programs directed towards our customers, as well as advertising and promotional programs for consumers of our products, to stimulate sales of certain products at various times throughout the year.

In conjunction with our sales and marketing efforts, our efficient product distribution network helps us maintain sales growth and provide superior customer service by facilitating the shipment of our products from our manufacturing plants to strategically located distribution centers. We primarily use common carriers to deliver our products from these distribution points to our customers.

Raw Materials and Pricing

Cocoa products, including cocoa liquor, cocoa butter and cocoa powder processed from cocoa beans, are the most significant raw materials we use to produce our chocolate products. These cocoa products are purchased directly from third-party suppliers, who source cocoa beans that are grown principally in Far Eastern, West African, Central and South American regions. West Africa accounts for approximately 70% of the world's supply of cocoa beans.

Adverse weather, crop disease, political unrest and other problems in cocoa-producing countries have caused price fluctuations in the past, but have never resulted in the total loss of a particular producing country's cocoa crop and/or exports. In the event that a significant disruption occurs in any given country, we believe cocoa from other producing countries and from current physical cocoa stocks in consuming countries would provide a significant supply buffer.

In 2016, we established a trading company in Switzerland that performs all aspects of cocoa procurement, including price risk management, physical supply procurement and sustainable sourcing oversight. The trading company was implemented to optimize the supply chain for our cocoa requirements, with a strategic focus on gaining real time access to cocoa market intelligence. It also provides us with the ability to recruit and retain world class commodities traders and procurement professionals and enables enhanced collaboration with commodities trade groups, the global cocoa community and sustainable sourcing resources.

We also use substantial quantities of sugar, Class II and IV dairy products, peanuts, almonds and energy in our production process. Most of these inputs for our domestic and Canadian operations are purchased from suppliers in the United States. For our international operations, inputs not locally available may be imported from other countries.

We change prices and weights of our products when necessary to accommodate changes in input costs, the competitive environment and profit objectives, while at the same time maintaining consumer value. Price increases and weight changes help to offset increases in our input costs, including raw and packaging materials, fuel, utilities, transportation costs and employee benefits. When we implement price increases, there is usually a time lag between the effective date of the list price increases and the impact of the price increases on net sales, in part because we typically honor previous commitments to planned consumer and customer promotions and merchandising events subsequent to the effective date of the price increases. In addition, promotional allowances may be increased subsequent to the effective date, delaying or partially offsetting the impact of price increases on net sales.

Competition

Many of our confectionery brands enjoy wide consumer acceptance and are among the leading brands sold in the marketplace in North America and certain markets in Latin America. We sell our brands in highly competitive markets with many other global multinational, national, regional and local firms. Some of our competitors are large companies with significant resources and substantial international operations. Competition in our product categories is based on product innovation, product quality, price, brand recognition and loyalty, effectiveness of marketing and promotional activity, the ability to identify and satisfy consumer preferences, as well as convenience and service. In recent years, we have also experienced increased competition from other snack items, which has pressured confectionery category growth.

Working Capital, Seasonality and Backlog

Our sales are typically higher during the third and fourth quarters of the year, representing seasonal and holiday-related sales patterns. We manufacture primarily for stock and typically fill customer orders within a few days of receipt. Therefore, the backlog of any unfilled orders is not material to our total annual sales. Additional information relating to our cash flows from operations and working capital practices is provided in our Management's Discussion and Analysis.

Trademarks, Service Marks and License Agreements

We own various registered and unregistered trademarks and service marks. The trademarks covering our key product brands are of material importance to our business. We follow a practice of seeking trademark protection in the United States and other key international markets where our products are sold. We also grant trademark licenses to third parties to produce and sell pantry items, flavored milks and various other products primarily under the *Hershey's* and *Reese's* brand names.

Furthermore, we have rights under license agreements with several companies to manufacture and/or sell and distribute certain products. Our rights under these agreements are extendible on a long-term basis at our option. Our most significant licensing agreements are as follows:

Company	Brand	Location	Requirements
Kraft Foods Ireland Intellectual Property Limited	*York* *Peter Paul Almond Joy* *Peter Paul Mounds*	Worldwide	None
Cadbury UK Limited	*Cadbury* *Caramello*	United States	Minimum sales requirement exceeded in 2016
Société des Produits Nestlé SA	*Kit Kat®* *Rolo®*	United States	Minimum unit volume sales exceeded in 2016
Huhtamäki Oy affiliate	*Good & Plenty* *Heath* *Jolly Rancher* *Milk Duds* *Payday* *Whoppers*	Worldwide	None

Research and Development

We engage in a variety of research and development activities in a number of countries, including the United States, Mexico, Brazil, India and China. We develop new products, improve the quality of existing products, improve and modernize production processes, and develop and implement new technologies to enhance the quality and value of both current and proposed product lines. Information concerning our research and development expense is contained in Note 1 to the Consolidated Financial Statements.

Food Quality and Safety Regulation

The manufacture and sale of consumer food products is highly regulated. In the United States, our activities are subject to regulation by various government agencies, including the Food and Drug Administration, the Department of Agriculture, the Federal Trade Commission, the Department of Commerce and the Environmental Protection Agency, as well as various state and local agencies. Similar agencies also regulate our businesses outside of the United States.

We believe our Product Excellence Program provides us with an effective product quality and safety program. This program is integral to our global supply chain platform and is intended to ensure that all products we purchase, manufacture and distribute are safe, are of high quality and comply with applicable laws and regulations.

Through our Product Excellence Program, we evaluate our supply chain including ingredients, packaging, processes, products, distribution and the environment to determine where product quality and safety controls are necessary. We identify risks and establish controls intended to ensure product quality and safety. Various government agencies and third-party firms as well as our quality assurance staff conduct audits of all facilities that manufacture our products to assure effectiveness and compliance with our program and applicable laws and regulations.

Environmental Considerations

We make routine operating and capital expenditures to comply with environmental laws and regulations. These annual expenditures are not material with respect to our results of operations, capital expenditures or competitive position.

Employees

As of December 31, 2016, we employed approximately 16,300 full-time and 1,680 part-time employees worldwide. Collective bargaining agreements covered approximately 5,630 employees. In December 2016, we ratified a new six-year collective bargaining agreement that covers a significant portion of our unionized workforce. During 2017, agreements will be negotiated for certain employees at three facilities outside of the United States, comprising approximately 69% of total employees under collective bargaining agreements. We believe that our employee relations are generally good.

Financial Information by Geographic Area

Our principal operations and markets are located in the United States. The percentage of total consolidated net sales for our businesses outside of the United States was 16.7% for 2016, 17.2% for 2015 and 19.2% for 2014. The percentage of total long-lived assets outside of the United States was 29.8% as of December 31, 2016 and 31.8% as of December 31, 2015.

Corporate Social Responsibility

Our founder, Milton S. Hershey, established an enduring model of responsible citizenship while creating a successful business. Driving sustainable business practices, making a difference in our communities and operating with the highest integrity are vital parts of our heritage. We continue this legacy today by providing high quality products while conducting our business in a socially responsible and environmentally sustainable manner. Each year we publish a full corporate social responsibility ("CSR") report which provides an update on the progress we have made in advancing our CSR priorities such as food safety, responsible sourcing of ingredients, corporate transparency, our focus on improving basic nutrition to help children learn and grow and our continued investment in the communities where we live and work. To learn more about our goals, progress and initiatives, you can access our full CSR report at www.thehersheycompany.com/social-responsibility.aspx.

Available Information

The Company's website address is www.thehersheycompany.com. We file or furnish annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission ("SEC"). You may obtain a copy of any of these reports, free of charge, from the Investors section of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains an Internet site that also contains these reports at: www.sec.gov. In addition, copies of the Company's annual report will be made available, free of charge, on written request to the Company.

We have a Code of Ethical Business Conduct that applies to our Board of Directors ("Board") and all Company officers and employees, including, without limitation, our Chief Executive Officer and "senior financial officers" (including the Chief Financial Officer, Chief Accounting Officer and persons performing similar functions). You can obtain a copy of our Code of Ethical Business Conduct, as well as our Corporate Governance Guidelines and charters for each of the Board's standing committees, from the Investors section of our website. If we change or waive any portion of the Code of Ethical Business Conduct that applies to any of our directors, executive officers or senior financial officers, we will post that information on our website.

Item 1A. *RISK FACTORS*

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K, including the exhibits hereto and the information incorporated by reference herein, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to risks and uncertainties. Other than statements of historical fact, information regarding activities, events and developments that we expect or anticipate will or may occur in the future, including, but not limited to, information relating to our future growth and profitability targets and strategies designed to increase total shareholder value, are forward-looking statements based on management's estimates, assumptions and projections. Forward-looking statements also include, but are not limited to, statements regarding our future economic and financial condition and results of operations, the plans and objectives of management and our assumptions regarding our performance and such plans and objectives. Many of the forward-looking statements contained in this document may be identified by the use of words such as "intend," "believe," "expect," "anticipate," "should," "planned," "projected," "estimated" and "potential," among others. Forward-looking statements contained in this Annual Report on Form 10-K are predictions only and actual results could differ materially from management's expectations due to a variety of factors, including those described below. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by such risk factors. The forward-looking statements that we make in this Annual Report on Form 10-K are based on management's current views and assumptions regarding future events and speak only as of their dates. We assume no obligation to update developments of these risk factors or to announce publicly any revisions to any of the forward-looking statements that we make, or to make corrections to reflect future events or developments, except as required by the federal securities laws.

Issues or concerns related to the quality and safety of our products, ingredients or packaging could cause a product recall and/or result in harm to the Company's reputation, negatively impacting our operating results.

In order to sell our iconic, branded products, we need to maintain a good reputation with our customers and consumers. Issues related to the quality and safety of our products, ingredients or packaging could jeopardize our Company's image and reputation. Negative publicity related to these types of concerns, or related to product contamination or product tampering, whether valid or not, could decrease demand for our products or cause production and delivery disruptions. We may need to recall products if any of our products become unfit for consumption. In addition, we could potentially be subject to litigation or government actions, which could result in payments of fines or damages. Costs associated with these potential actions could negatively affect our operating results.

Increases in raw material and energy costs along with the availability of adequate supplies of raw materials could affect future financial results.

We use many different commodities for our business, including cocoa products, sugar, dairy products, peanuts, almonds, corn sweeteners, natural gas and fuel oil.

Commodities are subject to price volatility and changes in supply caused by numerous factors, including:

- Commodity market fluctuations;
- Currency exchange rates;
- Imbalances between supply and demand;
- The effect of weather on crop yield;
- Speculative influences;
- Trade agreements among producing and consuming nations;
- Supplier compliance with commitments;
- Political unrest in producing countries; and
- Changes in governmental agricultural programs and energy policies.

Although we use forward contracts and commodity futures and options contracts where possible to hedge commodity prices, commodity price increases ultimately result in corresponding increases in our raw material and energy costs. If we are unable to offset cost increases for major raw materials and energy, there could be a negative impact on our financial condition and results of operations.

Price increases may not be sufficient to offset cost increases and maintain profitability or may result in sales volume declines associated with pricing elasticity.

We may be able to pass some or all raw material, energy and other input cost increases to customers by increasing the selling prices of our products or decreasing the size of our products; however, higher product prices or decreased product sizes may also result in a reduction in sales volume and/or consumption. If we are not able to increase our selling prices or reduce product sizes sufficiently, or in a timely manner, to offset increased raw material, energy or other input costs, including packaging, direct labor, overhead and employee benefits, or if our sales volume decreases significantly, there could be a negative impact on our financial condition and results of operations.

Market demand for new and existing products could decline.

We operate in highly competitive markets and rely on continued demand for our products. To generate revenues and profits, we must sell products that appeal to our customers and to consumers. Our continued success is impacted by many factors, including the following:

- Effective retail execution;
- Appropriate advertising campaigns and marketing programs;
- Our ability to secure adequate shelf space at retail locations;
- Our ability to drive sustainable innovation and maintain a strong pipeline of new products in the confectionery and broader snacking categories;
- Changes in product category consumption;
- Our response to consumer demographics and trends, including but not limited to, trends relating to store trips and the impact of the growing e-commerce channel; and
- Consumer health concerns, including obesity and the consumption of certain ingredients.

There continues to be competitive product and pricing pressures in the markets where we operate, as well as challenges in maintaining profit margins. We must maintain mutually beneficial relationships with our key customers, including retailers and distributors, to compete effectively. Our largest customer, McLane Company, Inc., accounted for approximately 25% of our total net sales in 2016. McLane Company, Inc. is one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers, including Wal-Mart Stores, Inc.

Increased marketplace competition could hurt our business.

The global confectionery packaged goods industry is intensely competitive and consolidation in this industry continues. Some of our competitors are large companies that have significant resources and substantial international operations. We continue to experience increased levels of in-store activity for other snack items, which has pressured confectionery category growth. In order to protect our existing market share or capture increased market share in this highly competitive retail environment, we may be required to increase expenditures for promotions and advertising, and must continue to introduce and establish new products. Due to inherent risks in the marketplace associated with advertising and new product introductions, including uncertainties about trade and consumer acceptance, increased expenditures may not prove successful in maintaining or enhancing our market share and could result in lower sales and profits. In addition, we may incur increased credit and other business risks because we operate in a highly competitive retail environment.

Disruption to our manufacturing operations or supply chain could impair our ability to produce or deliver finished products, resulting in a negative impact on our operating results.

Approximately two-thirds of our manufacturing capacity is located in the United States. Disruption to our global manufacturing operations or our supply chain could result from, among other factors, the following:

- Natural disaster;
- Pandemic outbreak of disease;
- Weather;
- Fire or explosion;
- Terrorism or other acts of violence;
- Labor strikes or other labor activities;
- Unavailability of raw or packaging materials; and
- Operational and/or financial instability of key suppliers, and other vendors or service providers.

We believe that we take adequate precautions to mitigate the impact of possible disruptions. We have strategies and plans in place to manage disruptive events if they were to occur, including our global supply chain strategies and our principle-based global labor relations strategy. If we are unable, or find that it is not financially feasible, to effectively plan for or mitigate the potential impacts of such disruptive events on our manufacturing operations or supply chain, our financial condition and results of operations could be negatively impacted if such events were to occur.

Our financial results may be adversely impacted by the failure to successfully execute or integrate acquisitions, divestitures and joint ventures.

From time to time, we may evaluate potential acquisitions, divestitures or joint ventures that align with our strategic objectives. The success of such activity depends, in part, upon our ability to identify suitable buyers, sellers or business partners; perform effective assessments prior to contract execution; negotiate contract terms; and, if applicable, obtain government approval. These activities may present certain financial, managerial, staffing and talent, and operational risks, including diversion of management's attention from existing core businesses; difficulties integrating or separating businesses from existing operations; and challenges presented by acquisitions or joint ventures which may not achieve sales levels and profitability that justify the investments made. If the acquisitions, divestitures or joint ventures are not successfully implemented or completed, there could be a negative impact on our financial condition, results of operations and cash flows.

During 2016, we successfully completed the SGM integration. However, additional challenges remain, including challenges associated with the macroeconomic environment in China, which could affect our strategy and could have a negative impact on the results of operations and cash flows of our International and Other reportable segment.

Changes in governmental laws and regulations could increase our costs and liabilities or impact demand for our products.

Changes in laws and regulations and the manner in which they are interpreted or applied may alter our business environment. These negative impacts could result from changes in food and drug laws, laws related to advertising and marketing practices, accounting standards, taxation requirements, competition laws, employment laws and environmental laws, among others. It is possible that we could become subject to additional liabilities in the future resulting from changes in laws and regulations that could result in an adverse effect on our financial condition and results of operations.

Political, economic and/or financial market conditions could negatively impact our financial results.

Our operations are impacted by consumer spending levels and impulse purchases which are affected by general macroeconomic conditions, consumer confidence, employment levels, the availability of consumer credit and interest rates on that credit, consumer debt levels, energy costs and other factors. Volatility in food and energy costs, sustained global recessions, rising unemployment and declines in personal spending could adversely impact our revenues, profitability and financial condition.

Changes in financial market conditions may make it difficult to access credit markets on commercially acceptable terms, which may reduce liquidity or increase borrowing costs for our Company, our customers and our suppliers. A significant reduction in liquidity could increase counterparty risk associated with certain suppliers and service providers, resulting in disruption to our supply chain and/or higher costs, and could impact our customers, resulting in a reduction in our revenue, or a possible increase in bad debt expense.

Our international operations may not achieve projected growth objectives, which could adversely impact our overall business and results of operations.

In 2016, we derived approximately 17% of our net sales from customers located outside of the United States, compared to 17% in 2015 and 19% in 2014. Additionally, approximately 30% of our total long-lived assets were located outside of the United States as of December 31, 2016. As part of our strategy, we have made investments outside of the United States, particularly in China, Malaysia, Mexico and Brazil. As a result, we are subject to risks and uncertainties relating to international sales and operations, including:

- Unforeseen global economic and environmental changes resulting in business interruption, supply constraints, inflation, deflation or decreased demand;
- Inability to establish, develop and achieve market acceptance of our global brands in international markets;
- Difficulties and costs associated with compliance and enforcement of remedies under a wide variety of complex laws, treaties and regulations;
- Unexpected changes in regulatory environments;
- Political and economic instability, including the possibility of civil unrest, terrorism, mass violence or armed conflict;
- Nationalization of our properties by foreign governments;
- Tax rates that may exceed those in the United States and earnings that may be subject to withholding requirements and incremental taxes upon repatriation;
- Potentially negative consequences from changes in tax laws;
- The imposition of tariffs, quotas, trade barriers, other trade protection measures and import or export licensing requirements;
- Increased costs, disruptions in shipping or reduced availability of freight transportation;
- The impact of currency exchange rate fluctuations between the U.S. dollar and foreign currencies;
- Failure to gain sufficient profitable scale in certain international markets resulting in an inability to cover manufacturing fixed costs or resulting in losses from impairment or sale of assets; and
- Failure to recruit, retain and build a talented and engaged global workforce.

If we are not able to achieve our projected international growth objectives and mitigate the numerous risks and uncertainties associated with our international operations, there could be a negative impact on our financial condition and results of operations.

Disruptions, failures or security breaches of our information technology infrastructure could have a negative impact on our operations.

Information technology is critically important to our business operations. We use information technology to manage all business processes including manufacturing, financial, logistics, sales, marketing and administrative functions. These processes collect, interpret and distribute business data and communicate internally and externally with employees, suppliers, customers and others.

We invest in industry standard security technology to protect the Company's data and business processes against risk of data security breach and cyber attack. Our data security management program includes identity, trust, vulnerability and threat management business processes as well as adoption of standard data protection policies. We measure our data security effectiveness through industry accepted methods and remediate significant findings. Additionally, we certify our major technology suppliers and any outsourced services through accepted security certification standards. We maintain and routinely test backup systems and disaster recovery, along with external network security penetration testing by an independent third party as part of our business continuity preparedness. We also have processes in place to prevent disruptions resulting from the implementation of new software and systems of the latest technology.

While we believe that our security technology and processes provide adequate measures of protection against security breaches and in reducing cybersecurity risks, disruptions in or failures of information technology systems are possible and could have a negative impact on our operations or business reputation. Failure of our systems, including failures due to cyber attacks that would prevent the ability of systems to function as intended, could cause transaction errors, loss of customers and sales, and could have negative consequences to our Company, our employees and those with whom we do business.

We might not be able to hire, engage and retain the talented global workforce we need to drive our growth strategies.

Our future success depends upon our ability to identify, hire, develop, engage and retain talented personnel across the globe. Competition for global talent is intense, and we might not be able to identify and hire the personnel we need to continue to evolve and grow our business. In particular, if we are unable to hire the right individuals to fill new or existing senior management positions as vacancies arise, our business performance may be impacted.

Activities related to identifying, recruiting, hiring and integrating qualified individuals require significant time and attention. We may also need to invest significant amounts of cash and equity to attract talented new employees, and we may never realize returns on these investments.

In addition to hiring new employees, we must continue to focus on retaining and engaging the talented individuals we need to sustain our core business and lead our developing businesses into new markets, channels and categories. This may require significant investments in training, coaching and other career development and retention activities. If we are not able to effectively retain and grow our talent, our ability to achieve our strategic objectives will be adversely affected, which may impact our financial condition and results of operations.

We may not fully realize the expected costs savings and/or operating efficiencies associated with our strategic initiatives or restructuring programs, which may have an adverse impact on our business.

We depend on our ability to evolve and grow, and as changes in our business environment occur, we may adjust our business plans by introducing new strategic initiatives or restructuring programs to meet these changes. From time to time, we implement business realignment activities to support key strategic initiatives designed to maintain long-term sustainable growth, such as the production and supply chain network optimization program we commenced in the second quarter of 2016. These programs are intended to increase our operating effectiveness and efficiency, to reduce our costs and/or to generate savings that can be reinvested in other areas of our business. We cannot guarantee that we will be able to successfully implement these strategic initiatives and restructuring programs, that we will achieve or sustain the intended benefits under these programs, or that the benefits, even if achieved, will be adequate to meet our long-term growth and profitability expectations, which could in turn adversely affect our business.

Item 1B. *UNRESOLVED STAFF COMMENTS*

None.

Item 2. ***PROPERTIES***

Our principal properties include the following:

Country	Location	Type	Status (Own/ Lease)
United States	Hershey, Pennsylvania (2 principal plants)	Manufacturing—confectionery products and pantry items	Own
	Lancaster, Pennsylvania	Manufacturing—confectionery products	Own
	Robinson, Illinois	Manufacturing—confectionery products, and pantry items	Own
	Stuarts Draft, Virginia	Manufacturing—confectionery products and pantry items	Own
	Edwardsville, Illinois	Distribution	Own
	Palmyra, Pennsylvania	Distribution	Own
	Ogden, Utah	Distribution	Own
Canada	Brantford, Ontario	Distribution	Own (1)
Mexico	Monterrey, Mexico	Manufacturing—confectionery products	Own
China	Shanghai, China	Manufacturing—confectionery products	Own
Malaysia	Johor, Malaysia	Manufacturing—confectionery products	Own

(1) We have an agreement with the Ferrero Group for the use of a warehouse and distribution facility of which the Company has been deemed to be the owner for accounting purposes.

In addition to the locations indicated above, we also own or lease several other properties and buildings worldwide which we use for manufacturing, sales, distribution and administrative functions. Our facilities are well maintained and generally have adequate capacity to accommodate seasonal demands, changing product mixes and certain additional growth. We continually improve our facilities to incorporate the latest technologies. The largest facilities are located in Hershey and Lancaster, Pennsylvania; Monterrey, Mexico; and Stuarts Draft, Virginia. The U.S., Canada and Mexico facilities in the table above primarily support our North America segment, while the China and Malaysia facilities primarily serve our International and Other segment. As discussed in Note 11 to the Consolidated Financial Statements, we do not manage our assets on a segment basis given the integration of certain manufacturing, warehousing, distribution and other activities in support of our global operations.

Item 3. ***LEGAL PROCEEDINGS***

The Company is subject to certain legal proceedings and claims arising out of the ordinary course of our business, which cover a wide range of matters including trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters and tax. While it is not feasible to predict or determine the outcome of such proceedings and claims with certainty, in our opinion these matters, both individually and in the aggregate, are not expected to have a material effect on our financial condition, results of operations or cash flows.

Item 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company, their positions and, as of February 10, 2017, their ages are set forth below.

Name	Age	Positions Held During the Last Five Years
John P. Bilbrey [(1)]	60	Chairman of the Board, President and Chief Executive Officer (April 2015); President and Chief Executive Officer (June 2011)
Michele G. Buck [(2)]	55	Executive Vice President, Chief Operating Officer (June 2016); President, North America (May 2013); Senior Vice President, Chief Growth Officer (September 2011)
Javier H. Idrovo	49	Chief Accounting Officer (August 2015); Senior Vice President, Finance and Planning (September 2011)
Patricia A. Little [(3)]	56	Senior Vice President, Chief Financial Officer (March 2015)
Terence L. O'Day..............	67	Senior Vice President, Chief Supply Chain Officer (May 2013); Senior Vice President, Global Operations (December 2008)
Leslie M. Turner [(4)]	59	Senior Vice President, General Counsel and Secretary (July 2012)
Kevin R. Walling...............	51	Senior Vice President, Chief Human Resources Officer (November 2011);
D. Michael Wege...............	54	Senior Vice President, Chief Administrative Officer (July 2015); Senior Vice President, Chief Growth and Marketing Officer (May 2013); Senior Vice President, Chief Commercial Officer (September 2011)
Waheed Zaman [(5)]..............	56	Senior Vice President, Chief Knowledge and Technology Officer (August 2016); Senior Vice President, Chief Knowledge, Strategy and Technology Officer (July 2015); Senior Vice President, Chief Corporate Strategy and Administrative Officer (August 2013); Senior Vice President, Chief Administrative Officer (April 2013)

There are no family relationships among any of the above-named officers of our Company.

(1) Mr. Bilbrey will retire as President and Chief Executive Officer effective March 1, 2017. He will continue to serve as Non-Executive Chairman of the Board following his retirement from the Company.
(2) Ms. Buck will become President and Chief Executive Officer effective March 1, 2017.
(3) Ms. Little was elected Senior Vice President, Chief Financial Officer effective March 16, 2015. Prior to joining our company she was Executive Vice President and Chief Financial Officer of Kelly Services, Inc. (July 2008).
(4) Ms. Turner was elected Senior Vice President, General Counsel and Secretary effective July 9, 2012. Prior to joining our Company she was Chief Legal Officer of Coca-Cola North America (June 2008).
(5) Mr. Zaman was elected Senior Vice President, Chief Corporate Strategy and Administrative Officer effective August 6, 2013. Prior to joining our Company he was President and Chief Executive Officer of W&A Consulting (May 2012); Senior Vice President, Special Assignments of Chiquita Brands International (February 2012); Senior Vice President, Global Product Supply of Chiquita Brands International (October 2007).

Our Executive Officers are generally elected each year at the organization meeting of the Board in May.

PART II

Item 5. *MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our Common Stock is listed and traded principally on the New York Stock Exchange under the ticker symbol "HSY." The Class B Common Stock ("Class B Stock") is not publicly traded.

The closing price of our Common Stock on December 31, 2016, was $103.43. There were 29,453 stockholders of record of our Common Stock and 6 stockholders of record of our Class B Stock as of December 31, 2016.

We paid $499.5 million in cash dividends on our Common Stock and Class B Stock in 2016 and $476.1 million in 2015. The annual dividend rate on our Common Stock in 2016 was $2.402 per share.

Information regarding dividends paid and the quarterly high and low market prices for our Common Stock and dividends paid for our Class B Stock for the two most recent fiscal years is disclosed in Note 17 to the Consolidated Financial Statements.

On February 3, 2017, our Board declared a quarterly dividend of $0.618 per share of Common Stock payable on March 15, 2017, to stockholders of record as of February 24, 2017. It is the Company's 349th consecutive quarterly Common Stock dividend. A quarterly dividend of $0.562 per share of Class B Stock also was declared.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

The following table shows the purchases of shares of Common Stock made by or on behalf of Hershey, or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Hershey, for each fiscal month in the three months ended December 31, 2016:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
				(in thousands of dollars)
October 3 through October 30	1,466,446	$ 95.45	—	$ 100,000
October 31 through November 27	—	$ —	—	$ 100,000
November 28 through December 31	—	$ —	—	$ 100,000
Total	1,466,446	$ 95.45	—	

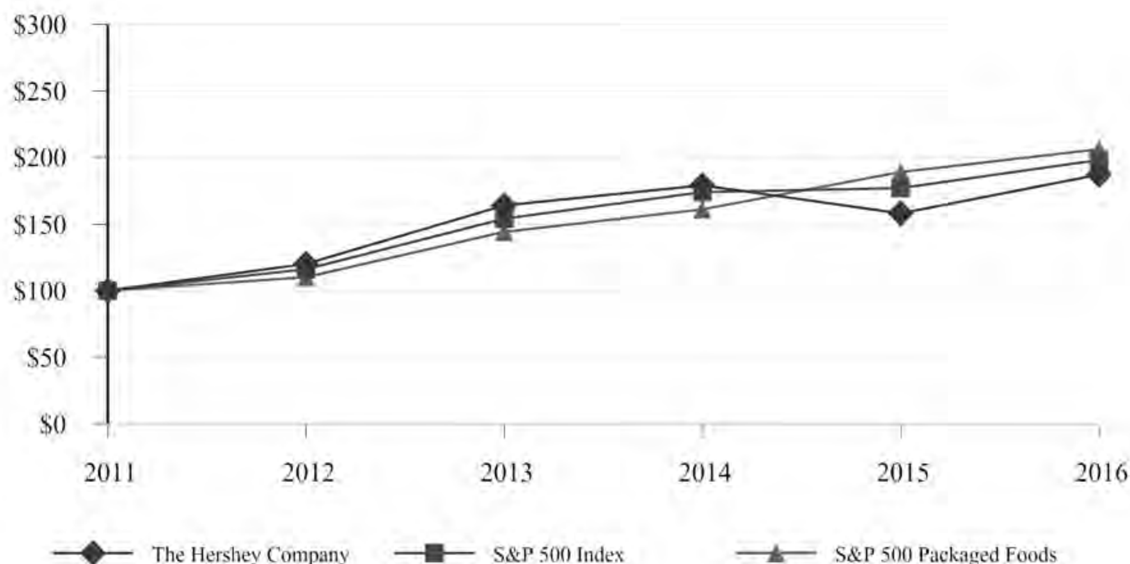
(1) All of the shares of Common Stock purchased during the three months ended December 31, 2016 were purchased in open market transactions. We purchased 1,466,446 shares of Common Stock during the three months ended December 31, 2016 in connection with our practice of buying back shares sufficient to offset those issued under incentive compensation plans.

(2) In February 2015, our Board approved a $250 million share repurchase authorization. This program was completed in the first quarter of 2016. In January 2016, our Board approved an additional $500 million share repurchase authorization. As of December 31, 2016, approximately $100 million remained available for repurchases of our Common Stock under this program. The share repurchase program does not have an expiration date.

Stockholder Return Performance Graph

The following graph compares our cumulative total stockholder return (Common Stock price appreciation plus dividends, on a reinvested basis) over the last five fiscal years with the Standard & Poor's 500 Index and the Standard & Poor's Packaged Foods Index.

Comparison of 5 Year Cumulative Total Return*
Among The Hershey Company, the S&P 500 Index,
and the S&P Packaged Foods Index



*$100 invested on December 31, 2011 in stock or index, including reinvestment of dividends.

	December 31,					
Company/Index	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
The Hershey Company	$ 100	$ 120	$ 164	$ 179	$ 158	$ 187
S&P 500 Index	$ 100	$ 116	$ 154	$ 174	$ 177	$ 198
S&P 500 Packaged Foods Index	$ 100	$ 110	$ 144	$ 161	$ 189	$ 206

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6. *SELECTED FINANCIAL DATA*

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

(All dollar and share amounts in thousands except market price and per share statistics)

		2016	2015	2014	2013	2012
Summary of Operations						
Net Sales	$	7,440,181	7,386,626	7,421,768	7,146,079	6,644,252
Cost of Sales	$	4,282,290	4,003,951	4,085,602	3,865,231	3,784,370
Selling, Marketing and Administrative	$	1,915,378	1,969,308	1,900,970	1,922,508	1,703,796
Goodwill and Other Intangible Asset Impairment Charges	$	4,204	280,802	15,900	—	7,457
Business Realignment Costs	$	32,526	94,806	29,721	18,665	37,481
Interest Expense, Net	$	90,143	105,773	83,532	88,356	95,569
Provision for Income Taxes	$	379,437	388,896	459,131	430,849	354,648
Net Income	$	720,044	512,951	846,912	820,470	660,931
Net Income Per Share:						
—Basic—Common Stock	$	3.45	2.40	3.91	3.76	3.01
—Diluted—Common Stock	$	3.34	2.32	3.77	3.61	2.89
—Basic—Class B Stock	$	3.15	2.19	3.54	3.39	2.73
—Diluted—Class B Stock	$	3.14	2.19	3.52	3.37	2.71
Weighted-Average Shares Outstanding:						
—Basic—Common Stock		153,519	158,471	161,935	163,549	164,406
—Basic—Class B Stock		60,620	60,620	60,620	60,627	60,630
—Diluted		215,304	220,651	224,837	227,203	228,337
Dividends Paid on Common Stock	$	369,292	352,953	328,752	294,979	255,596
Per Share	$	2.402	2.236	2.040	1.810	1.560
Dividends Paid on Class B Stock	$	132,394	123,179	111,662	98,822	85,610
Per Share	$	2.184	2.032	1.842	1.630	1.412
Depreciation	$	231,735	197,054	176,312	166,544	174,788
Amortization	$	70,102	47,874	35,220	34,489	35,249
Advertising	$	521,479	561,644	570,223	582,354	480,016
Year-End Position and Statistics						
Capital Additions	$	269,476	356,810	370,789	350,911	277,966
Total Assets	$	5,524,333	5,344,371	5,622,870	5,349,724	4,747,614
Short-term Debt and Current Portion of Long-term Debt	$	632,714	863,436	635,501	166,875	375,898
Long-term Portion of Debt	$	2,347,455	1,557,091	1,542,317	1,787,378	1,523,742
Stockholders' Equity	$	827,687	1,047,462	1,519,530	1,616,052	1,048,373
Full-time Employees		16,300	19,060	20,800	12,600	12,100
Stockholders' Data						
Outstanding Shares of Common Stock and Class B Stock at Year-end		212,260	216,777	221,045	223,895	223,786
Market Price of Common Stock at Year-end	$	103.43	89.27	103.93	97.23	72.22
Price Range During Year (high)	$	113.89	110.78	108.07	100.90	74.64
Price Range During Year (low)	$	83.32	83.58	88.15	73.51	59.49

Item 7. *MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

This Management's Discussion and Analysis (“MD&A”) is intended to provide an understanding of Hershey's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The MD&A should be read in conjunction with our Consolidated Financial Statements and accompanying Notes included in Item 8 of this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed elsewhere in this Annual Report on Form 10-K, particularly in Item 1A. “Risk Factors.”

The MD&A is organized in the following sections:

- Overview and Outlook
- Non-GAAP Information
- Consolidated Results of Operations
- Segment Results
- Financial Condition
- Critical Accounting Policies and Estimates

OVERVIEW AND OUTLOOK

We are the largest producer of quality chocolate in North America and a global leader in chocolate and non-chocolate confectionery. We market, sell and distribute our products under more than 80 brand names in approximately 70 countries worldwide. We report our operations through two segments: North America and International and Other.

In 2016, we made good progress against our strategic objectives, including a focus on our consumer brand engagement and continued refinement of our mix of marketing investments. These initiatives, as well as improved analytics, operating efficiencies and new information technology capabilities, strengthened our business model and positioned the Company for future growth. We continued to generate solid operating cash flow, totaling approximately $1 billion in 2016, which affords the Company significant financial flexibility. We are also in the process of conducting a strategic review of our global cost structure that we believe will result in solid gross and earnings before interest and taxes ("EBIT") margin expansion once executed.

Our 2016 marketplace performance was similar to the slower growth experienced by other consumer packaged goods ("CPG") companies. Additionally, the U.S. candy, mint and gum ("CMG") category and manufacturers were impacted by a shorter Easter season and merchandising and display strategies at select customers. For the full year, U.S. CMG retail takeaway increased 0.4%, lower than the historical average. Our U.S. CMG market share performance improved in the second half of 2016, resulting in full year market share of 31.2%, including *barkTHINS*, which is approximately in line with the prior year. For the full year 2016, our U.S. market share, including CMG, salty snacks, snack bars, meat snacks, grocery items and *barkTHINS*, increased approximately 10 basis points.

Our full year 2016 net sales totaled $7,440.2 million, an increase of 0.7% versus $7,386.6 million in 2015. Excluding a 0.7% impact from unfavorable foreign exchange rates, our net sales increased 1.4%. The increase was driven by higher North America volumes, largely in products supported by increased promotional programming such as NCAA March Madness, the Summer Olympics and NCAA Football College Game Day, as well as new product innovation such as Snack Mix, Snack Bites and *Hershey's Cookie Layer Crunch* bars. Additionally, our consolidated net sales for the year ended December 31, 2016 included approximately $35.6 million attributed to *barkTHINS*. Our full year 2016 net income and earnings per share-diluted (EPS) increased 40.4% and 44.0%, respectively, compared to 2015 results, which were impacted by significant goodwill impairment charges. Excluding these goodwill impairment charges in 2015 and other items impacting comparability in both periods (as defined in the Non-GAAP Information section of this MD&A), 2016 adjusted net income increased 4.3%, reflecting the benefits from continued productivity and cost savings initiatives and a lower effective income tax rate, while adjusted EPS-diluted also benefited from recent share buybacks, increasing a total of 7.0%.

For 2017, we expect net sales growth of approximately 2% to 3%, which includes a 0.5% net benefit from acquisitions and a 0.25% unfavorable impact from foreign currency exchange rates. Excluding the unfavorable impact from

foreign currency exchange rates, our net sales are expected to increase approximately 2.25% to 3.25%. Our focus is on the continued rollout of *Hershey's Cookie Layer Crunch* bars, *barkTHINS* chocolate distribution gains and other new products such as *Reese's* Crunchers candy and *Krave* meat bars and sticks. We anticipate that these investments and related consumer marketing plans will accelerate our North America sales growth versus 2016 performance, which should enable us to outpace the broader food group in this challenging operating environment. Our previously discussed productivity and cost savings programs are on track, and we will continue to focus on reducing non-essential spending going into 2017. Additionally, our effective tax rate is expected to be favorable versus 2016 driven by a favorable international tax mix, tax credits and other incentives, and the adoption of Accounting Standards Update 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. As a result, we expect full year 2017 reported EPS-diluted, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), to improve and be in the $4.54 to $4.65 range. From a non-GAAP perspective, we currently expect 2017 adjusted EPS-diluted to increase approximately 7% to 9% and to be in the $4.72 to $4.81 range. A reconciliation of reported to adjusted projections for 2017 are reflected in the non-GAAP reconciliations that follow.

NON-GAAP INFORMATION

The comparability of certain of our financial measures is impacted by 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 SGM liability in conjunction with the purchase of the remaining 20% of the outstanding shares of SGM, the gain realized on the sale of a trademark, costs associated with the early extinguishment of debt and other non-recurring gains and losses.

To provide additional information to investors to facilitate the comparison of past and present performance, we use non-GAAP financial measures within MD&A that exclude the financial impact of these activities. These non-GAAP financial measures are used internally by management in evaluating results of operations and determining incentive compensation, 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. A reconciliation of the non-GAAP financial measures referenced in MD&A to their nearest comparable GAAP financial measures as presented in the Consolidated Statements of Income is provided below.

Reconciliation of Certain Non-GAAP Financial Measures

Consolidated results	For the years ended December 31,		
In thousands except per share data	2016	2015	2014
Reported gross profit	$ 3,157,891	$ 3,382,675	$ 3,336,166
Derivative mark-to-market losses	163,238	—	—
Business realignment activities	58,106	8,801	1,622
Acquisition integration costs	—	7,308	—
NSRPE(I)	11,953	2,516	(2,685)
Non-GAAP gross profit	$ 3,391,188	$ 3,401,300	$ 3,335,103
Reported operating profit	$ 1,205,783	$ 1,037,759	$ 1,392,261
Derivative mark-to-market losses	163,238	—	—
Business realignment activities	107,571	120,975	34,290
Acquisition integration costs	6,480	20,899	12,360
NSRPE(I)	27,157	18,079	(1,834)
Goodwill and other intangible asset impairment charges	4,204	280,802	15,900
Non-GAAP operating profit	$ 1,514,433	$ 1,478,514	$ 1,452,977
Reported provision for income taxes	$ 379,437	$ 388,896	$ 459,131
Derivative mark-to-market losses*	20,500	—	—
Business realignment activities*	19,138	41,648	8,593
Acquisition integration costs*	2,456	8,264	3,021
NSRPE(I)*	10,283	6,955	(544)
Goodwill and other intangible asset impairment charges*	1,157	—	1,565
Loss on early extinguishment of debt*	—	10,736	—
Gain on sale of trademark*	—	(3,652)	—
Non-GAAP provision for income taxes	$ 432,971	$ 452,847	$ 471,766
Reported net income	$ 720,044	$ 512,951	$ 846,912
Derivative mark-to-market losses	142,738	—	—
Business realignment activities	88,433	79,327	25,697
Acquisition integration costs	4,024	14,196	10,249
NSRPE(I)	16,874	11,124	(1,290)
Settlement of SGM liability	(26,650)	—	—
Goodwill and other intangible asset impairment charges	3,047	280,802	14,335
Loss on early extinguishment of debt	—	17,591	—
Gain on sale of trademark	—	(6,298)	—
Non-GAAP net income	$ 948,510	$ 909,693	$ 895,903
Reported EPS - Diluted	$ 3.34	$ 2.32	$ 3.77
Derivative mark-to-market losses	0.66	—	—
Business realignment activities	0.42	0.36	0.11
Acquisition integration costs	0.02	0.05	0.05
NSRPE(I)	0.08	0.05	(0.01)
Settlement of SGM liability	(0.12)	—	—
Goodwill and other intangible asset impairment charges	0.01	1.28	0.06
Loss on early extinguishment of debt	—	0.09	—
Gain on sale of trademark	—	(0.03)	—
Non-GAAP EPS - Diluted	$ 4.41	$ 4.12	$ 3.98

* The tax impact is determined by multiplying each pre-tax reconciling adjustment by the applicable statutory income tax rates, taking into consideration the impact of valuation allowances, as applicable.

In the assessment of our results, we review and discuss the following financial metrics that are derived from the reported and non-GAAP financial measures presented above:

	For the years ended December 31,		
	2016	2015	2014
As reported gross margin	42.4%	45.8%	45.0%
Non-GAAP gross margin (1)	45.6%	46.0%	44.9%
As reported operating profit margin	16.2%	14.0%	18.8%
Non-GAAP operating profit margin (2)	20.4%	20.0%	19.6%
As reported effective tax rate	34.5%	43.1%	35.2%
Non-GAAP effective tax rate (3)	31.3%	33.2%	34.5%

(1) Calculated as non-GAAP gross profit as a percentage of net sales for each period presented.
(2) Calculated as non-GAAP operating profit as a percentage of net sales for each period presented.
(3) Calculated as non-GAAP provision for income taxes as a percentage of non-GAAP income before taxes (calculated as non-GAAP operating profit minus non-GAAP interest expense, net plus or minus non-GAAP other (income) expense, net).

Details of the activities impacting comparability that are presented as reconciling items to derive the non-GAAP financial measures in the tables above are as follows:

Mark-to-market losses on commodity derivatives
Commensurate with our discontinuance of hedge accounting treatment for commodity derivatives, we are adjusting the mark-to-market losses on such commodity derivatives, until such time as the related inventory is sold. Since we often purchase commodity contracts to price inventory requirements in future years, we make this adjustment to facilitate the year-over-year comparison of cost of sales on a basis that matches the derivative gains and losses with the underlying economic exposure being hedged for the period. For the year ended December 31, 2016, unallocated mark-to-market losses on commodity derivatives totaled $163.2 million.

Business realignment activities
We periodically undertake restructuring and cost reduction activities as part of ongoing efforts to enhance long-term profitability. For the years ended December 31, 2016, 2015 and 2014, we incurred $107.6 million, $121.0 million and $34.3 million, respectively, of pre-tax costs related to business realignment activities. See Note 7 to the Consolidated Financial Statements for more information.

Acquisition integration costs
For the year ended December 31, 2016, we incurred expenses totaling $6.5 million related to integration of the 2016 acquisition of Ripple Brand Collective, LLC, as we incorporated this business into our operating practices and information systems. For the year ended December 31, 2015, we incurred costs related to the integration of the 2014 acquisitions of SGM and The Allan Candy Company and the 2015 acquisition of Krave totaling $22.5 million as we incorporated these businesses into our operating practices and information systems. These 2015 expenses included charges incurred to write-down approximately $6.4 million of expired or near-expiration work-in-process inventory at SGM, in connection with the implementation of our global quality standards and practices. In addition, integration costs for 2015 were offset by a $6.8 million reduction in the fair value of contingent consideration paid to the Krave shareholders. For the year ended December 31, 2014, we incurred costs of $13.3 million largely related to the acquisition of SGM, offset by a $4.6 million gain relating to the acquisition of a controlling interest in Lotte Shanghai Foods Co., Ltd.

Non-service related pension expense (income)
NSRPE(I) includes interest costs, the expected return on pension plan assets, the amortization of actuarial gains and losses, and certain curtailment and settlement losses or credits. NSRPE(I) can fluctuate from year to year as a result of changes in market interest rates and market returns on pension plan assets. We believe that the service cost component of our total pension benefit costs closely reflects the operating costs of our business and provides for a better comparison of our operating results from year to year. Therefore, we exclude NSRPE(I) from our internal performance measures. Our most significant defined benefit pension plans were closed to most new participants in 2007, resulting in ongoing service costs that are stable and predictable. We recorded pre-tax NSRPE(I) of $27.2 million, $18.1 million and $(1.8) million for the years ended December 31, 2016, 2015 and 2014, respectively.

Settlement of SGM liability
In the fourth quarter of 2015, we reached an agreement with the SGM selling shareholders to reduce the originally-agreed purchase price for the remaining 20% of SGM, and we completed the purchase on February 3, 2016. In the first quarter of 2016, we recorded a $26.7 million gain relating to the settlement of the SGM liability, representing the net carrying amount of the recorded liability in excess of the cash paid to settle the obligation for the remaining 20% of the outstanding shares.

Goodwill and other intangible asset impairment
As discussed in Note 3 to the Consolidated Financial Statements, in connection with our 2016 annual impairment testing of other indefinite lived assets, we recognized a trademark impairment charge of $4.2 million primarily resulting from plans to discontinue a brand sold in India. In the second and third quarters of 2015, we recorded a total $280.8 million non-cash goodwill impairment charge, representing a write-down of all of the goodwill resulting from the SGM acquisition, including $14.4 million relating to the portion of goodwill that had been allocated to our China chocolate reporting unit, based on synergies to be realized by this business. For the year ended December 31, 2014, we recorded non-cash goodwill and other intangible asset impairment charges totaling $15.9 million associated with our business in India.

Loss on early extinguishment of debt
During the third quarter of 2015, we recorded a $28.3 million loss on the early extinguishment of debt relating to a cash tender offer. See Note 4 to the Consolidated Financial Statements for further information.

Gain on sale of trademark
During the first quarter of 2015, we recorded a $9.9 million gain relating to the sale of a non-core trademark.

Constant Currency Net Sales Growth

We present certain percentage changes in net sales on a constant currency basis, which excludes the impact of foreign currency exchange. This measure is used internally by management in evaluating results of operations and determining incentive compensation. We believe that this measure provides useful information to investors because it provides transparency to underlying performance in our net sales by excluding the effect that foreign currency exchange rate fluctuations have on the year-to-year comparability given volatility in foreign currency exchange markets.

To present this information for historical periods, current period net sales for entities reporting in other than the U.S. dollar are translated into U.S. dollars at the average monthly exchange rates in effect during the corresponding period of the prior fiscal year, rather than at the actual average monthly exchange rates in effect during the current period of the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year.

A reconciliation between reported and constant currency growth rates is provided below:

	For the Year Ended December 31, 2016		
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
North America segment			
Canada	(3.5)%	(3.0)%	(0.5)%
Total North America segment	1.0 %	(0.2)%	1.2 %
International and Other segment			
Mexico	(8.5)%	(16.0)%	7.5 %
Brazil	15.7 %	(6.0)%	21.7 %
India	(26.6)%	(3.6)%	(23.0)%
Greater China	(0.3)%	(4.9)%	4.6 %
Total International and Other segment	(1.2)%	(4.4)%	3.2 %
Total Company	0.7 %	(0.7)%	1.4 %

2017 Outlook

The following table provides a reconciliation of projected 2017 EPS-diluted, prepared in accordance with GAAP, to projected non-GAAP EPS-diluted for 2017, prepared on a non-GAAP basis, with adjustments consistent to those discussed previously. The reconciliation of 2016 and 2015 EPS-diluted, prepared in accordance with GAAP, to 2016 and 2015 non-GAAP EPS-diluted is provided below for comparison.

	2017 (Projected)	2016	2015
Reported EPS – Diluted	$4.54 - $4.65	$3.34	$2.32
Derivative mark-to-market losses	—	0.66	—
Business realignment costs	0.10 - 0.12	0.42	0.36
Acquisition and integration costs	—	0.02	0.05
Non-service related pension expense	0.06	0.08	0.05
Settlement of SGM liability	—	(0.12)	—
Goodwill and other intangible asset impairment charges	—	0.01	1.28
Loss on early extinguishment of debt	—	—	0.09
Gain on sale of trademark	—	—	(0.03)
Adjusted EPS – Diluted	$4.72 - $4.81	$4.41	$4.12

Our 2017 projected EPS-diluted, as presented above, does not include the impact of mark-to-market gains and losses on our commodity derivative contracts. Due to the volatility of commodity market prices, it is not possible to forecast this mark-to-market impact. Pursuant to our revised accounting policy for commodity derivatives as discussed in Note 5 to the Consolidated Financial Statements, we currently reflect changes in the fair value of our commodity derivatives as incurred within cost of goods sold, with an adjustment within our corporate unallocated expenses to enable us to present the gains and losses on commodity derivatives within our segment income at the time the related inventory is sold.

CONSOLIDATED RESULTS OF OPERATIONS

For the years ended December 31,	2016	2015	2014	Percent Change 2016 vs 2015	Percent Change 2015 vs 2014
In millions of dollars except per share amounts					
Net Sales	$ 7,440.2	$ 7,386.6	$ 7,421.8	0.7 %	(0.5)%
Cost of Sales	4,282.3	4,003.9	4,085.6	7.0 %	(2.0)%
Gross Profit	3,157.9	3,382.7	3,336.2	(6.6)%	1.4 %
Gross Margin	*42.4%*	*45.8%*	*45.0%*		
SM&A Expense	1,915.4	1,969.3	1,898.4	(2.7)%	3.7 %
SM&A Expense as a percent of net sales	*25.7%*	*26.7%*	*25.6%*		
Goodwill and Other Intangible Asset Impairment Charges	4.2	280.8	15.9	(98.5)%	NM
Business Realignment Costs	32.5	94.8	29.7	(65.7)%	219.0 %
Operating Profit	1,205.8	1,037.8	1,392.2	16.2 %	(25.5)%
Operating Profit Margin	*16.2%*	*14.0%*	*18.8%*		
Interest Expense, Net	90.2	105.8	83.5	(14.7)%	26.6 %
Other (Income) Expense, Net	16.2	30.1	2.7	(46.2)%	NM
Provision for Income Taxes	379.4	388.9	459.1	(2.4)%	(15.3)%
Effective Income Tax Rate	*34.5%*	*43.1%*	*35.2%*		
Net Income	$ 720.0	$ 513.0	$ 846.9	40.4 %	(39.4)%
Net Income Per Share—Diluted	$ 3.34	$ 2.32	$ 3.77	44.0 %	(38.5)%

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

NM = not meaningful.

Net Sales

2016 compared with 2015

Net sales increased 0.7% in 2016 compared with 2015, reflecting volume increases of 0.8% and a 0.6% benefit from net acquisitions and divestitures, partially offset by an unfavorable impact from foreign currency exchange rates of 0.7%. Excluding foreign currency, our net sales increased 1.4% in 2016. The volume improvement was primarily driven by new chocolate and snacking products in the United States, including Snack Mix, Snack Bites and *Hershey's Cookie Layer Crunch* bars. While the North America segment had unfavorable price realization due to increased levels of trade promotional spending, this was essentially offset by favorable price realization in the International and Other segment, due to significantly lower levels of trade spending and returns, discounts and allowances.

2015 compared with 2014

Net sales decreased 0.5% in 2015 compared with 2014, reflecting volume declines of 3.4% and an unfavorable impact from foreign currency exchange rates of 1.6%, substantially offset by favorable net price realization of 3.5% as well as a 1.0% benefit from net acquisitions and divestitures. The favorable net price realization, primarily in the United States, was attributed to the price increase announced in mid-2014. The volume declines were attributed to volume elasticity relating to the pricing action in the United States as well as lower everyday product sales given the challenging shopper environment in North America, coupled with lower sales in China. Excluding the impact of foreign currency exchange rates, our net sales increased 1.1% in 2015.

Key U.S. CMG Marketplace Metrics

For the 52 weeks ended December 31,	2016	2015	2014
Hershey's Consumer Takeaway (Decrease) Increase	0.3%	2.4%	2.7%
Hershey's Market Share (Decrease) Increase	-	(0.1)	0.3

The consumer takeaway and market share information provided above are for measured channels of distribution accounting for approximately 90% of our U.S. confectionery retail business. These channels of distribution primarily include food, drug, mass merchandisers and convenience store channels, plus Wal-Mart Stores, Inc., partial dollar, club and military channels. These metrics are based on measured market scanned purchases as reported by Nielsen and provide a means to assess our retail takeaway and market position relative to the overall category.

The amounts presented above are solely for the U.S. CMG category which does not include revenue from our snack mixes and grocery items. For the full year 2016, our CMG market share, including *barkTHINS* was 31.2%, about the same as 2015. Including *barkTHINS*, CMG, salty snacks, snack bars, meat snacks and grocery items, our full year U.S. market share increased approximately 10 basis points.

Cost of Sales and Gross Margin

2016 compared with 2015

Cost of sales increased 7.0% in 2016 compared with 2015. Incremental business realignment costs and mark-to-market losses on commodity derivative instruments increased cost of sales by 5.3%, while the remaining increase was primarily attributed to higher volume and higher supply chain costs, in part due to higher manufacturing variances and some incremental fixed costs related to the commencement of manufacturing in the Malaysia facility. As described in Note 5 to the Consolidated Financial Statements, our commodity derivative instruments are no longer designated for hedge accounting treatment and, as a result, the changes in fair market value are recognized currently in cost of sales.

Gross margin decreased by 340 basis points in 2016 compared with 2015. Mark-to-market losses on commodity derivative instruments and incremental depreciation expense related to business realignment activities drove a 300 basis point decline in gross margin. Higher trade promotional spending and supply chain costs also contributed to the decreased gross margin, but were partially offset by supply chain productivity and cost savings initiatives. On a non-GAAP basis, excluding the losses on commodity derivative instruments as well as business realignment costs, 2016 adjusted gross margin decreased by 40 basis points.

2015 compared with 2014

Cost of sales decreased 2.0% in 2015 compared with 2014. Supply chain productivity and volume declines reduced cost of sales by approximately 6.6%. These declines were substantially offset by higher supply chain and commodity costs, and unfavorable sales mix, which together increased total cost of sales by approximately 4.1%. In addition, cost of sales was impacted by acquisition and integration costs of $7.3 million, business realignment costs of $8.8 million and NSRPE of $2.5 million, which collectively increased cost of sales by approximately 0.5%. In comparison, cost of sales benefited by $1.1 million in 2014, primarily due to NSRPI.

Gross margin increased by 80 basis points in 2015 compared with 2014. Favorable net price realization as well as supply chain productivity and other cost savings initiatives collectively improved gross margin by 330 basis points. However, these benefits were substantially offset by higher supply chain and commodity costs as well as unfavorable sales mix, which collectively reduced gross margin by approximately 250 basis points. On a non-GAAP basis, excluding the business realignment and acquisition and integration charges, 2015 gross margin increased by 110 basis points.

Selling, Marketing and Administrative

2016 compared with 2015

Selling, marketing and administrative ("SM&A") expenses decreased $53.9 million or 2.7% in 2016. Advertising and related consumer marketing expense decreased 4.0% during this period. We spent less on advertising and related consumer marketing in our International and Other segment, particularly in the China market, and our spending in North America declined as our marketing mix models were weighted toward higher trade promotional spending. Excluding these advertising and related consumer marketing costs, selling and administrative expenses for 2016 decreased by 2.0% as compared to 2015 as a result of our continued focus on reducing non-essential spending. SM&A expenses in 2016 were also impacted by business realignment costs of $18.6 million, NSRPE of $15.2 million and acquisition and integration costs of $6.5 million. In 2015, SM&A expenses included business realignment costs of $17.4 million, NSRPE of $15.6 million and acquisition and integration costs of $13.6 million.

2015 compared with 2014

SM&A expenses increased $70.9 million or 3.7% in 2015. Advertising and related consumer marketing expense increased 1.0% during this period. Excluding these advertising and related consumer marketing costs, selling and administrative expenses for 2015 increased by 6.7% compared to 2014, driven by incremental increases from acquired businesses. Excluding the impact of acquisition costs, SM&A expenses for 2015 declined as a result of our continued focus on reducing non-essential spending. SM&A expenses in 2015 were also impacted by charges of $13.6 million attributed to the productivity initiative we announced in June 2015, acquisition and integration costs of $13.6 million, NSRPE of $15.6 million and other business realignment costs of $3.7 million. In 2014, SM&A expenses included acquisition and integration costs of $12.4 million, other business realignment costs of $2.9 million and NSRPE of $0.9 million.

Goodwill and Other Intangible Asset Impairment Charges

In 2016, in connection with the annual impairment testing of indefinite lived intangible assets, we recognized a trademark impairment charge of $4.2 million, primarily resulting from plans to discontinue a brand sold in India.

As discussed in Note 3 to the Consolidated Financial Statements, the SGM business performed below expectations throughout 2015, with net sales and earnings levels well below pre-acquisition levels. As of result of this declining performance, in the second quarter of 2015 we recorded an estimated goodwill impairment charge of $249.8 million relating to the SGM reporting unit. During the third quarter of 2015, we updated our estimates of the acquisition-date fair values of the net assets acquired, which increased the value of acquired goodwill by $16.6 million. We also finalized the impairment test of the goodwill relating to the SGM reporting unit, which resulted in an additional $16.6 million write-off of this increase to goodwill. During the third quarter of 2015, we also wrote off $14.4 million of goodwill that resulted from the SGM acquisition and was assigned to our existing China chocolate business, as this reporting unit was expected to benefit from acquisition synergies relating to the sale of Golden Monkey-branded product through its Tier 1 and hypermarket distributor networks. This goodwill impairment was driven by the continued declining performance in our China chocolate business through the third quarter of 2015, as a result of the macroeconomic challenges mentioned previously, as well as changing consumer shopping behavior in China.

In 2014, the annual impairment testing of our India reporting unit resulted in a $11.4 million goodwill impairment charge and a $4.5 million write-down of a trademark associated with the India business. These impairment charges were largely a result of our decision at the time to exit the oils portion of the India business and realign our approach to regional marketing and distribution in India.

The assessment of the valuation of goodwill and other long-lived assets is based on management estimates and assumptions, as discussed in our critical accounting policies included in Item 7 of this Annual Report on Form 10-K. These estimates and assumptions are subject to change due to changing economic and competitive conditions.

Business Realignment Activities

We are currently pursuing several business realignment activities designed to increase our efficiency and focus our business behind key growth strategies. Costs recorded for business realignment activities during 2016, 2015 and 2014 and their classification within the Statements of Income are as follows:

For the years ended December 31,	2016	2015	2014
In millions of dollars			
Operational Optimization Program:			
Severance	$ 17.9	$ —	$ —
Accelerated depreciation	48.6	—	—
Other program costs	21.8	—	—
2015 Productivity Initiative:			
Severance	—	81.3	—
Pension settlement charges	13.7	10.2	—
Other program costs	5.6	14.3	—
Other international restructuring programs:			
Severance	—	6.6	2.9
Accelerated depreciation and amortization	—	5.9	—
Mauna Loa divestiture	—	2.7	22.3
Project Next Century	—	—	9.1
Total	$ 107.6	$ 121.0	$ 34.3

Operational Optimization Program

In the second quarter of 2016, we commenced a program (the “Operational Optimization Program”) to optimize our production and supply chain network, which includes select facility consolidations. The program encompasses the continued transition of our China chocolate and SGM operations into a united *Golden Hershey* platform, including the integration of the China sales force, as well as workforce planning efforts and the consolidation of production within certain facilities in China and North America.

We have incurred pre-tax costs of $88 million to date, including non-cash asset-related incremental depreciation costs, severance and employee benefit costs, costs to consolidate and relocate production, and third-party costs incurred to execute these activities. We currently expect to incur additional cash costs of approximately $37 million over the next two years to complete this program. The Operational Optimization Program is expected to drive annual savings of approximately $52 million by 2018.

2015 Productivity Initiative

In mid-2015, we initiated a productivity initiative (the “2015 Productivity Initiative”) intended to move decision making closer to the customer and the consumer, to enable a more enterprise-wide approach to innovation, to more swiftly advance our knowledge agenda, and to provide for a more efficient cost structure, while ensuring that we effectively allocate resources to future growth areas. Overall, the 2015 Productivity Initiative was undertaken to simplify the organizational structure to enhance the Company's ability to rapidly anticipate and respond to the changing demands of the global consumer.

The 2015 Productivity Initiative was executed throughout the third and fourth quarters of 2015, resulting in a net reduction of approximately 300 positions, with the majority of the departures taking place by the end of 2015. For the year ended December 31, 2016, we incurred charges totaling $19.3 million, consisting of pension settlement charges, adjustments to estimated severance benefits and incremental third-party costs related to the design and implementation of the new organizational structure. The 2015 Productivity Initiative was completed during the third quarter of 2016. We incurred total costs of $125.0 million relating to this initiative, including pension settlement charges of $13.7 million recorded in 2016 and $10.2 million recorded in 2015 relating to lump sum withdrawals by employees retiring

or leaving the Company as a result of this initiative. We have realized approximately $82 million in savings since inception of the 2015 Productivity Initiative.

Other international restructuring programs

Other costs incurred in connection with business realignment activities for the year ended December 31, 2015 related principally to accelerated depreciation and amortization and employee severance costs for multiple programs commenced in 2014 to rationalize certain non-U.S. manufacturing and distribution activities and to establish our own sales and distribution teams in Brazil in connection with our acquisition of the remaining 49% interest in Hershey do Brasil Ltda. under a cooperative agreement with Pandurata Netherlands B.V. ("Bauducco").

Mauna Loa divestiture

In December 2014, we entered into an agreement to sell the Mauna Loa Macadamia Nut Corporation (“Mauna Loa”). As a result of the expected sale, in 2014 we recorded an estimated loss on the anticipated sale of $22.3 million to reflect the disposal entity at fair value, less an estimate of the selling costs. The sale, completed in the first quarter of 2015, resulted in an additional loss on sale of $2.7 million based on updates to the selling expenses and tax benefits.

Project Next Century

The 2014 costs shown relate primarily to the demolition of the Company’s former manufacturing facility, representing the final phase of the Project Next Century program. As of December 31, 2014, we have concluded Project Next Century.

Segment operating results do not include business realignment and related costs, as these initiatives are generally centrally managed and are not included within our internal measures of segment performance.

Operating Profit and Operating Profit Margin

2016 compared with 2015

Operating profit increased 16.2% in 2016 compared with 2015 due primarily to lower goodwill and intangible asset impairment charges, lower SM&A costs and lower business realignment costs, offset in part by the lower gross profit. Operating profit margin increased to 16.2% in 2016 from 14.0% in 2015 due primarily to these same factors.

On a non-GAAP basis, 2016 operating profit and operating profit margin increased 2.4% and 40 basis points, respectively, reflecting the reduction in total SM&A costs, including advertising and related consumer marketing, offset in part by higher trade promotional spending.

2015 compared with 2014

Operating profit decreased 25.5% in 2015 compared with 2014 due primarily to the goodwill impairment charges, higher SM&A costs related to acquisitions as well as higher business realignment costs, offset in part by the higher gross profit. Operating profit margin decreased to 14.0% in 2015 from 18.8% in 2014 due to the goodwill impairment charges, higher SM&A expenses as a percent of sales, and higher business realignment costs.

On a non-GAAP basis, 2015 operating profit and operating profit margin increased 1.8% and 40 basis points, respectively.

Interest Expense, Net

2016 compared with 2015

Net interest expense was $15.6 million lower in 2016 than in 2015, as the 2015 amount included the premium paid to repurchase long-term debt as part of a cash tender offer. This decrease was partially offset by lower capitalized interest expense and lower interest income.

2015 compared with 2014

Net interest expense was $22.3 million higher in 2015 than in 2014 due primarily to the premium paid to repurchase long-term debt as part of a cash tender offer. This increase was partially offset by higher capitalized interest expense coupled with savings resulting from fixed-to-floating interest rate swap agreements put in place toward the end of 2014.

Other (Income) Expense, Net

2016 compared with 2015

Other (income) expense, net was $13.9 million lower in 2016 than 2015, due primarily to the $26.7 million settlement of the SGM liability in 2016, partially offset by an increase in the write-down of equity investments qualifying for federal historic and energy tax credits.

2015 compared with 2014

Other (income) expense, net was $27.4 million higher in 2015 than 2014, due primarily to the write-down of equity investments qualifying for federal historic and energy tax credits, partially offset by the gain on the sale of a non-core trademark.

Income Taxes and Effective Tax Rate

2016 compared with 2015

Our effective income tax rate was 34.5% for 2016 compared with 43.1% for 2015. The 2015 tax rate was significantly impacted by the non-deductible goodwill impairment charges. Excluding the impact of the goodwill impairment and other non-GAAP charges, the 2016 effective income tax rate was 190 basis points lower than the 2015 rate. The 2016 non-GAAP rate reflects greater benefit from manufacturing deductions, research and development and investment tax credits, and a favorable foreign rate differential relating to our cocoa procurement operations.

2015 compared with 2014

Our effective income tax rate was 43.1% for 2015 compared with 35.2% for 2014. The 2015 tax rate was significantly impacted by the non-deductible goodwill impairment charges. Excluding the impact of the goodwill impairment and other non-GAAP charges, the 2015 effective income tax rate was 130 basis points lower than the 2014 rate. The 2015 rate benefited from tax credits realized from the investment tax strategy initiated in the second quarter of 2015, which was partially offset by the valuation allowance recorded against the SGM net operating loss carryforwards.

Net Income and Net Income Per Share

2016 compared with 2015

Net income increased $207.0 million, or 40.4%, while EPS-diluted increased $1.02, or 44.0%, in 2016 compared with 2015. The increases in both net income and EPS-diluted were driven by the lower goodwill and intangible asset impairment charges, lower SM&A costs and lower business realignment costs, as noted above. Our 2016 EPS-diluted also benefited from lower weighted-average shares outstanding as a result of share repurchases pursuant to our Board-approved repurchase programs.

On a non-GAAP basis, net income increased $38.8 million in 2016, or 4.3%, and EPS-diluted increased $0.29, or 7.0%, as compared with 2015. The increases in 2016 non-GAAP net income and non-GAAP EPS-diluted were primarily driven by the lower SM&A expense as well as the lower tax rate.

2015 compared with 2014

Net income decreased $333.9 million, or 39.4%, while EPS-diluted decreased $1.45, or 38.5%, in 2015 compared with 2014. The decreases in both net income and EPS-diluted were driven by the goodwill impairment charges, higher SM&A costs related to acquisitions and higher business realignment costs, as noted above. Our 2015 EPS-diluted benefited from lower weighted-average shares outstanding as a result of share repurchases pursuant to our Board-approved repurchase programs.

On a non-GAAP basis, net income increased $13.8 million in 2015, or 1.5%, and EPS-diluted increased $0.14, or 3.5%, as compared with 2014. The increases in 2015 non-GAAP net income and non-GAAP EPS-diluted were primarily driven by gross margin expansion and lower net interest expense.

SEGMENT RESULTS

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

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

For the years ended December 31,	2016	2015	2014
In millions of dollars			
Net Sales:			
North America	$ 6,533.0	$ 6,468.1	$ 6,352.7
International and Other	907.2	918.5	1,069.1
Total	$ 7,440.2	$ 7,386.6	$ 7,421.8
Segment Income (Loss):			
North America	$ 2,041.0	$ 2,074.0	$ 1,916.2
International and Other	(29.1)	(98.1)	40.0
Total segment income	2,011.9	1,975.9	1,956.2
Unallocated corporate expense (1)	497.4	497.4	503.2
Unallocated mark-to-market losses on commodity derivatives (2)	163.2	—	—
Goodwill and other intangible asset impairment charges	4.2	280.8	15.9
Costs associated with business realignment activities	107.6	121.0	34.3
Non-service related pension expense (income)	27.2	18.1	(1.8)
Acquisition and integration costs	6.5	20.9	12.4
Operating profit	1,205.8	1,037.7	1,392.2
Interest expense, net	90.1	105.8	83.5
Other (income) expense, net	16.2	30.1	2.7
Income before income taxes	$ 1,099.5	$ 901.8	$ 1,306.0

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

(2) Reflects gains and losses on commodity derivative instruments that are excluded from segment income until the related inventory is sold. See Note 5 to the Consolidated Financial Statements.

North America

The North America segment is responsible for our chocolate and non-chocolate confectionery market position, as well as our grocery and growing snacks market positions, in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, pantry, food service and other snacking product lines. North America accounted for 87.8%, 87.6% and 85.6% of our net sales in 2016, 2015 and 2014, respectively. North America results for the years ended December 31, 2016, 2015 and 2014 were as follows:

				Percent / Point Change	
For the years ended December 31,	2016	2015	2014	2016 vs 2015	2015 vs 2014
In millions of dollars					
Net sales	$ 6,533.0	$ 6,468.1	$ 6,352.7	1.0 %	1.8%
Segment income	2,041.0	2,074.0	1,916.2	(1.6)%	8.2%
Segment margin	*31.2%*	*32.1%*	*30.2%*		

2016 compared with 2015

Net sales of our North America segment increased $64.9 million or 1.0% in 2016 compared to 2015, reflecting volume increases of 1.4% and the favorable net impact of acquisitions and divestitures of 0.7%, partially offset by unfavorable net price realization of 0.9% and an unfavorable impact from foreign currency exchange rates that reduced net sales by

approximately 0.2%. Our 2016 North America performance was similar to the slower growth experienced by other CPG companies. Additionally, the U.S. CMG category and manufacturers were impacted by a shorter Easter season and merchandising and display strategies at select customers. The segment's volume increase was primarily attributable to new product introductions, partially offset by lower everyday product sales. The unfavorable net price realization resulted from increased levels of trade promotional spending necessary to support higher levels of in-store merchandising and display activity. Our Canada operations were impacted by the stronger U.S. dollar, which drove the unfavorable foreign currency impact.

Our North America segment income decreased $33.0 million or 1.6% in 2016 compared to 2015, driven by lower gross margin as higher trade promotional spending and higher supply chain costs were only partially offset by the benefit from supply chain productivity and cost savings initiatives.

2015 compared with 2014

Net sales of our North America segment increased $115.4 million or 1.8% in 2015 compared to 2014, reflecting net price realization of 4.8% and the favorable net impact of acquisitions and divestitures of 0.3%, substantially offset by volume declines of 2.5% and an unfavorable impact from foreign currency exchange rates that reduced net sales by approximately 0.8%. The volume decline was due to elasticity related to the 2014 pricing action as well as lower everyday product sales, which were impacted by changing consumer shopping habits, such as channel shifting and e-commerce, an increase in competitive activity and a proliferation of broader snacking options in the marketplace. Our Canada operations were impacted by the stronger U.S. dollar, which drove the unfavorable foreign currency impact.

Our North America segment income increased $157.8 million or 8.2% in 2015 compared to 2014, driven by gross margin expansion, primarily due to favorable price realization and supply chain productivity, which offset volume declines and input cost increases.

International and Other

The International and Other segment includes all other countries where we currently manufacture, import, market, sell or distribute chocolate and non-chocolate confectionery and other products. Currently, this includes our operations in China and other Asia markets, Latin America, Europe, Africa and the Middle East, along with exports to these regions. While a less significant component, this segment also includes our global retail operations, including Hershey's Chocolate World stores in Hershey, Pennsylvania, New York City, Las Vegas, Shanghai, Niagara Falls (Ontario), Dubai and Singapore, as well as operations associated with licensing the use of certain trademarks and products to third parties around the world. International and Other accounted for 12.2%, 12.4% and 14.4% of our net sales in 2016, 2015 and 2014, respectively. International and Other results for the years ended December 31, 2016, 2015 and 2014 were as follows:

				Percent / Point Change	
For the years ended December 31,	**2016**	**2015**	**2014**	**2016 vs 2015**	**2015 vs 2014**
In millions of dollars					
Net sales	$ 907.2	$ 918.5	$ 1,069.1	(1.2)%	(14.1)%
Segment (loss) income	(29.1)	(98.1)	40.0	NM	NM
Segment margin	*(3.2)%*	*(10.7)%*	*3.7%*		

2016 compared with 2015

Net sales of our International and Other segment decreased $11.3 million or 1.2% in 2016 compared to 2015, reflecting an unfavorable impact from foreign currency exchange rates of 4.4%, volume declines of 3.7% and the unfavorable impact of net acquisitions and divestitures of 0.1%, substantially offset by favorable net price realization of 7.0%. Excluding the unfavorable impact of foreign currency exchange rates, the net sales of our International and Other segment increased by approximately 3.2%.

The favorable net price realization was driven by lower direct trade expense as well as lower returns, discounts and allowances in China, which declined significantly compared to the prior year. The volume decrease primarily related to lower sales in India due to the discontinuance of the edible oil business as well as lower sales in our global retail and licensing business, partially offset by net sales increases in Latin America and select export markets. Constant

currency net sales in Mexico and Brazil increased on a combined basis by approximately 13%, driven by solid chocolate marketplace performance.

Our International and Other segment loss decreased $69.0 million in 2016 compared to 2015. Combined income in Latin America and export markets improved versus the prior year and performance in China benefited from lower direct trade and returns, discounts and allowances that were significantly lower than the prior year.

2015 compared with 2014

Net sales of our International and Other segment decreased $150.6 million or 14.1% in 2015 compared to 2014, reflecting volume declines of 9.0%, an unfavorable impact from foreign currency exchange rates of 6.2% and unfavorable net price realization of 4.0%, partially offset by incremental revenue from the acquisition of SGM representing an increase of 5.1% to 2015 net sales. Excluding the unfavorable impact of foreign currency exchange rates, the net sales of our International and Other segment declined approximately 7.9%.

The net sales decline was driven by volume declines in our China chocolate business. In 2015, chocolate category growth in China was flat relative to the prior year; however our 2015 chocolate retail takeaway in China declined by 11%, resulting in a market share decline in China of 1.1%.

Performance in our focus markets of Mexico and Brazil improved and, on a constant currency basis, net sales in 2015 in these countries increased by approximately 6% and 3%, respectively, versus 2014. Constant currency net sales in India declined in 2015, primarily due to the planned discontinuance of edible oil products.

Our International and Other segment loss was $98.1 million in 2015 compared to segment income of $40.0 million in 2014. The decline was primarily attributable to lower net sales of chocolate products in China, coupled with losses at SGM as that business was also impacted by the uncertain macroeconomic conditions in China as well as incremental integration-related costs.

Unallocated Corporate Expense

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

Unallocated corporate expense totaled $497.4 million in both 2016 and 2015. Savings realized in 2016 from our productivity and cost savings initiatives were offset by higher employee-related costs and an increase in corporate depreciation and amortization. As compared to 2014 unallocated corporate expense of $503.2 million, the reduction in 2015 expense was driven primarily by the implementation of the 2015 Productivity Initiative discussed previously.

FINANCIAL CONDITION

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Significant factors affecting liquidity include cash flows generated from operating activities, capital expenditures, acquisitions, dividends, repurchases of outstanding shares, the adequacy of available commercial paper and bank lines of credit, and the ability to attract long-term capital with satisfactory terms. We generate substantial cash from operations and remain in a strong financial position, with sufficient liquidity available for capital reinvestment, payment of dividends and strategic acquisitions.

Cash Flow Summary

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

In millions of dollars	2016	2015	2014
Net cash provided by (used in):			
Operating activities	$ 983.5	$ 1,214.5	$ 844.4
Investing activities	(595.5)	(477.2)	(862.6)
Financing activities	(434.4)	(755.2)	(719.3)
Effect of exchange rate changes on cash and cash equivalents	(3.1)	(10.4)	(6.2)
Decrease in cash and cash equivalents	(49.5)	(28.3)	(743.7)

Operating activities

Our principal source of liquidity is operating cash flows. Our net income and, consequently, our cash provided by operations are impacted by sales volume, seasonal sales patterns, timing of new product introductions, profit margins and price changes. Sales are typically higher during the third and fourth quarters of the year due to seasonal and holiday-related sales patterns. Generally, working capital needs peak during the summer months. We meet these needs primarily with cash on hand, bank borrowings or the issuance of commercial paper.

Cash provided by operating activities in 2016 decreased $231.0 million relative to 2015. This decrease was driven by the following factors:

- Working capital (comprised of trade accounts receivable, inventory, accounts payable and accrued liabilities) consumed cash of $37 million in 2016, while it generated cash of $57 million in 2015. This $94 million fluctuation was mainly driven by an $87 million payment to settle an interest rate swap in connection with the issuance of new debt in August 2016.

- Prepaid expenses and other current assets consumed cash of $43 million in 2016, while they generated cash of $118 million in 2015. This $161 million fluctuation was mainly driven by higher payments on commodity futures contracts in 2016 as the market price of cocoa declined, versus receipts in the 2015 period. As noted previously, we utilize commodity futures contracts to economically manage the risk of future price fluctuations associated with our purchase of raw materials.

- Net income adjusted for non-cash charges to operations (including depreciation, amortization, stock-based compensation, excess tax benefit from stock-based compensation, deferred income taxes, goodwill and other intangible asset charges, write-down of equity investments, the gain on settlement of the SGM liability and other charges) decreased cash flow by $34 million in 2016 relative to 2015.

Cash provided by operating activities in 2015 increased $370.1 million relative to 2014. This increase was driven by the following factors:

- Working capital (comprised of trade accounts receivable, inventory, accounts payable and accrued liabilities) generated cash of $57 million in 2015, while it consumed cash of $215 million in 2014. This fluctuation was mainly driven by lower inventory purchases in the 2015 period, since certain raw material inventory had been built up at the preceding year-end to take advantage of favorable pricing.

- Prepaid expenses and other current assets generated cash of $118 million in 2015, while they consumed cash of $7 million in 2014. This $125 million fluctuation was mainly driven by our hedging activities, which favorably impacted cash flow by $55 million in 2015 versus an unfavorable impact of $78 million in 2014, due principally to market gains and losses on our commodity futures contracts. Our cash receipts typically increase when futures market prices are increasing.

- 2015 cash flow was favorably impacted by approximately $30 million from the timing of tax payments in 2015 compared to 2014.

Pension and Post-Retirement Activity. We recorded net periodic benefit costs of $72.8 million, $66.8 million and $37.3 million in 2016, 2015 and 2014, respectively, relating to our benefit plans (including our defined benefit and

other post retirement plans). The main drivers of fluctuations in expense from year to year are assumptions in formulating our long-term estimates, including discount rates used to value plan obligations, expected returns on plan assets, the service and interest costs and the amortization of actuarial gains and losses.

The funded status of our qualified defined benefit pension plans is dependent upon many factors, including returns on invested assets, the level of market interest rates and the level of funding. We contribute cash to our plans at our discretion, subject to applicable regulations and minimum contribution requirements. Cash contributions to our pension and post retirement plans totaled $41.7 million, $53.3 million and $53.1 million in 2016, 2015 and 2014, respectively.

Investing activities

Our principal uses of cash for investment purposes relate to purchases of property, plant and equipment and capitalized software, purchases of short-term investments and acquisitions of businesses, partially offset by proceeds from sales of property, plant and equipment and short-term investments. We used cash of $595.5 million for investing activities in 2016 compared to $477.2 million in 2015, with the increase driven by additional business acquisition activity. We used cash of $862.6 million for investing activities in 2014, which was primarily driven by additional business acquisition activity and purchases of short-term investments.

Primary investing activities include the following:

- *Capital spending*. Capital expenditures, including capitalized software, primarily to support capacity expansion, innovation and cost savings, were $269.5 million in 2016, $356.8 million in 2015 and $370.8 million in 2014. The reduction in 2016 was largely due to completion of the Malaysia plant construction early in the year. Our 2015 and 2014 expenditures included approximately $80 million and $115 million, respectively, relating to the Malaysia plant construction. Capitalized software additions were primarily related to ongoing enhancements of our information systems. We expect 2017 capital expenditures, including capitalized software, to approximate $270 million to $290 million.

- *Acquisitions and divestitures*. In 2016, we spent $285.4 million to acquire Ripple Brand Collective, LLC. In 2015, we spent $218.7 million to acquire Krave, partially offset by net cash received of $32 million from the sale of Mauna Loa. In 2014, we spent $396.3 million to acquire three businesses, including $379.7 million for SGM and $26.6 million for Allan Candy, partially offset by net cash received of $10.0 million relating to the acquisition of an additional 5.9% interest in Lotte Shanghai Foods Co., Ltd., a joint venture established in 2007 in China, whereby cash acquired in the transaction exceeded the $5.6 million paid for the controlling interest. See Note 2 to the Consolidated Financial Statements for additional information regarding our recent acquisitions.

- *Investments in partnerships qualifying for tax credits*. We make investments in partnership entities that in turn make equity investments in projects eligible to receive federal historic and energy tax credits. We invested approximately $13.5 million more in projects qualifying for tax credits in 2016 compared to 2015.

- *Short-term investments*. We had no short-term investment activity in 2016. In 2015, we received proceeds of $95 million from the sale of short-term investments, which had been purchased in 2014 for approximately $97 million.

Financing activities

Our cash flow from financing activities generally relates to the use of cash for purchases of our Common Stock and payment of dividends, offset by net borrowing activity and proceeds from the exercise of stock options. We used cash of $434.4 million for financing activities in 2016 compared to $755.2 million in 2015, with the decrease due mainly to higher proceeds from the issuance of long-term borrowings, partially offset by the purchase of the remaining 20% of the outstanding shares of SGM and higher dividend payments in 2016. We used cash of $719.3 million for financing activities in 2014, primarily to fund dividend payments and share repurchases.

The majority of our financing activity was attributed to the following:

- *Short-term borrowings, net.* In addition to utilizing cash on hand, we use short-term borrowings (commercial paper and bank borrowings) to fund seasonal working capital requirements and ongoing business needs. In

2016, we generated cash flow of $275.6 million through short-term commercial paper borrowings, partially offset by payments in short-term foreign borrowings. In 2015, we generated cash flow of $10.7 million as a result of higher borrowings at certain of our international businesses. In 2014, we generated additional cash flow from the issuance of $55.0 million in commercial paper as well as incremental borrowings at certain international locations in support of sales growth.

- *Long-term debt borrowings and repayments*. In 2016, we used $500 million to repay long-term debt. Additionally, in 2016, we issued $500 million of 2.30% Notes due in 2026 and $300 million of 3.375% Notes due in 2046. In 2015, we used $355 million to repay long-term debt, including $100.2 million to repurchase $71.6 million of our long-term debt as part of a cash tender offer. Additionally, in 2015, we issued $300 million of 1.60% Notes due in 2018 and $300 million of 3.20% Notes due in 2025. We had no repayment or issuance activity in 2014.

- *Share repurchases*. We repurchase shares of Common Stock to offset the dilutive impact of treasury shares issued under our equity compensation plans. The value of these share repurchases in a given period varies based on the volume of stock options exercised and our market price. In addition, we periodically repurchase shares of Common Stock pursuant to Board-authorized programs intended to drive additional stockholder value. We used cash for total share repurchases of $592.6 million in 2016, compared to $582.5 million in 2015. This included purchases pursuant to authorized programs of $420.2 million to purchase 4.6 million shares in 2016 and $402.5 million to purchase 4.2 million shares in 2015. We used cash for total share repurchases of $576.8 million in 2014, which included purchases pursuant to authorized programs of $202.3 million to purchase 2.1 million shares. As of December 31, 2016, approximately $100 million remained available under the $500 million share repurchase authorization approved by the Board in January 2016.

- *Dividend payments*. Total dividend payments to holders of our Common Stock and Class B Common Stock were $499.5 million in 2016, $476.1 million in 2015 and $440.4 million in 2014. Dividends per share of Common Stock increased 7.4% to $2.402 per share in 2016 compared to $2.236 per share in 2015, while dividends per share of Class B Common Stock increased 7.5% in 2016.

- *Proceeds from the exercise of stock options, including tax benefits.* We received $124.8 million from employee exercises of stock options, including excess tax benefits, in 2016, as compared to $97.6 million in 2015 and $175.8 million in 2014. Variances are driven primarily by the number of shares exercised and the share price at the date of grant.

- *Other.* In February 2016, we used $35.8 million to purchase the remaining 20% of the outstanding shares of SGM. In September 2015, we acquired the remaining 49% interest in Hershey do Brasil Ltda. under a cooperative agreement with Bauducco for approximately $38.3 million. Additionally, in December 2015, we paid $10.0 million in contingent consideration to the shareholders of Krave.

Liquidity and Capital Resources

At December 31, 2016, our cash and cash equivalents totaled $297.0 million. At December 31, 2015, our cash and cash equivalents totaled $346.5 million. Our cash and cash equivalents at the end of 2016 declined $49.5 million compared to the 2015 year-end balance as a result of the net uses of cash outlined in the previous discussion.

Approximately two-thirds of the balance of our cash and cash equivalents at December 31, 2016 was held by subsidiaries domiciled outside of the United States. If these amounts held outside of the United States were to be repatriated, under current law they would be subject to U.S. federal income taxes, less applicable foreign tax credits. However, our intent is to permanently reinvest these funds outside of the United States. The cash that our foreign subsidiaries hold for indefinite reinvestment is expected to be used to finance foreign operations and investments. We believe we have sufficient liquidity to satisfy our cash needs, including our cash needs in the United States.

We maintain debt levels we consider prudent based on our cash flow, interest coverage ratio and percentage of debt to capital. We use debt financing to lower our overall cost of capital which increases our return on stockholders' equity. Our total debt was $3.0 billion at December 31, 2016 and $2.4 billion at December 31, 2015. Our total debt increased in 2016 mainly due to the additional debt issued mid-year to repay commercial paper that had been used to fund the Ripple Brand Collective, LLC acquisition in April 2016.

As a source of short-term financing, we maintain a $1.0 billion unsecured revolving credit facility, with an option to increase borrowings by an additional $400 million with the consent of the lenders. As of December 31, 2016, the termination date of this agreement is November 2020. We may use these funds for general corporate purposes, including commercial paper backstop and business acquisitions. As of December 31, 2016, we had $526 million of available capacity under the agreement. The unsecured revolving credit agreement contains certain financial and other covenants, customary representations, warranties and events of default. We were in compliance with all covenants as of December 31, 2016.

In addition to the revolving credit facility, we maintain lines of credit in various currencies with domestic and international commercial banks. As of December 31, 2016, we had available capacity of $345.4 million under these lines of credit.

Furthermore, we have a current shelf registration statement filed with the SEC that allows for the issuance of an indeterminate amount of debt securities. Proceeds from the debt issuances and any other offerings under the current registration statement may be used for general corporate requirements, including reducing existing borrowings, financing capital additions and funding contributions to our pension plans, future business acquisitions and working capital requirements.

Our ability to obtain debt financing at comparable risk-based interest rates is partly a function of our existing cash-flow-to-debt and debt-to-capitalization levels as well as our current credit standing.

We believe that our existing sources of liquidity are adequate to meet anticipated funding needs at comparable risk-based interest rates for the foreseeable future. Acquisition spending and/or share repurchases could potentially increase our debt. Operating cash flow and access to capital markets are expected to satisfy our various cash flow requirements, including acquisitions and capital expenditures.

Equity Structure

We have two classes of stock outstanding – Common Stock and Class B Stock. Holders of the Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors. Holders of the Common Stock have 1 vote per share. Holders of the Class B Stock have 10 votes per share. Holders of the Common Stock, voting separately as a class, are entitled to elect one-sixth of our Board. With respect to dividend rights, holders of the Common Stock are entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

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"), maintains voting control over The Hershey Company. In addition, a representative of Hershey Trust Company currently serves as a member of the Company's Board. In performing his responsibilities on the Company's Board, this representative may from time to time exercise influence with regard to the ongoing business decisions of our Board or management. Hershey Trust Company, as trustee for the Milton Hershey School Trust, in its role as controlling stockholder of the Company, has indicated it intends to retain its controlling interest in The Hershey Company. The Company's Board, and not the Hershey Trust Company board, is solely responsible and accountable for the Company's management and performance.

Pennsylvania law requires that the Office of Attorney General be provided advance notice of any transaction that would result in Hershey Trust Company, as trustee for the Milton Hershey School Trust, no longer having voting control of the Company. The law provides specific statutory authority for the Attorney General to intercede and petition the court having jurisdiction over Hershey Trust Company, as trustee for the Milton Hershey School Trust, to stop such a transaction if the Attorney General can prove that the transaction is unnecessary for the future economic viability of the Company and is inconsistent with investment and management considerations under fiduciary

obligations. This legislation makes it more difficult for a third party to acquire a majority of our outstanding voting stock and thereby may delay or prevent a change in control of the Company.

Guarantees and Other Off-Balance Sheet Arrangements

We do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, that we believe could have a material impact on our financial condition or liquidity.

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2016:

	Payments due by Period				
	In millions of dollars				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt	$ 2,347.7	$ 0.2	$ 300.6	$ 435.8	$ 1,611.1
Interest expense (1)	850.7	78.9	156.2	136.5	479.1
Lease obligations (2)	248.5	11.7	26.1	21.7	189.0
Minimum pension plan funding obligations (3)	19.6	1.2	10.3	5.4	2.7
Unconditional purchase obligations (4)	1,558.8	1,282.2	276.6	—	—
Total obligations	$ 5,025.3	$ 1,374.2	$ 769.8	$ 599.4	$ 2,281.9

(1) Includes the net interest payments on fixed and variable rate debt and associated interest rate swaps. Interest associated with variable rate debt was forecasted using the LIBOR forward curve as of December 31, 2016.

(2) Includes the minimum rental commitments under non-cancelable operating leases primarily for offices, retail stores, warehouses and distribution facilities.

(3) Represents future pension payments to comply with local funding requirements. Our policy is to fund domestic pension liabilities in accordance with the minimum and maximum limits imposed by the Employee Retirement Income Security Act of 1974 ("ERISA"), federal income tax laws and the funding requirements of the Pension Protection Act of 2006. We fund non-domestic pension liabilities in accordance with laws and regulations applicable to those plans. For more information, see Note 9 to the Consolidated Financial Statements.

(4) Purchase obligations consist primarily of fixed commitments for the purchase of raw materials to be utilized in the normal course of business. Amounts presented included fixed price forward contracts and unpriced contracts that were valued using market prices as of December 31, 2016. The amounts presented in the table do not include items already recorded in accounts payable or accrued liabilities at year-end 2016, nor does the table reflect cash flows we are likely to incur based on our plans, but are not obligated to incur. Such amounts are part of normal operations and are reflected in historical operating cash flow trends. We do not believe such purchase obligations will adversely affect our liquidity position.

In entering into contractual obligations, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. We mitigate this risk by performing financial assessments prior to contract execution, conducting periodic evaluations of counterparty performance and maintaining a diverse portfolio of qualified counterparties. Our risk is limited to replacing the contracts at prevailing market rates. We do not expect any significant losses resulting from counterparty defaults.

Asset Retirement Obligations

We have a number of facilities that contain varying amounts of asbestos in certain locations within the facilities. Our asbestos management program is compliant with current applicable regulations, which require that we handle or dispose of asbestos in a specified manner if such facilities undergo major renovations or are demolished. We do not have sufficient information to estimate the fair value of any asset retirement obligations related to these facilities. We cannot specify the settlement date or range of potential settlement dates and, therefore, sufficient information is not available to apply an expected present value technique. We expect to maintain the facilities with repairs and maintenance activities that would not involve or require the removal of significant quantities of asbestos.

Income Tax Obligations

Liabilities for unrecognized income tax benefits are excluded from the table above as we are unable to reasonably predict the ultimate amount or timing of a settlement of these potential liabilities. See Note 8 to the Consolidated Financial Statements for more information.

Recent Accounting Pronouncements

Information on recently issued accounting standards is included in Note 1 to the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements requires management to use judgment and make estimates and assumptions. We believe that our most critical accounting policies and estimates relate to the following:

- Accrued Liabilities for Trade Promotion Activities
- Pension and Other Post-Retirement Benefits Plans
- Goodwill and Other Intangible Assets
- Income Taxes

Management has discussed the development, selection and disclosure of critical accounting policies and estimates with the Audit Committee of our Board. While we base estimates and assumptions on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from these estimates and assumptions. Other significant accounting policies are outlined in Note 1 to the Consolidated Financial Statements.

Accrued Liabilities for Trade Promotion Activities

We promote our products with advertising, trade promotions and consumer incentives. These programs include, but are not limited to, discounts, coupons, rebates, in-store display incentives and volume-based incentives. We expense advertising costs and other direct marketing expenses as incurred. We recognize the costs of trade promotion and consumer incentive activities as a reduction to net sales along with a corresponding accrued liability based on estimates at the time of revenue recognition. These estimates are based on our analysis of the programs offered, historical trends, expectations regarding customer and consumer participation, sales and payment trends and our experience with payment patterns associated with similar programs offered in the past.

Our trade promotional costs totaled $1,157.4 million, $1,122.3 million and $1,125.5 million in 2016, 2015 and 2014, respectively. The estimated costs of these programs are reasonably likely to change in the future due to changes in trends with regard to customer and consumer participation, particularly for new programs and for programs related to the introduction of new products. Differences between estimated expense and actual program performance are recognized as a change in estimate in a subsequent period and are normally not significant. Over the three-year period ended December 31, 2016, actual promotional costs have not deviated from the estimated amount for a given year by more than 3%.

Pension and Other Post-Retirement Benefits Plans

We sponsor various defined benefit pension plans. The primary plans are The Hershey Company Retirement Plan and The Hershey Company Retirement Plan for Hourly Employees, which are cash balance plans that provide pension benefits for most U.S. employees hired prior to January 1, 2007. We also sponsor two primary other post-employment benefit ("OPEB") plans, consisting of a health care plan and life insurance plan for retirees. The health care plan is contributory, with participants' contributions adjusted annually, and the life insurance plan is non-contributory.

For accounting purposes, the defined benefit pension and OPEB plans require assumptions to estimate the projected and accumulated benefit obligations, including the following variables: discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality; expected return on assets; and health care cost trend rates. These and other assumptions affect the annual expense and obligations recognized for the underlying plans. Our assumptions reflect our historical experiences and management's best judgment regarding future expectations. Our related accounting policies, accounting balances and plan assumptions are discussed in Note 9 to the Consolidated Financial Statements.

Pension Plans

Changes in certain assumptions could significantly affect pension expense and benefit obligations, particularly the estimated long-term rate of return on plan assets and the discount rates used to calculate such obligations:

- Long-term rate of return on plan assets. The expected long-term rate of return is evaluated on an annual basis. We consider a number of factors when setting assumptions with respect to the long-term rate of return, including current and expected asset allocation and historical and expected returns on the plan asset categories. Actual asset allocations are regularly reviewed and periodically rebalanced to the targeted allocations when considered appropriate. Investment gains or losses represent the difference between the expected return estimated using the long-term rate of return and the actual return realized. For 2017, we reduced the expected return on plan assets assumption to 5.8% from the 6.1% assumption used during 2016, reflecting lower expected long-term returns due to slowing growth in developed and emerging markets. The historical average return (compounded annually) over the 20 years prior to December 31, 2016 was approximately 6.5%.

  As of December 31, 2016, our primary plans had cumulative unrecognized investment and actuarial losses of approximately $418 million. We amortize the unrecognized net actuarial gains and losses in excess of the corridor amount, which is the greater of 10% of a respective plan's projected benefit obligation or the fair market value of plan assets. These unrecognized net losses may increase future pension expense if not offset by (i) actual investment returns that exceed the expected long-term rate of investment returns, (ii) other factors, including reduced pension liabilities arising from higher discount rates used to calculate pension obligations or (iii) other actuarial gains when actual plan experience is favorable as compared to the assumed experience. A 100 basis point decrease or increase in the long-term rate of return on pension assets would correspondingly increase or decrease annual net periodic pension benefit expense by approximately $10 million.

- Discount rate. The discount rate used to determine the present value of our future pension obligation at December 31, 2016 was based on a yield curve constructed from a portfolio of high-quality corporate debt securities for which the timing and amount of cash flows approximate the estimated benefit payments of the plans. The plans' expected cash flows are then discounted by the resulting year-by-year spot rates. A 100 basis point decline in the weighted-average pension discount rate would increase annual net periodic pension benefit expense by approximately $7 million and the December 31, 2016 pension liability would increase by approximately $97 million.

Pension expense for defined benefit pension plans is estimated to approximate $35 million in 2017. Pension expense beyond 2017 will depend on future investment performance, our contributions to the pension trusts, changes in discount rates and various other factors related to the covered employees in the plans.

Other Post-Employment Benefit Plans

Changes in significant assumptions could affect consolidated expense and benefit obligations, particularly the discount rates used to calculate such obligations and the healthcare cost trend rate:

- Discount rate. The determination of the discount rate used to calculate the benefit obligations of the OPEB plans is discussed in the pension plans section above. If the discount rate assumption for these plans was reduced by 100 basis points, the impact to the OPEB plans consolidated expense would not be material and the increase in the December 31, 2016 benefit liability would be approximately $27 million.

- Healthcare cost trend rate. The healthcare cost trend rate is based on a combination of inputs including our recent claims history and insights from external advisers regarding recent developments in the healthcare marketplace, as well as projections of future trends in the marketplace. See Note 9 to the Consolidated Financial Statements for disclosure of the effects of a one percentage point change in the healthcare cost trend rate.

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or more often if indicators of a potential impairment are present. Our annual impairment tests are conducted at the beginning of the fourth quarter.

We test goodwill for impairment by either performing a qualitative assessment or using a two-step quantitative process. If we choose to perform a qualitative assessment, we evaluate economic, industry and company-specific factors as an initial step in assessing the fair value of the related reporting unit. If we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying value, the two-step process is then performed. Otherwise, no further testing is required. For those reporting units tested using the two-step process, we first compare the fair value of each reporting unit with the carrying amount of the reporting unit, including goodwill. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, we complete a second step to determine the amount of the goodwill impairment that we should record. In the second step, we determine an implied fair value of the reporting unit's goodwill by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets). We compare the resulting implied fair value of the goodwill to the carrying amount and record an impairment charge for the difference. We test individual indefinite-lived intangible assets by comparing the estimated fair value with the book values of each asset.

We determine the fair value of our reporting units and indefinite-lived intangible assets using an income approach. Under the income approach, we calculate the fair value of our reporting units and indefinite-lived intangible assets based on the present value of estimated future cash flows. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate the future cash flows used to measure fair value. Our estimates of future cash flows consider past performance, current and anticipated market conditions and internal projections and operating plans which incorporate estimates for sales growth and profitability, and cash flows associated with taxes and capital spending. Additional assumptions include forecasted growth rates, estimated discount rates, which may be risk-adjusted for the operating market of the reporting unit, and estimated royalty rates that would be charged for comparable branded licenses. We believe such assumptions also reflect current and anticipated market conditions and are consistent with those that would be used by other marketplace participants for similar valuation purposes. Such assumptions are subject to change due to changing economic and competitive conditions.

We also have intangible assets, consisting primarily of certain trademarks, customer-related intangible assets and patents obtained through business acquisitions, that are expected to have determinable useful lives. The costs of finite-lived intangible assets are amortized to expense over their estimated lives. Our estimates of the useful lives of finite-lived intangible assets consider judgments regarding the future effects of obsolescence, demand, competition and other economic factors. We conduct impairment tests when events or changes in circumstances indicate that the carrying value of these finite-lived assets may not be recoverable. Undiscounted cash flow analyses are used to determine if an impairment exists. If an impairment is determined to exist, the loss is calculated based on the estimated fair value of the assets.

At December 31, 2016, the net book value of our goodwill totaled $812.3 million and related to five reporting units. As it relates to our annual testing performed at the beginning of the fourth quarter, no additional goodwill impairment was indicated, and the percentage of excess fair value over carrying value was at least 100% for each of our tested reporting units.

In 2015, we recorded a $280.8 million impairment charge resulting from our interim reassessment of the valuation of the SGM business, coupled with the write-down of goodwill attributed to the China chocolate business in connection with the SGM acquisition. As a result of declining performance levels and our post-acquisition assessment, we determined that GAAP required an interim impairment test of the SGM reporting unit. We performed the first step of this test as of July 5, 2015 using an income approach based on our estimates of future performance scenarios for the business. The results of this test indicated that the fair value of the reporting unit was less than the carrying amount as of the measurement date, suggesting that a goodwill impairment was probable, which required us to perform a second step analysis to confirm that an impairment existed and to determine the amount of the impairment based on our reassessed value of the reporting unit. Although preliminary, as a result of this reassessment, in the second quarter of 2015 we recorded an estimated $249.8 million non-cash goodwill impairment charge, representing a write-down of all of the goodwill related to the SGM reporting unit as of July 5, 2015. During the third quarter, we increased the value

of acquired goodwill by $16.6 million, with the corresponding offset principally represented by the establishment of additional opening balance sheet liabilities for additional commitments and contingencies that were identified through our post-acquisition assessment. We also finalized the impairment test of the goodwill relating to the SGM reporting unit, which resulted in a write-off of this additional goodwill in the third quarter, for a total impairment of $266.4 million. We also tested the other long-lived assets of SGM for recoverability by comparing the sum of the undiscounted cash flows to the carrying value of the asset group, and no impairment was indicated.

In connection with the 2014 SGM acquisition, we had assigned approximately $15 million of goodwill to our existing China chocolate business, as this reporting unit was expected to benefit from acquisition synergies relating to the sale of Golden Monkey-branded product through its Tier 1 and hypermarket distributor networks. As the net sales and earnings of our China business continued to be adversely impacted by macroeconomic challenges and changing consumer shopping behavior through the third quarter of 2015, we determined that an interim impairment test of the goodwill in this reporting unit was also required. We performed the first step of this test in the third quarter of 2015 using an income approach based on our estimates of future performance scenarios for the business. The results of this test suggested that a goodwill impairment was probable, and the conclusions of the second step analysis resulted in a write-down of $14.4 million, representing the full value of goodwill attributed to this reporting unit as of October 4, 2015. We also tested the other long-lived assets of the China asset group for recoverability by comparing the sum of the undiscounted cash flows to the carrying value of the asset group, and no impairment was indicated.

During our 2014 annual testing, the fair value of our India reporting unit approximated its carrying value. As a result and given the sensitivity of the India impairment analysis to changes in the underlying assumptions, we performed a step two analysis which indicated a goodwill impairment of $11.4 million. In addition, our 2014 annual test of indefinite-lived intangible assets resulted in a $4.5 million pre-tax write-down of a trademark, also associated with the India business. Also in 2014, in connection with the anticipated sale of our Mauna Loa business (as discussed in Note 2 to the Consolidated Financial Statements), during the third and fourth quarters of 2014, we recorded estimated impairment charges totaling $18.5 million to write-down goodwill and an indefinite-lived trademark intangible asset, based on the valuation of these assets as implied by the agreed-upon sales price.

Income Taxes

We base our deferred income taxes, accrued income taxes and provision for income taxes upon income, statutory tax rates, the legal structure of our Company, interpretation of tax laws and tax planning opportunities available to us in the various jurisdictions in which we operate. We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. We are regularly audited by federal, state and foreign tax authorities, but a number of years may elapse before an uncertain tax position, for which we have unrecognized tax benefits, is audited and finally resolved. From time to time, these audits result in assessments of additional tax. We maintain reserves for such assessments.

We apply a more-likely-than-not threshold to the recognition and derecognition of uncertain tax positions. Accordingly, we recognize the amount of tax benefit that has a greater than 50% likelihood of being ultimately realized upon settlement. Future changes in judgments and estimates related to the expected ultimate resolution of uncertain tax positions will affect income in the quarter of such change. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our unrecognized tax benefits reflect the most likely outcome. Accrued interest and penalties related to unrecognized tax benefits are included in income tax expense. We adjust these unrecognized tax benefits, as well as the related interest, in light of changing facts and circumstances, such as receiving audit assessments or clearing of an item for which a reserve has been established. Settlement of any particular position could require the use of cash. Favorable resolution would be recognized as a reduction to our effective income tax rate in the period of resolution.

We believe it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets, net of valuation allowances. Our valuation allowances are primarily related to U.S. capital loss carryforwards and various foreign jurisdictions' net operating loss carryforwards and other deferred tax assets for which we do not expect to realize a benefit.

Item 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

We use certain derivative instruments to manage our interest rate, foreign currency exchange rate and commodity price risks. We monitor and manage these exposures as part of our overall risk management program.

We enter into interest rate swap agreements and foreign currency forward exchange contracts and options for periods consistent with related underlying exposures. We enter into commodities futures and options contracts and other derivative instruments for varying periods. These commodity derivative instruments are intended to be, and are effective as, economic hedges of market price risks associated with anticipated raw material purchases, energy requirements and transportation costs. We do not hold or issue derivative instruments for trading purposes and are not a party to any instruments with leverage or prepayment features.

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

Refer to Note 1 and Note 5 to the Consolidated Financial Statements for further discussion of these derivative instruments and our hedging policies.

Interest Rate Risk

In order to manage interest rate exposure, we may periodically enter into interest rate swap agreements including fixed-to-floating interest rate swaps to achieve a desired proportion of variable versus fixed rate debt based on current and projected market conditions and forward starting interest rate swap agreements to reduce interest volatility associated with certain anticipated debt issues. When utilized, the notional amount, interest payment and maturity date of these swaps generally match the principal, interest payment and maturity date of the related debt, and the swaps are valued using observable benchmark rates.

The total notional amount of interest rate swaps outstanding at December 31, 2016 and 2015 was $350 million and $850 million, respectively. We had one forward starting interest rate swap agreement in a cash flow hedging relationship with a notional amount of $500 million at December 31, 2015. This interest rate swap agreement was settled in connection with the issuance of debt in August 2016, resulting in a payment of approximately $87 million which is reflected within operating activities in the Consolidated Statement of Cash Flows. The notional amount at December 31, 2016 and 2015 includes $350 million of fixed-to-floating interest rate swaps that convert a comparable amount of fixed-rate debt to variable-rate debt. A hypothetical 100 basis point increase in interest rates applied to this now variable-rate debt as of December 31, 2016 would have increased interest expense by approximately $3.6 million for the full year 2016 and 2015, respectively.

We consider our current risk related to market fluctuations in interest rates on our remaining debt portfolio, excluding fixed-rate debt converted to variable rates with fixed-to-floating instruments, to be minimal since this debt is largely long-term and fixed-rate in nature. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A 100 basis point increase in market interest rates would decrease the fair value of our fixed-rate long-term debt at December 31, 2016 and December 31, 2015 by approximately $142 million and $76 million, respectively. However, since we currently have no plans to repurchase our outstanding fixed-rate instruments before their maturities, the impact of market interest rate fluctuations on our long-term debt does not affect our results of operations or financial position.

Foreign Currency Exchange Rate Risk

We are exposed to currency fluctuations related to manufacturing or selling products in currencies other than the U.S. dollar. We may enter into foreign currency forward exchange contracts and options to reduce fluctuations in our long or short currency positions relating primarily to purchase commitments or forecasted purchases for equipment, raw materials and finished goods denominated in foreign currencies. We also may hedge payment of forecasted intercompany transactions with our subsidiaries outside of the United States. We generally hedge foreign currency price risks for periods from 3 to 12 months.

A summary of foreign currency forward exchange contracts and the corresponding amounts at contracted forward rates is as follows:

December 31,	2016		2015	
	Contract Amount	Primary Currencies	Contract Amount	Primary Currencies
In millions of dollars				
Foreign currency forward exchange contracts to purchase foreign currencies	$ 9.4	Euros	$ 19.8	Euros
Foreign currency forward exchange contracts to sell foreign currencies	$ 80.4	Canadian dollars Brazilian reals Japanese yen	$ 11.9	Brazilian reals Japanese yen

The fair value of foreign currency forward exchange contracts represents the difference between the contracted and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign currency forward exchange contracts on a quarterly basis by obtaining market quotes of spot and forward rates for contracts with similar terms, adjusted where necessary for maturity differences. At December 31, 2016 and 2015, the net fair value of these instruments was an asset of $1.4 million and a liability of $0.1 million, respectively. Assuming an unfavorable 10% change in year-end foreign currency exchange rates, the fair value of these instruments would have declined by $9.6 million and $3.2 million, respectively.

Commodities—Price Risk Management and Futures Contracts

Our most significant raw material requirements include cocoa products, sugar, dairy products, peanuts and almonds. The cost of cocoa products and prices for related futures contracts and costs for certain other raw materials historically have been subject to wide fluctuations attributable to a variety of factors. These factors include:

- Commodity market fluctuations;
- Foreign currency exchange rates;
- Imbalances between supply and demand;
- The effect of weather on crop yield;
- Speculative influences;
- Trade agreements among producing and consuming nations;
- Supplier compliance with commitments;
- Political unrest in producing countries; and
- Changes in governmental agricultural programs and energy policies.

We use futures and options contracts and other commodity derivative instruments in combination with forward purchasing of cocoa products, sugar, corn sweeteners, natural gas and certain dairy products primarily to reduce the risk of future price increases and provide visibility to future costs. Currently, active futures contracts are not available for use in pricing our other major raw material requirements, primarily peanuts and almonds. We attempt to minimize the effect of future price fluctuations related to the purchase of raw materials by using forward purchasing to cover future manufacturing requirements generally for 3 to 24 months. However, dairy futures liquidity is not as developed as many of the other commodities futures markets and, therefore, it can be difficult to hedge our costs for dairy products by entering into futures contracts or other derivative instruments to extend coverage for long periods of time. We use diesel swap futures contracts to minimize price fluctuations associated with our transportation costs. Our commodity procurement practices are intended to reduce the risk of future price increases and provide visibility to future costs, but also may potentially limit our ability to benefit from possible price decreases. Our costs for major raw materials will not necessarily reflect market price fluctuations primarily because of our forward purchasing and hedging practices.

During 2016, average cocoa futures contract prices decreased compared with 2015 and traded in a range between $1.03 and $1.38 per pound, based on the Intercontinental Exchange futures contract. Cocoa production was lower during the 2015 to 2016 crop year and global demand was slightly higher, which produced a small reduction in global cocoa stocks over the past year. Despite the slight decrease in global cocoa inventories, prices started to decline in

response to expectations that future cocoa supply increases were going to outpace demand and rebuild global stocks during the subsequent crop year.

The table below shows annual average cocoa futures prices and the highest and lowest monthly averages for each of the calendar years indicated. The prices reflect the monthly averages of the quotations at noon of the three active futures trading contracts closest to maturity on the Intercontinental Exchange.

	Cocoa Futures Contract Prices (dollars per pound)				
	2016	2015	2014	2013	2012
Annual Average	$ 1.29	$ 1.40	$ 1.36	$ 1.09	$ 1.06
High	1.38	1.53	1.45	1.26	1.17
Low	1.03	1.28	1.25	0.97	1.00

Source: International Cocoa Organization Quarterly Bulletin of Cocoa Statistics

Our costs for cocoa products will not necessarily reflect market price fluctuations because of our forward purchasing and hedging practices, premiums and discounts reflective of varying delivery times, and supply and demand for our specific varieties and grades of cocoa liquor, cocoa butter and cocoa powder. As a result, the average futures contract prices are not necessarily indicative of our average costs.

During 2016, prices for fluid dairy milk ranged from a low of $0.13 per pound to a high of $0.15 per pound, on a Class IV milk basis. Dairy prices were lower than 2015, driven by increased production in Europe and the United States as well as larger dairy product inventories globally.

The price of sugar is subject to price supports under U.S. farm legislation. Such legislation establishes import quotas and duties to support the price of sugar. As a result, sugar prices paid by users in the United States are currently higher than prices on the world sugar market. United States delivered east coast refined sugar prices traded in a range from $0.33 to $0.39 per pound during 2016.

Peanut prices in the United States began the year around $0.46 per pound and closed the year at $0.65 per pound. Drought conditions throughout 2016 in the key Southeast peanut growing region resulted in an estimated 5% smaller crop versus the 2015 crop and drove price increases. Almond prices began the year at $3.53 per pound and decreased to $2.84 per pound during 2016. Almond supply is ample to support U.S. demand heading into 2017 as the 2016 crop is expected to be approximately 11% larger than the 2015 crop. (Source: *Almond Board of California*)

We make or receive cash transfers to or from commodity futures brokers on a daily basis reflecting changes in the value of futures contracts on the Intercontinental Exchange or various other exchanges. These changes in value represent unrealized gains and losses. The cash transfers offset higher or lower cash requirements for the payment of future invoice prices of raw materials, energy requirements and transportation costs.

Commodity Sensitivity Analysis

Our open commodity derivative contracts had a notional value of $739.4 million as of December 31, 2016 and $374.8 million as of December 31, 2015. At the end of 2016, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net unrealized losses in 2016 by $73.9 million, generally offset by a reduction in the cost of the underlying commodity purchases.

Item 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

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RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Hershey Company is responsible for the financial statements and other financial information contained in this report. We believe that the financial statements have been prepared in conformity with U.S. generally accepted accounting principles appropriate under the circumstances to reflect in all material respects the substance of applicable events and transactions. In preparing the financial statements, it is necessary that management make informed estimates and judgments. The other financial information in this annual report is consistent with the financial statements.

We maintain a system of internal accounting controls designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. The concept of reasonable assurance is based on the recognition that the cost of the system must be related to the benefits to be derived. We believe our system provides an appropriate balance in this regard. We maintain an Internal Audit Department which reviews the adequacy and tests the application of internal accounting controls.

The 2016, 2015 and 2014 financial statements have been audited by KPMG LLP, an independent registered public accounting firm. KPMG LLP's report on our financial statements and internal controls over financial reporting is included herein.

The Audit Committee of the Board of Directors of the Company, consisting solely of independent, non-management directors, meets regularly with the independent auditors, internal auditors and management to discuss, among other things, the audit scope and results. KPMG LLP and the internal auditors both have full and free access to the Audit Committee, with and without the presence of management.

/s/ JOHN P. BILBREY	/s/ PATRICIA A. LITTLE
John P. Bilbrey ***Chief Executive Officer*** ***(Principal Executive Officer)***	**Patricia A. Little** ***Chief Financial Officer*** ***(Principal Financial Officer)***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
The Hershey Company:

We have audited the accompanying consolidated balance sheets of The Hershey Company and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2016. In connection with our audits of the consolidated financial statements, we also have audited the related consolidated financial statement schedule. We also have audited the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013 edition)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule, and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Hershey Company and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Also in our opinion, The Hershey Company and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013 edition)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

New York, New York
February 21, 2017

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

For the years ended December 31,	2016	2015	2014
Net sales	$ 7,440,181	$ 7,386,626	$ 7,421,768
Cost of sales	4,282,290	4,003,951	4,085,602
Gross profit	3,157,891	3,382,675	3,336,166
Selling, marketing and administrative expense	1,915,378	1,969,308	1,898,284
Goodwill and other intangible asset impairment charges	4,204	280,802	15,900
Business realignment costs	32,526	94,806	29,721
Operating profit	1,205,783	1,037,759	1,392,261
Interest expense, net	90,143	105,773	83,532
Other (income) expense, net	16,159	30,139	2,686
Income before income taxes	1,099,481	901,847	1,306,043
Provision for income taxes	379,437	388,896	459,131
Net income	$ 720,044	$ 512,951	$ 846,912
Net income per share—basic:			
Common stock	$ 3.45	$ 2.40	$ 3.91
Class B common stock	$ 3.15	$ 2.19	$ 3.54
Net income per share—diluted:			
Common stock	$ 3.34	$ 2.32	$ 3.77
Class B common stock	$ 3.14	$ 2.19	$ 3.52
Dividends paid per share:			
Common stock	$ 2.402	$ 2.236	$ 2.040
Class B common stock	$ 2.184	$ 2.032	$ 1.842

See Notes to Consolidated Financial Statements.

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

	For the years ended December 31,								
	2016			2015			2014		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income			$ 720,044			$ 512,951			$ 846,912
Other comprehensive (loss) income, net of tax:									
Foreign currency translation adjustments	$ (13,041)	$ —	(13,041)	$ (59,707)	$ —	(59,707)	$ (26,851)	$ —	(26,851)
Pension and post-retirement benefit plans:									
Net actuarial gain (loss) and prior service cost	20,304	(7,776)	12,528	(5,559)	2,002	(3,557)	(158,613)	59,004	(99,609)
Reclassification to earnings	56,604	(21,653)	34,951	52,469	(18,910)	33,559	23,252	(8,659)	14,593
Cash flow hedges:									
Gains (losses) on cash flow hedging derivatives	(52,708)	18,701	(34,007)	61,839	(23,520)	38,319	(61,358)	24,281	(37,077)
Reclassification to earnings	(16,482)	7,524	(8,958)	(36,634)	13,416	(23,218)	(67,403)	24,341	(43,062)
Total other comprehensive (loss) income, net of tax	$ (5,323)	$ (3,204)	(8,527)	$ 12,408	$ (27,012)	(14,604)	$ (290,973)	$ 98,967	(192,006)
Total comprehensive income			$ 711,517			$ 498,347			$ 654,906
Comprehensive loss attributable to noncontrolling interests			3,664			2,152			—
Comprehensive income attributable to The Hershey Company			$ 715,181			$ 500,499			$ 654,906

See Notes to Consolidated Financial Statements.

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

December 31,	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 296,967	$ 346,529
Accounts receivable—trade, net	581,381	599,073
Inventories	745,678	750,970
Prepaid expenses and other	192,752	152,026
Total current assets	1,816,778	1,848,598
Property, plant and equipment, net	2,177,248	2,240,460
Goodwill	812,344	684,252
Other intangibles	492,737	379,305
Other assets	168,365	155,366
Deferred income taxes	56,861	36,390
Total assets	$ 5,524,333	$ 5,344,371
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 522,536	$ 474,266
Accrued liabilities	750,986	856,967
Accrued income taxes	3,207	23,243
Short-term debt	632,471	363,513
Current portion of long-term debt	243	499,923
Total current liabilities	1,909,443	2,217,912
Long-term debt	2,347,455	1,557,091
Other long-term liabilities	400,161	468,718
Deferred income taxes	39,587	53,188
Total liabilities	4,696,646	4,296,909
Stockholders' equity:		
The Hershey Company stockholders' equity		
Preferred stock, shares issued: none in 2016 and 2015	—	—
Common stock, shares issued: 299,281,967 in 2016 and 2015	299,281	299,281
Class B common stock, shares issued: 60,619,777 in 2016 and 2015	60,620	60,620
Additional paid-in capital	869,857	783,877
Retained earnings	6,115,961	5,897,603
Treasury—common stock shares, at cost: 147,642,009 in 2016 and 143,124,384 in 2015	(6,183,975)	(5,672,359)
Accumulated other comprehensive loss	(375,888)	(371,025)
Total—The Hershey Company stockholders' equity	785,856	997,997
Noncontrolling interests in subsidiaries	41,831	49,465
Total stockholders' equity	827,687	1,047,462
Total liabilities and stockholders' equity	$ 5,524,333	$ 5,344,371

See Notes to Consolidated Financial Statements.

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

For the years ended December 31,	2016	2015	2014
Operating Activities			
Net income	$ 720,044	$ 512,951	$ 846,912
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	301,837	244,928	211,532
Stock-based compensation expense	54,785	51,533	54,068
Excess tax benefits from stock-based compensation	(22,062)	(24,839)	(53,497)
Deferred income taxes	(38,097)	(38,537)	18,796
Goodwill and other intangible asset impairment charges	4,204	280,802	15,900
Loss on early extinguishment of debt	—	28,326	—
Write-down of equity investments	43,482	39,489	—
Gain on settlement of SGM liability (see Note 2)	(26,650)	—	—
Other	51,375	28,467	(11,027)
Changes in assets and liabilities, net of business acquisitions and divestitures:			
Accounts receivable—trade, net	21,096	(24,440)	(67,464)
Inventories	13,965	52,049	(88,497)
Prepaid expenses and other current assets	(42,955)	118,007	(7,245)
Accounts payable and accrued liabilities	(72,295)	29,406	(59,102)
Contributions to pension and other benefits plans	(41,697)	(53,273)	(53,110)
Other assets and liabilities	16,443	(30,413)	37,111
Net cash provided by operating activities	983,475	1,214,456	844,377
Investing Activities			
Capital additions (including software)	(269,476)	(356,810)	(370,789)
Proceeds from sales of property, plant and equipment	3,651	1,205	1,612
Proceeds from sale of business	—	32,408	—
Equity investments in tax credit qualifying partnerships	(44,255)	(30,720)	—
Business acquisitions, net of cash and cash equivalents acquired	(285,374)	(218,654)	(396,265)
Sale (purchase) of short-term investments	—	95,316	(97,131)
Net cash used in investing activities	(595,454)	(477,255)	(862,573)
Financing Activities			
Net increase in short-term debt	275,607	10,720	117,515
Long-term borrowings	792,953	599,031	3,051
Repayment of long-term debt	(500,000)	(355,446)	(1,442)
Payment of SGM liability (see Note 2)	(35,762)	—	—
Cash dividends paid	(499,475)	(476,132)	(440,414)
Repurchase of common stock	(592,550)	(582,623)	(576,755)
Exercise of stock options	102,722	72,719	122,306
Excess tax benefits from stock-based compensation	22,062	24,839	53,497
Other	—	(48,270)	2,940
Net cash used in financing activities	(434,443)	(755,162)	(719,302)
Effect of exchange rate changes on cash and cash equivalents	(3,140)	(10,364)	(6,156)
Decrease in cash and cash equivalents	(49,562)	(28,325)	(743,654)
Cash and cash equivalents, beginning of period	346,529	374,854	1,118,508
Cash and cash equivalents, end of period	$ 296,967	$ 346,529	$ 374,854
Supplemental Disclosure			
Interest paid (excluding loss on early extinguishment of debt in 2015)	$ 90,951	$ 88,448	$ 87,801
Income taxes paid	425,539	368,926	384,318

See Notes to Consolidated Financial Statements.

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

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Stockholders' Equity
Balance, January 1, 2014	$ —	$ 299,281	$ 60,620	$ 664,944	$5,454,286	$(4,707,730)	$ (166,567)	$ 11,218	$ 1,616,052
Net income					846,912				846,912
Other comprehensive loss							(192,006)		(192,006)
Dividends:									
Common Stock, $2.04 per share					(328,752)				(328,752)
Class B Common Stock, $1.842 per share					(111,662)				(111,662)
Conversion of Class B common stock into common stock		—	—						—
Stock-based compensation				52,870					52,870
Exercise of stock options and incentive-based transactions				36,372		123,249			159,621
Repurchase of common stock						(576,755)			(576,755)
Acquisition of Lotte Shanghai Foods Co., Ltd.								49,724	49,724
Earnings of and contributions from noncontrolling interests, net								3,526	3,526
Balance, December 31, 2014	—	299,281	60,620	754,186	5,860,784	(5,161,236)	(358,573)	64,468	1,519,530
Net income					512,951				512,951
Other comprehensive loss							(12,452)	(2,152)	(14,604)
Dividends:									
Common Stock, $2.236 per share					(352,953)				(352,953)
Class B Common Stock, $2.032 per share					(123,179)				(123,179)
Stock-based compensation				50,722					50,722
Exercise of stock options and incentive-based transactions				8,204		71,500			79,704
Repurchase of common stock						(582,623)			(582,623)
Impact of reclassification to and purchase of redeemable noncontrolling interest				(29,235)				(13,428)	(42,663)
Earnings of noncontrolling interests								577	577
Balance, December 31, 2015	—	299,281	60,620	783,877	5,897,603	(5,672,359)	(371,025)	49,465	1,047,462
Net income					720,044				720,044
Other comprehensive loss							(4,863)	(3,664)	(8,527)
Dividends (including dividend equivalents):									
Common Stock, $2.402 per share					(369,292)				(369,292)
Class B Common Stock, $2.184 per share					(132,394)				(132,394)
Stock-based compensation				54,429					54,429
Exercise of stock options and incentive-based transactions				31,551		80,934			112,485
Repurchase of common stock						(592,550)			(592,550)
Loss of noncontrolling interests								(3,970)	(3,970)
Balance, December 31, 2016	$ —	$ 299,281	$ 60,620	$ 869,857	$6,115,961	$(6,183,975)	$ (375,888)	$ 41,831	$ 827,687

See Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Hershey Company together with its wholly-owned subsidiaries and entities in which it has a controlling interest, (the "Company," "Hershey," "we" or "us") is a global confectionery leader known for its branded portfolio of chocolate, sweets, mints and other great-tasting snacks. The Company has more than 80 brands worldwide including such iconic brand names as *Hershey's, Reese's, Kisses, Jolly Rancher* and *Ice Breakers,* which are marketed, sold and distributed in approximately 70 countries worldwide. Hershey is focused on growing its presence in key international markets while continuing to build its competitive advantage in North America. The Company currently operates through two reportable segments that are aligned with its management structure and the key markets it serves: North America and International and Other. For additional information on our segment presentation, see Note 11.

Basis of Presentation

Our consolidated financial statements include the accounts of The Hershey Company and its majority-owned or controlled subsidiaries. Intercompany transactions and balances have been eliminated. We have a controlling financial interest if we own a majority of the outstanding voting common stock and minority shareholders do not have substantive participating rights, we have significant control through contractual or economic interests in which we are the primary beneficiary or we have the power to direct the activities that most significantly impact the entity's economic performance. Net income (loss) attributable to noncontrolling interests is not significant and is recorded within selling, marketing and administrative expense in the Consolidated Statements of Income. See Note 12 for additional information on our noncontrolling interests. We use the equity method of accounting when we have a 20% to 50% interest in other companies and exercise significant influence. In addition, we use the equity method of accounting for our investments in partnership entities which make equity investments in projects eligible to receive federal historic and energy tax credits. See Note 8 for additional information on our equity investments in partnership entities qualifying for tax credits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Our significant estimates and assumptions include, among others, pension and other post-retirement benefit plan assumptions, valuation assumptions of goodwill and other intangible assets, useful lives of long-lived assets, marketing and trade promotion accruals and income taxes. These estimates and assumptions are based on management's best judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and the effects of any revisions are reflected in the consolidated financial statements in the period that they are determined. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Revenue Recognition

We record sales when all of the following criteria have been met:

- A valid customer order with a fixed price has been received;
- The product has been delivered to the customer;
- There is no further significant obligation to assist in the resale of the product; and
- Collectability is reasonably assured.

Net sales include revenue from the sale of finished goods and royalty income, net of allowances for trade promotions, consumer coupon programs and other sales incentives, and allowances and discounts associated with aged or potentially unsaleable products. Trade promotions and sales incentives primarily include reduced price features,

merchandising displays, sales growth incentives, new item allowances and cooperative advertising. Sales, use, value-added and other excise taxes are not recognized in revenue.

In 2016, 2015 and 2014, approximately 25%, 26% and 25%, respectively, of our consolidated net sales were made to McLane Company, Inc., one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers and the primary distributor of our products to Wal-Mart Stores, Inc.

Cost of Sales

Cost of sales represents costs directly related to the manufacture and distribution of our products. Primary costs include raw materials, packaging, direct labor, overhead, shipping and handling, warehousing and the depreciation of manufacturing, warehousing and distribution facilities. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance and property taxes.

Selling, Marketing and Administrative Expense

Selling, marketing and administrative expense ("SM&A") represents costs incurred in generating revenues and in managing our business. Such costs include advertising and other marketing expenses, selling expenses, research and development, administrative and other indirect overhead costs, amortization of capitalized software and depreciation of administrative facilities. Research and development costs, charged to expense as incurred, totaled $47,268 in 2016, $49,281 in 2015 and $47,554 in 2014. Advertising expense is also charged to expense as incurred and totaled $521,479 in 2016, $561,644 in 2015 and $570,223 in 2014. Prepaid advertising expense was $651 and $3,924 as of December 31, 2016 and 2015, respectively.

Cash Equivalents

Cash equivalents consist of highly liquid debt instruments, time deposits and money market funds with original maturities of three months or less. The fair value of cash and cash equivalents approximates the carrying amount.

Short-term Investments

Short-term investments consist of bank term deposits that have original maturity dates ranging from greater than three months to twelve months. Short-term investments are carried at cost, which approximates fair value.

Accounts Receivable—Trade

In the normal course of business, we extend credit to customers that satisfy pre-defined credit criteria, based upon the results of our recurring financial account reviews and our evaluation of current and projected economic conditions. Our primary concentrations of credit risk are associated with Wal-Mart Stores, Inc. and McLane Company, Inc., two customers served principally by our North America segment. As of December 31, 2016, McLane Company, Inc. accounted for approximately 19% of our total accounts receivable. Wal-Mart Stores, Inc. accounted for approximately 14% of our total accounts receivable as of December 31, 2016. No other customer accounted for more than 10% of our year-end accounts receivable. We believe that we have little concentration of credit risk associated with the remainder of our customer base. Accounts receivable-trade in the Consolidated Balance Sheets is presented net of allowances and anticipated discounts of $40,153 and $32,638 at December 31, 2016 and 2015, respectively.

Inventories

Inventories are valued at the lower of cost or market value, adjusted for the value of inventory that is estimated to be excess, obsolete or otherwise unsaleable. As of December 31, 2016, approximately 54% of our inventories, representing the majority of our U.S. inventories, were valued under the last-in, first-out ("LIFO") method. The remainder of our inventories in the U.S. and inventories for our international businesses are valued at the lower of first-in, first-out ("FIFO") cost or market. LIFO cost of inventories valued using the LIFO method was $402,919 as of December 31, 2016 and $410,865 as of December 31, 2015. The adjustment to LIFO, as shown in Note 16, approximates the excess of replacement cost over the stated LIFO inventory value. The net impact of LIFO acquisitions and liquidations was not material to 2016, 2015 or 2014.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, as follows: 3 to 15 years for machinery and equipment; and 25 to 40 years for buildings and related improvements. Total depreciation expense for the years ended December 31, 2016, 2015 and 2014 was $231,735, $197,054 and $176,312, respectively. Maintenance and repairs are expensed as incurred. We capitalize applicable interest charges incurred during the construction of new facilities and production lines and amortize these costs over the assets' estimated useful lives.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We measure the recoverability of assets to be held and used by a comparison of the carrying amount of long-lived assets to future undiscounted net cash flows expected to be generated. If these assets are considered to be impaired, we measure impairment as the amount by which the carrying amount of the assets exceeds the fair value of the assets. We report assets held for sale or disposal at the lower of the carrying amount or fair value less cost to sell.

We assess asset retirement obligations on a periodic basis and recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. We capitalize associated asset retirement costs as part of the carrying amount of the long-lived asset.

Computer Software

We capitalize costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and it is probable the software being developed will be completed and placed in service. Capitalized costs include only (i) external direct costs of materials and services consumed in developing or obtaining internal-use software, (ii) payroll and other related costs for employees who are directly associated with and who devote time to the internal-use software project and (iii) interest costs incurred, when material, while developing internal-use software. We cease capitalization of such costs no later than the point at which the project is substantially complete and ready for its intended purpose.

The unamortized amount of capitalized software totaled $95,301 and $68,004 at December 31, 2016 and 2015, respectively. We amortize software costs using the straight-line method over the expected life of the software, generally 3 to 5 years. Accumulated amortization of capitalized software was $322,807 and $304,057 as of December 31, 2016 and 2015, respectively. Such amounts are recorded within other assets in the Consolidated Balance Sheets.

We review the carrying value of software and development costs for impairment in accordance with our policy pertaining to the impairment of long-lived assets.

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or more often if indicators of a potential impairment are present. Our annual impairment tests are conducted at the beginning of the fourth quarter. We test goodwill for impairment by performing a qualitative assessment or using a two-step quantitative process. If we choose to perform a qualitative assessment, we evaluate economic, industry and company-specific factors as an initial step in assessing the fair value of the related reporting unit. If we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying value, the two-step process is then performed. Otherwise, no further testing is required. For those reporting units tested using the two-step process, we first compare the fair value of each reporting unit with the carrying amount of the reporting unit, including goodwill. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, we complete a second step to determine the amount of the goodwill impairment that we should record. In the second step, we determine an implied fair value of the reporting unit's goodwill by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets). We compare the resulting implied fair value of the goodwill to the carrying amount and record an impairment charge for the difference. We test individual indefinite-lived intangible assets by comparing the estimated fair value with the book values of each asset.

We determine the fair value of our reporting units and indefinite-lived intangible assets using an income approach. Under the income approach, we calculate the fair value of our reporting units and indefinite-lived intangible assets

based on the present value of estimated future cash flows. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate the future cash flows used to measure fair value. Our estimates of future cash flows consider past performance, current and anticipated market conditions and internal projections and operating plans which incorporate estimates for sales growth and profitability, and cash flows associated with taxes and capital spending. Additional assumptions include forecasted growth rates, estimated discount rates, which may be risk-adjusted for the operating market of the reporting unit, and estimated royalty rates that would be charged for comparable branded licenses. We believe such assumptions also reflect current and anticipated market conditions and are consistent with those that would be used by other marketplace participants for similar valuation purposes. Such assumptions are subject to change due to changing economic and competitive conditions. See Note 3 for additional information regarding the results of impairment tests.

The cost of intangible assets with finite useful lives is amortized on a straight-line basis. Our finite-lived intangible assets consist primarily of certain trademarks, customer-related intangible assets and patents obtained through business acquisitions, which are amortized over estimated useful lives of approximately 25 years, 15 years, and 5 years, respectively. When certain events or changes in operating conditions indicate that the carrying value of these assets may not be recoverable, we perform an impairment assessment and may adjust the remaining useful lives.

Currency Translation

The financial statements of our foreign entities with functional currencies other than the U.S. dollar are translated into U.S. dollars, with the resulting translation adjustments recorded as a component of other comprehensive income (loss). Assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the balance sheet date, while income and expense items are translated using the average exchange rates during the period.

Derivative Instruments

We use derivative instruments principally to offset exposure to market risks arising from changes in commodity prices, foreign currency exchange rates and interest rates. See Note 5 for additional information on our risk management strategy and the types of instruments we use.

Derivative instruments are recognized on the balance sheet at their fair values. When we become party to a derivative instrument and intend to apply hedge accounting, we designate the instrument for financial reporting purposes as a cash flow or fair value hedge. The accounting for changes in fair value (gains or losses) of a derivative instrument depends on whether we have designated it and it qualified as part of a hedging relationship, as noted below:

- Changes in the fair value of a derivative that is designated as a cash flow hedge are recorded in accumulated other comprehensive income (“AOCI”) to the extent effective and reclassified into earnings in the same period or periods during which the transaction hedged by that derivative also affects earnings.
- Changes in the fair value of a derivative that is designated as a fair value hedge, along with the offsetting loss or gain on the hedged asset or liability that is attributable to the risk being hedged, are recorded in earnings, thereby reflecting in earnings the net extent to which the hedge is not effective in achieving offsetting changes in fair value.
- Changes in the fair value of a derivative not designated as a hedging instrument are recognized in earnings in cost of sales or SM&A, consistent with the related exposure.

For derivatives designated as hedges, we assess, both at the hedge's inception and on an ongoing basis, whether they are highly effective in offsetting changes in fair values or cash flows of hedged items. The ineffective portion, if any, is recorded directly in earnings. In addition, if we determine that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively.

We do not hold or issue derivative instruments for trading or speculative purposes and are not a party to any instruments with leverage or prepayment features.

Cash flows related to the derivative instruments we use to manage interest, commodity or other currency exposures are classified as operating activities.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation. Specifically, this includes amounts reclassified to conform to the current year presentation in the Consolidated Statements of Cash Flows.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. The new standard was originally effective for us on January 1, 2017; however, in July 2015 the FASB decided to defer the effective date by one year. Early application is not permitted, but reporting entities may choose to adopt the standard as of the original effective date. The standard permits the use of either the retrospective or cumulative effect transition method.

In 2016, we continued our assessment of the new standard with a focus on identifying the performance obligations included within our revenue arrangements with customers and evaluating our methods of estimating the amount and timing of variable consideration. Based on our assessment to date, we do not currently expect adoption of the new standard to have a material impact on our consolidated financial statements. We currently plan to adopt the requirements of the new standard in the first quarter of 2018 utilizing the cumulative effect transition method. We are continuing our assessment, which may identify other impacts.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU will require lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. This ASU also requires certain quantitative and qualitative disclosures. Accounting guidance for lessors is largely unchanged. The amendments should be applied on a modified retrospective basis. ASU 2016-02 is effective for us beginning January 1, 2019. We are in the process of developing an inventory of our lease arrangements in order to determine the impact that the adoption of ASU 2016-02 will have on our consolidated financial statements and related disclosures. Based on our assessment to date, we expect adoption of this standard to result in a material increase in lease-related assets and liabilities on our consolidated balance sheets; however, we do not expect it to have a significant impact on our consolidated statements of income or cash flows.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU is part of the FASB's simplification initiative. The areas for simplification in this ASU involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods, with early adoption permitted. We are adopting this statement effective January 1, 2017 and we expect the revised classification of excess tax benefits to have a favorable impact on our 2017 net income. We do not expect it to have a significant impact on our consolidated balance sheets or statements of cash flows.

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

2. BUSINESS ACQUISITIONS AND DIVESTITURES

Acquisitions of businesses are accounted for as purchases and, accordingly, the results of operations of the businesses acquired have been included in the consolidated financial statements since the respective dates of the acquisitions. The purchase price for each of the acquisitions is allocated to the assets acquired and liabilities assumed.

2016 Acquisition

Ripple Brand Collective, LLC

On April 26, 2016, we completed the acquisition of all of the outstanding shares of Ripple Brand Collective, LLC, a privately held company based in Congers, New York that owns the *barkTHINS* mass premium chocolate snacking brand. The *barkTHINS* brand is largely sold in the United States in take-home resealable packages and is available in the club channel, as well as select natural and conventional grocers. Our consolidated net sales for the year ended December 31, 2016 included approximately $35.6 million attributed to *barkTHINS*.

The purchase consideration was allocated to assets acquired and liabilities assumed based on their respective fair values as follows:

Goodwill	$ 128,110
Trademarks	91,200
Other intangible assets	60,900
Other assets, primarily current assets, net of cash acquired totaling $674	12,375
Current liabilities	(7,211)
Net assets acquired	$ 285,374

Goodwill is calculated as the excess of the purchase price over the fair value of the net assets acquired. The goodwill resulting from the acquisition is attributable primarily to the value of leveraging our brand building expertise, consumer insights, supply chain capabilities and retail relationships to accelerate growth and access to *barkTHINS* products. Acquired trademarks were assigned estimated useful lives of 27 years, while other intangibles, including customer relationships and covenants not to compete, were assigned estimated useful lives ranging from 2 to 14 years. The recorded goodwill, trademarks and other intangibles are expected to be deductible for tax purposes.

2015 Acquisition

KRAVE Pure Foods

In March 2015, we completed the acquisition of all of the outstanding shares of KRAVE Pure Foods, Inc. (“Krave”), the Sonoma, California based manufacturer of *Krave*, a leading all-natural brand of premium meat snack products. The transaction was undertaken to allow Hershey to tap into the rapidly growing meat snacks category and further expand into the broader snacks space.

Total purchase consideration included cash consideration of $220,016, as well as agreement to pay additional cash consideration of up to $20,000 to the Krave shareholders if certain defined targets related to net sales and gross profit margin are met or exceeded during the twelve-month periods ending December 31, 2015 or March 31, 2016. The fair value of the contingent cash consideration was classified as a liability of $16,800 as of the acquisition date. Based on revised targets in a subsequent agreement with the Krave shareholders, the fair value was reduced over the second and third quarters of 2015 to $10,000, with the adjustment to fair value recorded within selling, marketing and administrative expenses. The remaining $10,000 was paid in December 2015.

The purchase consideration was allocated to assets acquired and liabilities assumed based on their respective fair values as follows:

Goodwill	$ 147,089
Trademarks	112,000
Other intangible assets	17,000
Other assets, primarily current assets, net of cash acquired totaling $1,362	9,465
Current liabilities	(2,756)
Non-current deferred tax liabilities	(47,344)
Net assets acquired	$ 235,454

Goodwill was calculated as the excess of the purchase price over the fair value of the net assets acquired. The goodwill resulting from the acquisition was attributable primarily to the value of leveraging our brand building expertise, consumer insights, supply chain capabilities and retail relationships to accelerate growth and access to *Krave* products. The recorded goodwill is not expected to be deductible for tax purposes.

2014 Acquisitions

Shanghai Golden Monkey

On September 26, 2014 (the "Initial Acquisition"), our wholly-owned subsidiary, Hershey Netherlands B.V., acquired 80% of the total outstanding shares of Shanghai Golden Monkey Food Joint Stock Co., Ltd. ("SGM"), a privately held confectionery company based in Shanghai, China. The *Golden Monkey* product line is primarily sold in China's traditional trade channels. The business complements our position in China, and was undertaken to enable us to take advantage of SGM's distribution and manufacturing capabilities to expand sales of our Hershey products in the China marketplace. Our consolidated net sales for the year ended December 31, 2014 included approximately $54 million generated by SGM since the date of acquisition.

The Initial Acquisition was funded by cash consideration of $394,470, subject to working capital and net debt adjustments. At December 31, 2014, we had recorded a receivable of $37,860, reflecting our current best estimate of the amount due from the selling SGM shareholders for the working capital and net debt adjustments.

As part of the transaction, Hershey Netherlands B.V. contractually agreed to purchase the remaining 20% of the outstanding shares of SGM on the one-year anniversary of the Initial Acquisition, subject to the parties obtaining government and regulatory approvals and satisfaction of other closing conditions. At December 31, 2014, we had recorded a liability of $100,067, reflecting the acquisition date fair value of the future payment to be made to the SGM shareholders.

The goodwill that resulted from the SGM acquisition was attributable primarily to the value of providing an established platform to leverage our brands in the China market, as well as expected synergies and other benefits from the combined brand portfolios. The recorded goodwill is not deductible for tax purposes.

During 2015, we recorded net increases to acquired goodwill for revisions to the acquired fair value of other assets and liabilities totaling $49,120, resulting primarily from 1) our procedures to assess the quality of acquired trade accounts receivable, 2) our procedures to further evaluate and quantify outstanding pre-acquisition trade promotion commitments to distributors, as well as allowances for returns and discounts related to excess and unsalable inventory held at distributors and sales branches as of the acquisition date, and 3) our procedures to estimate the value of pre-acquisition indirect tax contingencies. In addition, we came to an agreement with the selling SGM shareholders to revise the aforementioned receivable and liability balances to reflect partial settlement of the receivable, whereby the receivable was adjusted to $8,685 and the liability was adjusted to $76,815.

Based on the updated information obtained throughout 2015, we updated our estimates of the acquisition-date fair values of the net assets acquired as of September 26, 2015, the conclusion of the one-year measurement period. Any subsequent revisions to the valuation of acquired net assets have been reflected in current results.

A roll-forward of the estimated acquisition-date fair values at December 31, 2014 to the final acquisition-date fair values as of September 26, 2015, the conclusion of the one-year measurement period, is as follows:

	Acquisition date purchase price allocation*		
In millions of dollars	**At 12/31/14**	**Adjustments**	**At 9/26/15**
Accounts receivable - trade	$ 46	$ (26)	$ 20
Inventories	42	(1)	41
Other current assets	37	6	43
Property, plant and equipment	112	2	114
Goodwill	235	49	284
Other intangible assets	145	—	145
Other non-current assets	35	(3)	32
Current liabilities assumed	(54)	(20)	(74)
Short-term debt assumed	(105)	—	(105)
Other non-current liabilities assumed, principally deferred taxes	(52)	(2)	(54)
Net assets acquired	$ 441		$ 446

* Note that the final opening balance sheet value of goodwill presented in the schedule above differs from total write-off of $280.8 million due to changes in foreign currency exchange rates since the date of acquisition (see Note 3).

On February 3, 2016, we completed the purchase of the remaining 20% of the outstanding shares of SGM for cash consideration totaling $35,762, pursuant to a new agreement entered into during the fourth quarter of 2015 with the selling SGM shareholders which revised the originally-agreed purchase price for these shares. For accounting purposes, we treated the acquisition as if we had acquired 100% at the initial acquisition date in 2014 and financed the payment for the remaining 20% of the outstanding shares. Therefore, the cash settlement of the liability for the purchase of these remaining shares is reflected within the financing section of the Consolidated Statements of Cash Flows.

The final settlement also resulted in an extinguishment gain of $26,650 representing the net carrying amount of the recorded liability in excess of the cash paid to settle the obligation for the remaining 20% of the outstanding shares. This gain is recorded within non-operating other (income) expense, net within the Consolidated Statements of Income.

The Allan Candy Company Limited

In December 2014, our wholly-owned subsidiary, Hershey Canada Inc., completed the acquisition of all of the outstanding shares of The Allan Candy Company Limited (“Allan”) for cash consideration of approximately $27,376. Allan is headquartered in Ontario, Canada and manufactures certain non-chocolate products on behalf of Hershey, in addition to manufacturing and distributing its own branded products, principally in Canada. The preliminary purchase price allocation includes fixed assets of $10,897, goodwill of $6,996, other intangible assets of $8,092, and other net assets of $1,391. During the first half of 2015, we increased goodwill by $1,820 to recognize revisions to the preliminary fair value of net assets acquired.

Lotte Shanghai Food Company

In March 2014, we acquired an additional 5.9% interest in Lotte Shanghai Foods Co., Ltd. (“LSFC”), a joint venture established in 2007 in China for the purpose of manufacturing and selling product to the venture partners. For this additional interest, we paid $5,580 in cash, increasing our ownership from 44.1% to 50%. At the same time, we also amended the LSFC shareholders' agreement resulting in our operational control over the venture. With the additional operational control, we reassessed our involvement with LSFC and concluded that we have a controlling financial interest. Therefore, we consolidated the venture as of the March 2014 acquisition date. We had previously accounted for our investment in LSFC using the equity method.

Total consideration transferred was approximately $99,161, including the $5,580 cash consideration paid, the estimated fair value of our previously held equity interest of $43,857 and the estimated fair value of the remaining noncontrolling interest in LSFC of $49,724, which fair values were determined using a market-based approach. The fair value of the LSFC assets acquired and liabilities assumed on the acquisition date was $99,449, including fixed assets of $106,253, short-term debt obligations of $13,292 and other net assets of $6,488.

We recognized a gain of approximately $4,627 in connection with this transaction, primarily related to the remeasurement of the fair value of our equity interest immediately before the business combination. The gain is included in other (income) expense, net within our Consolidated Statement of Income for the year ended December 31, 2014. Additionally, cash acquired in the transaction exceeded the $5,580 paid for the controlling interest by $10,035, resulting in a positive cash impact from the acquisition as presented in the Consolidated Statement of Cash Flows for the year ended December 31, 2014.

Pro Forma Presentation and Acquisition Costs

Pro forma results of operations have not been presented for these aforementioned acquisitions, as the impact to our consolidated financial statements was not material. In 2014, we incurred net acquisition-related costs primarily related to the SGM acquisition of $13,270. These costs primarily consisted of third-party advisory fees and are recorded within selling, marketing and administrative costs in the Consolidated Statements of Income, with the exception of the 2014 costs reflecting net foreign currency exchange losses relating to our strategy to cap the SGM acquisition price as denominated in U.S. dollars, which are recorded within other (income) expense, net. Acquisition costs incurred in 2016 and 2015 were not significant.

2015 Divestiture

In December 2014, we entered into an agreement to sell the Mauna Loa Macadamia Nut Corporation (“Mauna Loa”), a business that had historically been reported within our North America segment. The transaction closed in the first quarter of 2015, resulting in proceeds, net of selling expenses and an estimated working capital adjustment, of approximately $32,400. As a result of the expected sale, in 2014, we recorded an estimated loss on the anticipated sale of $22,256 to reflect the disposal entity at fair value, less an estimate of the selling costs. This amount included impairment charges totaling $18,531 to write down goodwill and the indefinite-lived trademark intangible asset, based on the valuation of these assets as implied by the agreed-upon sales price. The sale of Mauna Loa resulted in the recording of an additional loss on sale of $2,667 in the first quarter of 2015, based on updates to the selling expenses and tax benefits. The loss on the sale is reflected within business realignment costs in the Consolidated Statements of Income.

3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying value of goodwill by reportable segment for the years ended December 31, 2016 and 2015 are as follows:

	North America	International and Other	Total
Goodwill	$ 538,322	$ 336,179	$ 874,501
Accumulated impairment loss	(4,973)	(76,573)	(81,546)
Balance at January 1, 2015	533,349	259,606	792,955
Acquired during the period (see Note 2)	147,089	—	147,089
Impairment	—	(280,802)	(280,802)
Purchase price allocation adjustments	1,820	46,203	48,023
Foreign currency translation	(20,175)	(2,838)	(23,013)
Balance at December 31, 2015	662,083	22,169	684,252
Acquired during the period (see Note 2)	128,110	—	128,110
Foreign currency translation	1,997	(2,015)	(18)
Balance at December 31, 2016	$ 792,190	$ 20,154	$ 812,344

The $280,802 impairment charge recorded in 2015 resulted from our interim reassessment of the valuation of the SGM business, coupled with the write-down of goodwill attributed to the China chocolate business in connection with the SGM acquisition, as discussed below.

In the second quarter of 2015, since the SGM business had been performing below expectations, with net sales and earnings levels well below pre-acquisition levels, we performed an interim impairment test of the SGM reporting unit

as of July 5, 2015 using an income approach based on our estimates of future performance scenarios for the business. The results of this test indicated that the fair value of the reporting unit was less than the carrying amount as of the measurement date, suggesting that a goodwill impairment was probable, which required us to perform a second step analysis to confirm that an impairment exists and to determine the amount of the impairment based on our reassessed value of the reporting unit. Although preliminary, as a result of this reassessment, in the second quarter of 2015 we recorded an estimated $249,811 non-cash goodwill impairment charge, representing a write-down of all of the goodwill related to the SGM reporting unit as of July 5, 2015. During the third quarter of 2015, we increased the value of acquired goodwill by $16,599, with the corresponding offset principally represented by the establishment of additional opening balance sheet liabilities (see Note 2). We also finalized the impairment test of the goodwill relating to the SGM reporting unit, which resulted in a write-off of this additional goodwill in the third quarter, for a total impairment of $266,409. At this time, we also tested the other long-lived assets of SGM for recoverability by comparing the sum of the undiscounted cash flows to the carrying value of the asset group, and no impairment was indicated.

In connection with the 2014 SGM acquisition, we assigned approximately $15 million of goodwill to our existing China chocolate business, as this reporting unit was expected to benefit from acquisition synergies relating to the sale of Golden Monkey-branded product through its Tier 1 and hypermarket distributor networks. As the net sales and earnings of our China business continued to be adversely impacted by macroeconomic challenges and changing consumer shopping behavior through the third quarter of 2015, we determined that an interim impairment test of the goodwill in this reporting unit was also required. We performed the first step of this test in the third quarter of 2015 using an income approach based on our estimates of future performance scenarios for the business. The results of this test suggested that a goodwill impairment was probable, and the conclusions of the second step analysis resulted in a write-down of $14,393, representing the full value of goodwill attributed to this reporting unit as of October 4, 2015.

In 2014, the annual impairment testing of our India reporting unit resulted in a $11,400 goodwill impairment charge and a $4,500 pre-tax write-down of a trademark associated with the India business. These impairment charges were largely a result of our decision to exit the oils portion of the India business and realign our approach to regional marketing and distribution in India.

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

December 31,	2016		2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Trademarks	$ 317,023	$ (30,458)	$ 227,511	$ (16,246)
Customer-related	200,409	(36,482)	146,532	(26,643)
Patents	16,426	(13,700)	16,857	(12,481)
Total	533,858	(80,640)	390,900	(55,370)
Intangible assets not subject to amortization:				
Trademarks	39,519		43,775	
Total other intangible assets	$ 492,737		$ 379,305	

In connection with our annual impairment testing of indefinite lived intangible assets for 2016, we recognized a trademark impairment charge of $4,204, primarily resulting from plans to discontinue a brand sold in India.

Total amortization expense for the years ended December 31, 2016, 2015 and 2014 was $26,687, $22,306 and $10,849, respectively.

Amortization expense for the next five years, based on current intangible balances, is estimated to be as follows:

Year ending December 31,	2017	2018	2019	2020	2021
Amortization expense	$ 28,780	$ 27,240	$ 27,133	$ 26,894	$ 26,862

4. SHORT AND LONG-TERM DEBT

Short-term Debt

As a source of short-term financing, we utilize cash on hand and commercial paper or bank loans with an original maturity of three months or less. We maintain a $1.0 billion unsecured revolving credit facility, which currently expires in November 2020. This agreement also includes an option to increase borrowings by an additional $400,000 with the consent of the lenders. On June 16, 2016, we entered into an additional unsecured revolving credit facility that provided for borrowings up to $500,000. We terminated this facility, which was scheduled to expire on June 15, 2017, effective October 24, 2016.

The unsecured committed revolving credit agreement contains a financial covenant whereby the ratio of (a) pre-tax income from operations from the most recent four fiscal quarters to (b) consolidated interest expense for the most recent four fiscal quarters may not be less than 2.0 to 1.0 at the end of each fiscal quarter. The credit agreement also contains customary representations, warranties and events of default. Payment of outstanding advances may be accelerated, at the option of the lenders, should we default in our obligation under the credit agreement. As of December 31, 2016, we complied with all customary affirmative and negative covenants and the financial covenant pertaining to our credit agreement. There were no significant compensating balance agreements that legally restricted these funds.

In addition to the revolving credit facility, we maintain lines of credit with domestic and international commercial banks. Our credit limit in various currencies was $504,237 at December 31, 2016 and $516,916 at December 31, 2015. These lines permit us to borrow at the respective banks' prime commercial interest rates, or lower. We had short-term foreign bank loans against these lines of credit for $158,805 at December 31, 2016 and $313,520 at December 31, 2015. Commitment fees relating to our revolving credit facility and lines of credit are not material.

At December 31, 2016, we had outstanding commercial paper totaling $473,666, at a weighted average interest rate of 0.6%. At December 31, 2015, we had outstanding commercial paper totaling $49,993, at a weighted average interest rate of 0.4%.

The maximum amount of short-term borrowings outstanding during 2016 was $997,120. The weighted-average interest rate on short-term borrowings outstanding was 1.0% as of December 31, 2016 and 3.0% as of December 31, 2015.

Long-term Debt

Long-term debt consisted of the following:

December 31,	2016	2015
5.45% Notes due 2016	$ —	$ 250,000
1.50% Notes due 2016	—	250,000
1.60% Notes due 2018	300,000	300,000
4.125% Notes due 2020	350,000	350,000
8.8% Debentures due 2021	84,715	84,715
2.625% Notes due 2023	250,000	250,000
3.20% Notes due 2025	300,000	300,000
2.30% Notes due 2026	500,000	—
7.2% Debentures due 2027	193,639	193,639
3.375% Notes due 2046	300,000	—
Lease obligations	83,619	82,747
Net impact of interest rate swaps, debt issuance costs and unamortized debt discounts	(14,275)	(4,087)
Total long-term debt	2,347,698	2,057,014
Less—current portion	243	499,923
Long-term portion	$ 2,347,455	$ 1,557,091

In September 2016, we repaid $250,000 of 5.45% Notes due in 2016 upon their maturity. In November 2016, we repaid $250,000 of 1.50% Notes due in 2016 upon their maturity. In August 2016, we issued $500,000 of 2.30% Notes due in 2026 and $300,000 of 3.375% Notes due in 2046 (the "Notes"). Proceeds from the issuance of the Notes, net of discounts and issuance costs, totaled $792,953. The Notes were issued under a shelf registration statement on Form S-3 filed in June 2015 that registered an indeterminate amount of debt securities.

In August 2015, we paid $100,165 to repurchase $71,646 of our long-term debt as part of a cash tender offer, consisting of $15,285 of our 8.80% Debentures due in 2021 and $56,361 of our 7.20% Debentures due in 2027. We used a portion of the proceeds from the Notes issued in August 2015 to fund the repurchase. As a result of the repurchase, we recorded interest expense of $28,326 which represented the premium paid for the tender offer as well as the write-off of the related unamortized debt discount and debt issuance costs. Upon extinguishment of the debt, we unwound the fixed-to-floating interest rate swaps related to the tendered bonds and recognized a gain of $278 currently in interest expense resulting from the hedging instruments.

Aggregate annual maturities of long-term debt are as follows for the years ending December 31:

2017	$ 243
2018	300,279
2019	367
2020	350,462
2021	85,279
Thereafter	1,611,068

Our debt is principally unsecured and of equal priority. None of our debt is convertible into our Common Stock.

Interest Expense

Net interest expense consisted of the following:

For the years ended December 31,	2016	2015	2014
Interest expense	$ 97,851	$ 93,520	$ 93,777
Capitalized interest	(5,903)	(12,537)	(6,179)
Loss on extinguishment of debt	—	28,326	—
Interest expense	91,948	109,309	87,598
Interest income	(1,805)	(3,536)	(4,066)
Interest expense, net	$ 90,143	$ 105,773	$ 83,532

5. DERIVATIVE INSTRUMENTS

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

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

Commodity Price Risk

We enter into commodities futures and options contracts and other commodity derivative instruments to reduce the effect of future price fluctuations associated with the purchase of raw materials, energy requirements and transportation services. We generally hedge commodity price risks for 3- to 24-month periods. Our open commodity derivative contracts had a notional value, assuming year-end market prices, of $739,374 as of December 31, 2016 and $374,873 as of December 31, 2015. Through 2015, we designated the majority of our commodity derivative instruments as cash flow hedges under the hedge accounting requirements. Under hedge accounting, we account for the effective portion of mark-to-market gains and losses on commodity derivative instruments in other comprehensive income, to be recognized in cost of sales in the same period that we record the hedged raw material requirements in cost of sales. The ineffective portion of gains and losses is recorded currently in cost of sales.

Effective July 6, 2015 for cocoa commodity derivatives and January 1, 2016 for other commodity derivatives, we discontinued the designation of any of our existing or new cocoa or other commodity derivatives for hedge accounting treatment. Since such dates, changes in the fair value of these derivatives have been recorded as incurred within cost of sales. Effective as of such dates, we also revised our definition of segment income to exclude gains and losses on commodity derivatives until the related inventory is sold. This change to our definition of segment income enables us to continue to align the derivative gains and losses with the underlying economic exposure being hedged and thereby eliminate the mark-to-market volatility within our reported segment income.

Foreign Exchange Price Risk

We are exposed to foreign currency exchange rate risk related to our international operations, including non-functional currency intercompany debt and other non-functional currency transactions of certain subsidiaries. Principal currencies hedged include the euro, Canadian dollar, Japanese yen, and Brazilian real. We typically utilize foreign currency forward exchange contracts and options to hedge these exposures for periods ranging from 3 to 12 months. The contracts are either designated as cash flow hedges or are undesignated. The net notional amount of foreign exchange contracts accounted for as cash flow hedges was $68,263 at December 31, 2016 and $10,752 at December 31, 2015. The effective portion of the changes in fair value on these contracts is recorded in other comprehensive income and reclassified into earnings in the same period in which the hedged transactions affect earnings. The net notional amount of foreign exchange contracts that are not designated as accounting hedges was

$2,791 at December 31, 2016 and December 31, 2015, respectively. The change in fair value on these instruments is recorded directly in cost of sales or selling, marketing and administrative expense, depending on the nature of the underlying exposure.

Interest Rate Risk

In order to manage interest rate exposure, from time to time we enter into interest rate swap agreements to protect against unfavorable interest rate changes relating to forecasted debt transactions. These swaps are designated as cash flow hedges, with gains and losses deferred in other comprehensive income to be recognized as an adjustment to interest expense in the same period that the hedged interest payments affect earnings. We had one interest rate swap agreement in a cash flow hedging relationship with a notional amount of $500,000 at December 31, 2015. This interest rate swap agreement was settled in connection with the issuance of debt in August 2016, resulting in a payment of approximately $87,000 which is reflected as an operating cash flow within the Consolidated Statement of Cash Flows.

We also manage our targeted mix of fixed and floating rate debt with debt issuances and by entering into fixed-to-floating interest rate swaps in order to mitigate fluctuations in earnings and cash flows that may result from interest rate volatility. These swaps are designated as fair value hedges, for which the gain or loss on the derivative and the offsetting loss or gain on the hedged item are recognized in current earnings as interest expense (income), net. We had one interest rate derivative instrument in a fair value hedging relationship with a notional amount of $350,000 at December 31, 2016 and 2015.

Equity Price Risk

We are exposed to market price changes in certain broad market indices related to our deferred compensation obligations to our employees. To mitigate this risk, we use equity swap contracts to hedge the portion of the exposure that is linked to market-level equity returns. These contracts are not designated as hedges for accounting purposes and are entered into for periods of 3 to 12 months. The change in fair value of these derivatives is recorded in selling, marketing and administrative expense, together with the change in the related liabilities. The notional amount of the contracts outstanding at December 31, 2016 was $22,099.

The following table presents the classification of derivative assets and liabilities within the Consolidated Balance Sheets as of December 31, 2016 and 2015:

December 31,	2016		2015	
	Assets (1)	Liabilities (1)	Assets (1)	Liabilities (1)
Derivatives designated as cash flow hedging instruments:				
Commodities futures and options (2)	$ —	$ —	$ —	$ 479
Foreign exchange contracts	2,229	809	367	475
Interest rate swap agreements	—	—	—	40,299
	2,229	809	367	41,253
Derivatives designated as fair value hedging instruments:				
Interest rate swap agreements	1,768	—	4,313	—
Derivatives not designated as hedging instruments:				
Commodities futures and options (2)	2,348	10,000	—	1,574
Deferred compensation derivatives	717	—	1,198	—
Foreign exchange contracts	—	16	69	—
	3,065	10,016	1,267	1,574
Total	$ 7,062	$ 10,825	$ 5,947	$ 42,827

(1) Derivatives assets are classified on our balance sheet within prepaid expenses and other as well as other assets. Derivative liabilities are classified on our balance sheet within accrued liabilities and other long-term liabilities.

(2) As of December 31, 2016, assets and liabilities include the net of assets of $140,885 and liabilities of $150,872 associated with cash transfers receivable or payable on commodities futures contracts reflecting the change in quoted market prices on the last trading day for the period. The comparable amounts reflected on a net basis in liabilities at December 31, 2015 were assets of $54,090 and liabilities of $54,860. At December 31, 2016 and 2015, the remaining amount reflected in assets and liabilities related to the fair value of other non-exchange traded derivative instruments, respectively.

Income Statement Impact of Derivative Instruments

The effect of derivative instruments on the Consolidated Statements of Income for the years ended December 31, 2016 and December 31, 2015 was as follows:

	Non-designated Hedges		Cash Flow Hedges					
	Gains (losses) recognized in income (a)		Gains (losses) recognized in other comprehensive income ("OCI") (effective portion)		Gains (losses) reclassified from accumulated OCI into income (effective portion) (b)		Gains recognized in income (ineffective portion) (c)	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Commodities futures and options	$(171,753)	$(2,777)	$ —	$ 84,382	$30,783	$40,600	$ —	$ 987
Foreign exchange contracts	(46)	487	(5,485)	(155)	(5,625)	956	—	—
Interest rate swap agreements	—	—	(47,223)	(22,388)	(8,676)	(4,922)	—	—
Deferred compensation derivatives	2,203	173	—	—	—	—	—	—
Total	$(169,596)	$(2,117)	$(52,708)	$ 61,839	$16,482	$36,634	$ —	$ 987

(a) Gains (losses) recognized in income for non-designated commodities futures and options contracts were included in cost of sales. Gains (losses) recognized in income for non-designated foreign currency forward exchange contracts and deferred compensation derivatives were included in selling, marketing and administrative expenses.

(b) Gains (losses) reclassified from AOCI into income were included in cost of sales for commodities futures and options contracts and for foreign currency forward exchange contracts designated as hedges of purchases of inventory or other productive assets. Other gains (losses) for foreign currency forward exchange contracts were included in selling, marketing and administrative expenses. Losses reclassified from AOCI into income for interest rate swap agreements were included in interest expense.

(c) Gains representing hedge ineffectiveness were included in cost of sales for commodities futures and options contracts.

The amount of pretax net losses on derivative instruments, including interest rate swap agreements, foreign currency forward exchange contracts and options, commodities futures and options contracts, and other commodity derivative instruments expected to be reclassified into earnings in the next 12 months was approximately $7,824 as of December 31, 2016. This amount was primarily associated with interest rate swap agreements.

Fair Value Hedges

For the years ended December 31, 2016 and 2015, we recognized a net pretax benefit to interest expense of $4,365 and $6,905 relating to our fixed-to-floating interest swap arrangements.

6. FAIR VALUE MEASUREMENTS

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

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

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

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

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

The following table presents assets and liabilities that were measured at fair value in the Consolidated Balance Sheet on a recurring basis as of December 31, 2016 and 2015:

	Assets (Liabilities)			
	Level 1	**Level 2**	**Level 3**	**Total**
December 31, 2016:				
Derivative Instruments:				
Assets:				
Foreign exchange contracts (1)	$ —	$ 2,229	$ —	$ 2,229
Interest rate swap agreements (2)	—	1,768	—	1,768
Deferred compensation derivatives (3)	—	717	—	717
Commodities futures and options (4)	2,348	—	—	2,348
Liabilities:				
Foreign exchange contracts (1)	—	825	—	825
Interest rate swap agreements (2)	—	—	—	—
Commodities futures and options (4)	10,000	—	—	10,000
December 31, 2015:				
Assets:				
Foreign exchange contracts (1)	$ —	$ 436	$ —	$ 436
Interest rate swap agreements (2)	—	4,313	—	4,313
Deferred compensation derivatives (3)	—	1,198	—	1,198
Liabilities:				
Foreign exchange contracts (1)	—	475	—	475
Interest rate swap agreements (2)	—	40,299	—	40,299
Commodities futures and options (4)	2,053	—	—	2,053

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

(2) The fair value of interest rate swap agreements represents the difference in the present value of cash flows calculated at the contracted interest rates and at current market interest rates at the end of the period. We calculate the fair value of interest rate swap agreements quarterly based on the quoted market price for the same or similar financial instruments.

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

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

Other Financial Instruments

The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and short-term debt approximated fair values as of December 31, 2016 and December 31, 2015 because of the relatively short maturity of these instruments.

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

	Fair Value		Carrying Value	
At December 31,	**2016**	**2015**	**2016**	**2015**
Current portion of long-term debt	$ 243	$ 509,580	$ 243	$ 499,923
Long-term debt	2,379,054	1,668,379	2,347,455	1,557,091
Total	2,379,297	$ 2,177,959	2,347,698	$ 2,057,014

Other Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, GAAP requires that, under certain circumstances, we also record assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. As discussed in Note 3, we conducted an interim impairment test on the goodwill generated by the SGM acquisition, which resulted in impairment charges totaling $280,802. In 2016 and 2014, as discussed in Note 3, in connection with our annual impairment testing of goodwill and indefinite-lived intangible assets, we recorded impairment charges totaling $4,204 and $15,900, respectively. These charges were determined by comparing the fair value of the assets to their carrying value. The fair value of the assets was derived using discounted cash flow analyses based on Level 3 inputs.

As discussed in Note 2, in connection with the planned Mauna Loa divestiture, we classified the net assets as held for sale as of December 31, 2014, resulting in a write down of $18,531 based upon the agreed-upon sales price and related transaction costs. The loss was calculated based on Level 3 inputs and included in 2014 earnings.

7. BUSINESS REALIGNMENT ACTIVITIES

We are currently pursuing several business realignment activities designed to increase our efficiency and focus our business behind our key growth strategies. Costs recorded in 2016, 2015 and 2014 related to these activities are as follows:

For the years ended December 31,	2016	2015	2014
Operational Optimization Program:			
Severance	$ 17,872	$ —	$ —
Accelerated depreciation	48,590	—	—
Other program costs	21,831	—	—
2015 Productivity Initiative:			
Severance	—	81,290	—
Pension settlement charges	13,669	10,178	—
Other program costs	5,609	14,285	—
Other international restructuring programs:			
Severance	—	6,651	2,947
Accelerated depreciation and amortization	—	5,904	—
Mauna Loa Divestiture (see Note 2)	—	2,667	22,256
Project Next Century	—	—	9,087
Total	$ 107,571	$ 120,975	$ 34,290

The costs and related benefits of the Operational Optimization Program relate approximately 25% to the North America segment and 75% to the International and Other segment. The costs and related benefits to be derived from the 2015 Productivity Initiative relate primarily to the North American segment, while the costs and related benefits of the other international programs relate primary to the International and Other segment. However, segment operating

results do not include these business realignment expenses because we evaluate segment performance excluding such costs.

2016 Operational Optimization Program

In the second quarter of 2016, we commenced a program (the "Operational Optimization Program") to optimize our production and supply chain network, which includes select facility consolidations. The program encompasses the continued transition of our China chocolate and SGM operations into a united *Golden Hershey* platform, including the integration of the China sales force, as well as workforce planning efforts and the consolidation of production within certain facilities in China and North America.

We have incurred pre-tax costs of $88,293 to date, including non-cash asset-related incremental depreciation costs, severance and employee benefit costs, costs to consolidate and relocate production, and third-party costs incurred to execute these activities. We currently expect to incur additional cash costs of approximately $37 million over the next two years to complete this program.

2015 Productivity Initiative

In mid-2015, we initiated a productivity initiative (the "2015 Productivity Initiative") intended to move decision making closer to the customer and the consumer, to enable a more enterprise-wide approach to innovation, to more swiftly advance our knowledge agenda, and to provide for a more efficient cost structure, while ensuring that we effectively allocate resources to future growth areas. Overall, the 2015 Productivity Initiative was undertaken to simplify the organizational structure to enhance the Company's ability to rapidly anticipate and respond to the changing demands of the global consumer.

The 2015 Productivity Initiative was executed throughout the third and fourth quarters of 2015, resulting in a net reduction of approximately 300 positions, with the majority of the departures taking place by the end of 2015. For the year ended December 31, 2016, we incurred charges totaling $19,278, representing pension settlement charges, adjustments to estimated severance benefits and incremental third-party costs related to the design and implementation of the new organizational structure. The 2015 Productivity Initiative was completed during the third quarter 2016. We incurred total costs of $125,031 relating to this program, including pension settlement charges of $13,669 recorded in 2016 and $10,178 recorded in 2015 relating to lump sum withdrawals by employees retiring or leaving the Company as a result of this program.

Other international restructuring programs

Costs incurred for the year ended December 31, 2015 related principally to accelerated depreciation and amortization and employee severance costs for a couple of programs commenced in 2014 to rationalize certain non-U.S. manufacturing and distribution activities and to establish our own sales and distribution teams in Brazil in connection with our exit from the Bauducco joint venture.

Project Next Century

The 2014 costs shown relate primarily to the demolition of the Company's former manufacturing facility, representing the final phase of the Project Next Century program. As of December 31, 2014, we have concluded the Project Next Century.

Total costs associated with business realignment activities are classified in our Consolidated Statements of Income as follows:

For the years ended December 31,	2016	2015	2014
Cost of sales	$ 58,106	$ 8,801	$ 1,622
Selling, marketing and administrative expense	16,939	17,368	2,947
Business realignment costs	32,526	94,806	29,721
Total costs associated with business realignment activities	$ 107,571	$ 120,975	$ 34,290

The following table presents the liability activity for employee-related costs qualifying as exit and disposal costs for the year ended December 31, 2016:

	Total
Liability balance at December 31, 2015	$ 16,310
2016 business realignment charges (1)	18,857
Cash payments	(31,522)
Other, net	80
Liability balance at December 31, 2016 (reported within accrued liabilities)	$ 3,725

(1) The costs reflected in the liability roll-forward above do not include items charged directly to expense, such as accelerated depreciation and amortization and the loss on the Mauna Loa divestiture and certain of the third-party charges associated with various programs, as those items are not reflected in the business realignment liability in our Consolidated Balance Sheets.

8. INCOME TAXES

The components of income (loss) before income taxes are as follows:

For the years ended December 31,	2016	2015	2014
Domestic	$ 1,395,440	$ 1,357,618	$ 1,320,738
Foreign	(295,959)	(455,771)	(14,695)
Income before income taxes	$ 1,099,481	$ 901,847	$ 1,306,043

The components of our provision for income taxes are as follows:

For the years ended December 31,	2016	2015	2014
Current:			
Federal	$ 391,705	$ 409,060	$ 385,642
State	51,706	47,978	52,331
Foreign	(25,877)	(29,605)	2,362
	417,534	427,433	440,335
Deferred:			
Federal	(7,706)	(31,153)	20,649
State	(452)	(2,346)	2,725
Foreign	(29,939)	(5,038)	(4,578)
	(38,097)	(38,537)	18,796
Total provision for income taxes	$ 379,437	$ 388,896	$ 459,131

The income tax benefit associated with stock-based compensation of $17,814 and $24,839 for the years ended December 31, 2016 and 2015, respectively, reduced accrued income taxes on the Consolidated Balance Sheets. We credited additional paid-in capital to reflect the net excess income tax benefits.

Deferred taxes reflect temporary differences between the tax basis and financial statement carrying value of assets and liabilities. The significant temporary differences that comprised the deferred tax assets and liabilities are as follows:

December 31,	2016	2015
Deferred tax assets:		
Post-retirement benefit obligations	$ 90,584	$ 95,763
Accrued expenses and other reserves	141,228	163,908
Stock-based compensation	48,500	46,665
Derivative instruments	44,010	8,858
Pension	14,662	28,940
Lease financing obligation	18,950	18,947
Accrued trade promotion reserves	50,463	36,501
Net operating loss carryforwards	143,085	99,155
Capital loss carryforwards	38,691	44,546
Other	14,452	14,444
Gross deferred tax assets	604,625	557,727
Valuation allowance	(235,485)	(207,055)
Total deferred tax assets	369,140	350,672
Deferred tax liabilities:		
Property, plant and equipment, net	202,300	218,729
Acquired intangibles	113,074	120,420
Inventories	27,608	20,063
Other	8,884	8,258
Total deferred tax liabilities	351,866	367,470
Net deferred tax assets (liabilities)	$ 17,274	$ (16,798)
Included in:		
Non-current deferred tax assets, net	56,861	36,390
Non-current deferred tax liabilities, net	(39,587)	(53,188)
Net deferred tax assets (liabilities)	$ 17,274	$ (16,798)

We believe that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets. Changes in deferred tax assets for net operating loss carryforwards resulted primarily from current year losses in foreign jurisdictions. Changes in deferred tax assets for derivative instruments resulted primarily from the tax impact of our payment to settle an interest rate swap in 2016.

The valuation allowances as of December 31, 2016 and 2015 are primarily related to U.S. capital loss carryforwards and various foreign jurisdictions' net operating loss carryforwards and other deferred tax assets that we do not expect to realize.

The following table reconciles the federal statutory income tax rate with our effective income tax rate:

For the years ended December 31,	2016	2015	2014
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (reduction) resulting from:			
State income taxes, net of Federal income tax benefits	3.4	4.2	3.0
Qualified production income deduction	(3.8)	(4.4)	(2.4)
Business realignment and impairment charges and gain on sale of trademark licensing rights	0.4	10.8	0.7
Foreign rate differences	3.6	2.2	(0.1)
Historic and solar tax credits	(3.3)	(3.3)	—
Other, net	(0.8)	(1.4)	(1.0)
Effective income tax rate	34.5%	43.1%	35.2%

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

December 31,	2016	2015
Balance at beginning of year	$ 33,411	$ 32,230
Additions for tax positions taken during prior years	2,804	1,122
Reductions for tax positions taken during prior years	(4,080)	(2,112)
Additions for tax positions taken during the current year	9,100	6,623
Settlements	—	(702)
Expiration of statutes of limitations	(5,233)	(3,750)
Balance at end of year	$ 36,002	$ 33,411

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $27,691 as of December 31, 2016 and $25,947 as of December 31, 2015.

We report accrued interest and penalties related to unrecognized tax benefits in income tax expense. We recognized a net tax benefit of $75 in 2016, a net tax expense of $1,153 in 2015 and a net tax benefit of $9,082 in 2014 for interest and penalties. Accrued net interest and penalties were $3,716 as of December 31, 2016 and $3,791 as of December 31, 2015.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. A number of years may elapse before an uncertain tax position, for which we have unrecognized tax benefits, is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our unrecognized tax benefits reflect the most likely outcome. We adjust these unrecognized tax benefits, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position could require the use of cash. Favorable resolution would be recognized as a reduction to our effective income tax rate in the period of resolution.

The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions include the United States (federal and state), Canada, China and Mexico. U.S., Canadian, Chinese and Mexican federal audit issues typically involve the timing of deductions and transfer pricing adjustments. Tax examinations by the U.S. Internal Revenue Service and various state taxing authorities could be conducted for years beginning in 2013.

We are no longer subject to Canadian federal income tax examinations by the Canada Revenue Agency ("CRA") for years before 2007. In 2013, the CRA concluded its audit for 2007 through 2009 and issued a letter to us indicating proposed adjustments primarily associated with business realignment charges and transfer pricing. In 2014, the CRA withdrew the proposed adjustments related to business realignment charges and transfer pricing of inventory, and we paid a $1,600 assessment related to other cross-border adjustments. Also in 2014, the CRA concluded its audit for 2010 through 2012 and issued a letter to us indicating proposed transfer pricing adjustments, and we paid a $612 assessment. We provided notice to the U.S. Competent Authority and the CRA provided notice to the Canada

Competent Authority of the likely need for their assistance to resolve the adjustments for 2007 through 2012. Accordingly, as of December 31, 2016, we recorded a non-current receivable of approximately $1,449 associated with the anticipated resolution of the adjustments by the Competent Authority of each country. In the fourth quarter of 2016, the CRA commenced its audit of our Canadian income tax returns for 2014 through May 2015.

We are no longer subject to Chinese federal income tax examinations by the China State Administration of Taxation ("China SAT") for years before 2011. We are no longer subject to Mexican federal income tax examinations by the Servicio de Administracion Tributaria ("Mexico SAT") for years before 2010. We work with the IRS, the CRA, the China SAT and the Mexico SAT to resolve proposed audit adjustments and to minimize the amount of adjustments. We do not anticipate that any potential tax adjustments will have a significant impact on our financial position or results of operations.

We reasonably expect reductions in the liability for unrecognized tax benefits of approximately $4,160 within the next 12 months because of the expiration of statutes of limitations and settlements of tax audits.

As of December 31, 2016, we had approximately $291,387 of undistributed earnings of our international subsidiaries. We intend to continue to reinvest earnings outside the United States for the foreseeable future and, therefore, have not recognized any U.S. tax expense on these earnings. It is not practicable for us to determine the amount of unrecognized U.S. tax expense on these reinvested international earnings.

Investments in Partnerships Qualifying for Tax Credits

In 2016, we continued to invest in partnerships which make equity investments in projects eligible to receive federal historic and energy tax credits. The investments are accounted for under the equity method and reported within other assets in our Consolidated Balance Sheets. The tax credits, when realized, are recognized as a reduction of tax expense, at which time the corresponding equity investment is written-down to reflect the remaining value of the future benefits to be realized. For the years ended December 31, 2016 and 2015, we recognized investment tax credits and related outside basis difference benefit totaling $52,342 and $43,437, respectively, and we wrote-down the equity investment by $43,482 and $39,489, respectively, to reflect the realization of these benefits. The equity investment write-down is reflected within other (income) expense, net in the Consolidated Statements of Income.

9. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

We sponsor a number of defined benefit pension plans. The primary plans are The Hershey Company Retirement Plan and The Hershey Company Retirement Plan for Hourly Employees. These are cash balance plans that provide pension benefits for most domestic employees hired prior to January 1, 2007. We also sponsor two post-retirement benefit plans: health care and life insurance. The health care plan is contributory, with participants' contributions adjusted annually. The life insurance plan is non-contributory.

Obligations and Funded Status

A summary of the changes in benefit obligations, plan assets and funded status of these plans is as follows:

	Pension Benefits		Other Benefits	
December 31,	**2016**	**2015**	**2016**	**2015**
Change in benefit obligation				
Projected benefit obligation at beginning of year	$ 1,169,424	$ 1,260,895	$ 255,617	$ 294,064
Service cost	23,075	28,300	299	542
Interest cost	41,875	44,179	9,731	10,187
Plan amendments	(43,065)	67	—	—
Actuarial (gain) loss	15,804	(51,064)	(2,998)	(26,887)
Curtailment	—	(2,693)	—	292
Settlement	(59,784)	(57,193)	—	—
Divestiture	—	(4,047)	—	—
Currency translation and other	1,416	(11,456)	314	(2,206)
Benefits paid	(30,427)	(37,564)	(20,117)	(20,375)
Projected benefit obligation at end of year	1,118,318	1,169,424	242,846	255,617
Change in plan assets				
Fair value of plan assets at beginning of year	1,041,902	1,136,943	—	—
Actual return on plan assets	49,012	(19,804)	—	—
Employer contributions	21,580	32,898	20,117	20,375
Settlement	(59,784)	(57,193)	—	—
Divestiture	—	(2,485)	—	—
Currency translation and other	1,393	(10,893)	—	—
Benefits paid	(30,427)	(37,564)	(20,117)	(20,375)
Fair value of plan assets at end of year	1,023,676	1,041,902	—	—
Funded status at end of year	$ (94,642)	$ (127,522)	$ (242,846)	$ (255,617)
Amounts recognized in the Consolidated Balance Sheets:				
Other assets	$ 39	$ —	$ —	$ —
Accrued liabilities	(28,994)	(4,841)	(22,576)	(24,205)
Other long-term liabilities	(65,687)	(122,681)	(220,270)	(231,412)
Total	$ (94,642)	$ (127,522)	$ (242,846)	$ (255,617)
Amounts recognized in Accumulated Other Comprehensive Income (Loss), net of tax:				
Actuarial net (loss) gain	$ (243,228)	$ (264,570)	$ 9,264	$ 7,574
Net prior service credit (cost)	28,360	4,267	(1,565)	(1,919)
Net amounts recognized in AOCI	$ (214,868)	$ (260,303)	$ 7,699	$ 5,655

The accumulated benefit obligation for all defined benefit pension plans was $1,081,261 as of December 31, 2016 and $1,129,052 as of December 31, 2015.

Plans with accumulated benefit obligations in excess of plan assets were as follows:

December 31,	2016	2015
Projected benefit obligation	$ 1,118,294	$ 1,110,232
Accumulated benefit obligation	1,081,254	1,081,002
Fair value of plan assets	1,023,613	985,111

Net Periodic Benefit Cost

The components of net periodic benefit cost were as follows:

	Pension Benefits			Other Benefits		
For the years ended December 31,	2016	2015	2014	2016	2015	2014
Amounts recognized in net periodic benefit cost						
Service cost	$ 23,075	$ 28,300	$ 26,935	$ 299	$ 542	$ 706
Interest cost	41,875	44,179	48,886	9,731	10,187	11,696
Expected return on plan assets	(58,820)	(68,830)	(74,080)	—	—	—
Amortization of prior service (credit) cost	(1,555)	(1,178)	(667)	575	611	616
Amortization of net loss (gain)	34,940	30,510	23,360	(13)	(57)	(141)
Curtailment credit	—	(688)	—	—	204	—
Settlement loss	22,657	23,067	—	—	—	—
Total net periodic benefit cost	$ 62,172	$ 55,360	$ 24,434	$ 10,592	$ 11,487	$ 12,877
Change in plan assets and benefit obligations recognized in AOCI, pre-tax						
Actuarial net (gain) loss	$ (31,772)	$ (21,554)	$ 99,136	$ (3,047)	$ (26,270)	$ 36,021
Prior service (credit) cost	(41,517)	1,748	833	(572)	(834)	(629)
Total recognized in other comprehensive (income) loss, pre-tax	$ (73,289)	$ (19,806)	$ 99,969	$ (3,619)	$ (27,104)	$ 35,392
Net amounts recognized in periodic benefit cost and AOCI	$ (11,117)	$ 35,554	$ 124,403	$ 6,973	$ (15,617)	$ 48,269

Amounts expected to be amortized from AOCI into net periodic benefit cost during 2017 are as follows:

	Pension Plans	Post-Retirement Benefit Plans
Amortization of net actuarial loss (gain)	$ 33,567	$ (1)
Amortization of prior service (credit) cost	$ (5,822)	$ 747

Assumptions

The weighted-average assumptions used in computing the benefit obligations were as follows:

	Pension Benefits		Other Benefits	
December 31,	2016	2015	2016	2015
Discount rate	3.8%	4.0%	3.8%	4.0%
Rate of increase in compensation levels	3.8%	3.8%	N/A	N/A

The weighted-average assumptions used in computing net periodic benefit cost were as follows:

	Pension Benefits			Other Benefits		
For the years ended December 31,	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Discount rate	4.0%	3.7%	4.5%	4.0%	3.7%	4.5%
Expected long-term return on plan assets	6.1%	6.3%	7.0%	N/A	N/A	N/A
Rate of compensation increase	3.8%	4.1%	4.0%	N/A	N/A	N/A

The Company's discount rate assumption is determined by developing a yield curve based on high quality corporate bonds with maturities matching the plans' expected benefit payment streams. The plans' expected cash flows are then discounted by the resulting year-by-year spot rates. We base the asset return assumption on current and expected asset allocations, as well as historical and expected returns on the plan asset categories.

For purposes of measuring our post-retirement benefit obligation at December 31, 2016, we assumed a 7.0% annual rate of increase in the per capita cost of covered health care benefits for 2017, grading down to 5.0% by 2021. For measurement purposes as of December 31, 2015, we assumed a 6.5% pre-65 and a 7.3% post-65 annual rate of increase in the per capita cost of covered health care benefits for 2016, grading down to 5.0% by 2019. Assumed health care cost trend rates could have a significant effect on the amounts reported for the post-retirement health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

Impact of assumed health care cost trend rates	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total service and interest cost components	$ 151	$ (132)
Effect on accumulated post-retirement benefit obligation	3,858	(3,373)

The valuations and assumptions reflect adoption of the Society of Actuaries updated RP-2014 mortality tables with MP-2016 generational projection scales, which we adopted as of December 31, 2016. Adoption of the updated scale did not have a significant impact on our current pension obligations or net period benefit cost since our primary plans are cash balance plans and most participants take lump-sum settlements upon retirement.

Plan Assets

We broadly diversify our pension plan assets across public equity, fixed income, diversified credit strategies and diversified alternative strategies asset classes. Our target asset allocation for our major domestic pension plans as of December 31, 2016 was as follows:

Asset Class	Target Asset Allocation
Cash	1%
Equity securities	25%
Fixed income securities	49%
Alternative investments, including real estate, listed infrastructure and other	25%

As of December 31, 2016, actual allocations were consistent with the targets and within our allowable ranges. We expect the level of volatility in pension plan asset returns to be in line with the overall volatility of the markets within each asset class.

The following table sets forth by level, within the fair value hierarchy (as defined in Note 6), pension plan assets at their fair values as of December 31, 2016:

	Quoted prices in active markets of identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	Total
Cash and cash equivalents	$ 576	$ 9,540	$ —	$ 10,116
Equity securities:				
Global all-cap (a)	20,216	242,214	—	262,430
Fixed income securities:				
U.S. government/agency	—	228,648	—	228,648
Corporate bonds (b)	—	199,634	—	199,634
Collateralized obligations (c)	—	50,532	—	50,532
International government/corporate bonds (d)	—	30,928	—	30,928
Alternative investments:				
Global diversified assets (e)	—	146,975	—	146,975
Global real estate investment trusts (f)	—	48,000	—	48,000
Global infrastructure (g)	—	46,413	—	46,413
Total pension plan assets	$ 20,792	$ 1,002,884	$ —	$ 1,023,676

The following table sets forth by level, within the fair value hierarchy, pension plan assets at their fair values as of December 31, 2015:

	Quoted prices in active markets of identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	Total
Cash and cash equivalents	$ 1,763	$ 30,389	$ —	$ 32,152
Equity securities:				
U.S. all-cap (h)	—	138,367	—	138,367
International all-cap (i)	108,862	3,118	—	111,980
Global all-cap (a)	73,157	196,063	—	269,220
Fixed income securities:				
U.S. government/agency	117,378	120,136	—	237,514
Corporate bonds (b)	101,476	37,748	—	139,224
Collateralized obligations (c)	32,532	8,157	—	40,689
International government/corporate bonds (d)	31,917	40,839	—	72,756
Total pension plan assets	$ 467,085	$ 574,817	$ —	$ 1,041,902

(a) This category comprises equity funds that primarily track the MSCI World Index or MSCI All Country World Index.

(b) This category comprises fixed income funds primarily invested in investment grade and high yield bonds.

(c) This category comprises fixed income funds primarily invested in high quality mortgage-backed securities and other asset-backed obligations.

(d) This category comprises fixed income funds primarily invested in Canadian and other international bonds.

(e) This category comprises diversified funds invested across alternative asset classes.

(f) This category comprises equity funds primarily invested in publicly traded real estate securities.

(g) This category comprises equity funds primarily invested in publicly traded listed infrastructure securities.

(h) This category comprises equity funds that track the Russell 3000 index.

(i) This category comprises equity funds that track the MSCI World Ex-US index.

The fair value of the Level 1 assets was based on quoted prices in active markets for the identical assets. The fair value of the Level 2 assets was determined by management based on an assessment of valuations provided by asset management entities and was calculated by aggregating market prices for all underlying securities.

Investment objectives for our domestic plan assets are:

- To ensure high correlation between the value of plan assets and liabilities;
- To maintain careful control of the risk level within each asset class; and
- To focus on a long-term return objective.

We believe that there are no significant concentrations of risk within our plan assets as of December 31, 2016. We comply with the rules and regulations promulgated under the Employee Retirement Income Security Act of 1974 (“ERISA”) and we prohibit investments and investment strategies not allowed by ERISA. We do not permit direct purchases of our Company’s securities or the use of derivatives for the purpose of speculation. We invest the assets of non-domestic plans in compliance with laws and regulations applicable to those plans.

Cash Flows and Plan Termination

Our policy is to fund domestic pension liabilities in accordance with the limits imposed by the ERISA, federal income tax laws and the funding requirements of the Pension Protection Act of 2006. We fund non-domestic pension liabilities in accordance with laws and regulations applicable to those plans.

We made total contributions to the pension plans of $21,580 during 2016, including contributions of $18,000 to maintain the funded status of our domestic plans. In 2015, we made total contributions of $32,898 to the pension plans. For 2017, minimum funding requirements for our pension plans are approximately $1,158.

Total benefit payments expected to be paid to plan participants, including pension benefits funded from the plans and other benefits funded from Company assets, are as follows:

	Expected Benefit Payments					
	2017	2018	2019	2020	2021	2022-2026
Pension Benefits	$ 96,972	$ 69,299	$ 73,438	$ 78,863	$ 79,714	$ 423,587
Other Benefits	22,593	20,546	18,813	17,642	16,698	71,616

During the third quarter of 2016, the Company’s Board Compensation and Executive Organization Committee approved the termination of the Hershey Company Puerto Rico Hourly Pension Plan with an effective date of December 31, 2016. It is expected to take 15 to 18 months from the date of the approved amendment to complete the termination of this plan. The net pension liability for this plan of $5,082 as of December 31, 2016 will be settled through either lump sum payments or purchased annuities.

Multiemployer Pension Plan

During 2016, we exited a facility as part of the 2016 Operational Optimization Program (see Note 7) and no longer participate in the BCTGM Union and Industry Canadian Pension Plan, a trustee-managed multiemployer defined benefit pension plan. Our obligation during the term of the collective bargaining agreement was limited to remitting the required contributions to the plan and contributions made were not significant during 2014 through 2016.

Savings Plans

The Company sponsors several defined contribution plans to provide retirement benefits to employees. Contributions to The Hershey Company 401(k) Plan and similar plans for non-domestic employees are based on a portion of eligible pay up to a defined maximum. All matching contributions were made in cash. Expense associated with the defined contribution plans was $43,545 in 2016, $44,285 in 2015 and $46,064 in 2014.

10. STOCK COMPENSATION PLANS

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

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

As of December 31, 2016, 68.5 million shares were authorized and approved by our stockholders for grants under the EICP. The EICP also provides for the deferral of stock-based compensation awards by participants if approved by the Compensation and Executive Organization Committee of our Board and if in accordance with an applicable deferred compensation plan of the Company. Currently, the Compensation and Executive Organization Committee has authorized the deferral of PSU and RSU awards by certain eligible employees under the Company’s Deferred Compensation Plan. Our Board has authorized our non-employee directors to defer any portion of their cash retainer, committee chair fees and RSUs awarded after 2007 that they elect to convert into deferred stock units under our Directors’ Compensation Plan.

At the time stock options are exercised or RSUs and PSUs become payable, common stock is issued from our accumulated treasury shares. Dividend equivalents are credited on RSUs on the same date and at the same rate as dividends are paid on Hershey’s common stock. These dividend equivalents are charged to retained earnings.

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

For the years ended December 31,	2016	2015	2014
Pre-tax compensation expense	$ 54,785	$ 51,533	$ 54,068
Related income tax benefit	17,148	17,109	18,653

Compensation costs for stock compensation plans are primarily included in selling, marketing and administrative expense. As of December 31, 2016, total stock-based compensation cost related to non-vested awards not yet recognized was $60,963 and the weighted-average period over which this amount is expected to be recognized was approximately 2.2 years.

Stock Options

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

A summary of activity relating to grants of stock options for the year ended December 31, 2016 is as follows:

Stock Options	Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of the period	6,842,563	$75.48	5.8 years	
Granted	1,356,440	$90.73		
Exercised	(1,762,827)	$58.72		
Forfeited	(244,168)	$98.72		
Outstanding as of December 31, 2016	6,192,008	$82.67	6.2 years	$ 121,202
Options exercisable as of December 31, 2016	3,498,601	$72.15	4.6 years	$ 103,865

The weighted-average fair value of options granted was $11.46, $18.99 and $21.50 per share in 2016, 2015 and 2014, respectively. The fair value was estimated on the date of grant using a Black-Scholes option-pricing model and the following weighted-average assumptions:

For the years ended December 31,	2016	2015	2014
Dividend yields	2.4%	2.1%	2.0%
Expected volatility	16.8%	20.7%	22.3%
Risk-free interest rates	1.5%	1.9%	2.1%
Expected term in years	6.8	6.7	6.7

- "Dividend yields" means the sum of dividends declared for the four most recent quarterly periods, divided by the average price of our Common Stock for the comparable periods;
- "Expected volatility" means the historical volatility of our Common Stock over the expected term of each grant;
- "Risk-free interest rates" means the U.S. Treasury yield curve rate in effect at the time of grant for periods within the contractual life of the stock option; and
- "Expected term" means the period of time that stock options granted are expected to be outstanding based primarily on historical data.

The total intrinsic value of options exercised was $73,944, $66,161 and $133,948 in 2016, 2015 and 2014, respectively.

As of December 31, 2016, there was $16,372 of total unrecognized compensation cost related to non-vested stock option awards granted under the EICP, which we expect to recognize over a weighted-average period of 2.4 years.

The following table summarizes information about stock options outstanding as of December 31, 2016:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding as of 12/31/16	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable as of 12/31/16	Weighted-Average Exercise Price
$33.40 - $60.68	1,825,259	3.5	$51.27	1,825,259	$51.27
$60.69 - $90.39	2,208,766	7.5	$86.58	730,253	$81.66
$90.40 - $111.76	2,157,983	7.1	$105.22	943,089	$105.20
$33.40 - $111.76	6,192,008	6.2	$82.67	3,498,601	$72.15

Performance Stock Units and Restricted Stock Units

Under the EICP, we grant PSUs to selected executives and other key employees. Vesting is contingent upon the achievement of certain performance objectives. We grant PSUs over 3-year performance cycles. If we meet targets for financial measures at the end of the applicable 3-year performance cycle, we award a resulting number of shares of our Common Stock to the participants. For PSUs granted, the target award is a combination of a market-based total shareholder return and performance-based components. The performance scores for 2014 through 2016 grants of PSUs can range from 0% to 250% of the targeted amounts.

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

In 2016, 2015 and 2014, we awarded RSUs to certain executive officers and other key employees under the EICP. We also awarded RSUs quarterly to non-employee directors.

We recognize the compensation cost associated with employee RSUs over a specified award vesting period based on the grant date fair value or year-end market value of our Common Stock. We recognize expense for employee RSUs based on the straight-line method. We recognize the compensation cost associated with non-employee director RSUs ratably over the vesting period.

A summary of activity relating to grants of PSUs and RSUs for the period ended December 31, 2016 is as follows:

Performance Stock Units and Restricted Stock Units	Number of units	Weighted-average grant date fair value for equity awards (per unit)
Outstanding at beginning of year	495,207	$106.40
Granted	545,750	$93.55
Performance assumption change	79,889	$92.43
Vested	(239,270)	$94.59
Forfeited	(53,348)	$98.93
Outstanding at end of year	828,228	$102.66

The table above excludes PSU awards for 6,410 units as of December 31, 2016 and 20,586 units as of December 31, 2015 for which the measurement date has not yet occurred for accounting purposes.

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

For the years ended December 31,	2016	2015	2014
Units granted	545,750	381,407	331,788
Weighted-average fair value at date of grant	$ 93.55	$ 104.68	$ 115.57
Monte Carlo simulation assumptions:			
Estimated values	$ 38.02	$ 61.22	$ 80.95
Dividend yields	2.5%	2.0%	1.8%
Expected volatility	17.0%	14.9%	15.5%

- "Estimated values" means the fair value for the market-based total shareholder return component of each PSU at the date of grant using a Monte Carlo simulation model;
- "Dividend yields" means the sum of dividends declared for the four most recent quarterly periods, divided by the average price of our Common Stock for the comparable periods;
- "Expected volatility" means the historical volatility of our Common Stock over the expected term of each grant.

The fair value of shares vested totaled $22,062, $46,113 and $57,360 in 2016, 2015 and 2014, respectively.

Deferred PSUs, deferred RSUs and deferred stock units representing directors' fees totaled 483,465 units as of December 31, 2016. Each unit is equivalent to one share of the Company's Common Stock.

11. SEGMENT INFORMATION

Our organizational structure is designed to ensure continued focus on North America, coupled with an emphasis on profitable growth in our focus international markets. Our business is organized around geographic regions, which enables us to build processes for repeatable success in our global markets. As a result, we have defined our operating segments on a geographic basis, as this aligns with how our Chief Operating Decision Maker ("CODM") manages our business, including resource allocation and performance assessment. Our North America business, which generates approximately 88% of our consolidated revenue, is our only reportable segment. None of our other operating segments meet the quantitative thresholds to qualify as reportable segments; therefore, these operating segments are combined and disclosed below as International and Other.

- ***North America* -** This segment is responsible for our traditional chocolate and non-chocolate confectionery market position, as well as our grocery and growing snacks market positions, in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, pantry, food service and other snacking product lines.

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

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

Accounting policies associated with our operating segments are generally the same as those described in Note 1.

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

Our segment net sales and earnings were as follows:

For the years ended December 31,	2016	2015	2014
Net sales:			
North America	$ 6,532,988	$ 6,468,158	$ 6,352,729
International and Other	907,193	918,468	1,069,039
Total	$ 7,440,181	$ 7,386,626	$ 7,421,768
Segment income (loss):			
North America	$ 2,040,995	$ 2,073,967	$ 1,916,207
International and Other	(29,139)	(98,067)	40,004
Total segment income	2,011,856	1,975,900	1,956,211
Unallocated corporate expense (1)	497,423	497,386	503,234
Unallocated mark-to-market losses on commodity derivatives (2)	163,238	—	—
Goodwill and other intangible asset impairment charges	4,204	280,802	15,900
Costs associated with business realignment activities	107,571	120,975	34,290
Non-service related pension expense (income)	27,157	18,079	(1,834)
Acquisition and integration costs	6,480	20,899	12,360
Operating profit	1,205,783	1,037,759	1,392,261
Interest expense, net	90,143	105,773	83,532
Other (income) expense, net	16,159	30,139	2,686
Income before income taxes	$ 1,099,481	$ 901,847	$ 1,306,043

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

(2) Reflects gains and losses on commodity derivative instruments that are excluded from segment income until the related inventory is sold. See Note 5.

Activity within the unallocated mark-to-market (gains) losses on commodity derivatives for the year ended December 31, 2016 included:

For the year ended December 31,	2016
Net losses on mark-to-market valuation of unallocated commodity derivative positions	$ 171,753
Net losses on commodity derivative positions allocated to segment income	8,515
Net losses on mark-to-market valuation of commodity derivative positions remaining in unallocated derivative (gains) losses	$ 163,238

Based on our forecasts of the timing of the recognition of the underlying hedged items, we expect to reclassify net pretax losses on commodity derivatives of $88.3 million to segment operating results in the next twelve months.

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

For the years ended December 31,	2016	2015	2014
North America	$ 162,211	$ 153,185	$ 146,475
International and Other	50,753	46,342	28,463
Corporate (1)	88,873	45,401	36,594
Total	$ 301,837	$ 244,928	$ 211,532

(1) Corporate includes non-cash asset-related accelerated depreciation and amortization related to business realignment activities, as discussed in Note 7. Such amounts are not included within our measure of segment income.

Additional geographic information is as follows:

	2016	2015	2014
Net sales:			
United States	$ 6,196,723	$ 6,116,490	$ 5,996,564
Other	1,243,458	1,270,136	1,425,204
Total	$ 7,440,181	$ 7,386,626	$ 7,421,768
Long-lived assets:			
United States	$ 1,528,255	$ 1,528,723	$ 1,477,455
Other	648,993	711,737	674,446
Total	$ 2,177,248	$ 2,240,460	$ 2,151,901

12. EQUITY AND NONCONTROLLING INTERESTS

We had 1,055,000,000 authorized shares of capital stock as of December 31, 2016. Of this total, 900,000,000 shares were designated as Common Stock, 150,000,000 shares were designated as Class B Stock and 5,000,000 shares were designated as Preferred Stock. Each class has a par value of one dollar per share.

Changes in the outstanding shares of Common Stock for the past three years were as follows:

For the years ended December 31,	2016	2015	2014
Shares issued	359,901,744	359,901,744	359,901,744
Treasury shares at beginning of year	(143,124,384)	(138,856,786)	(136,007,023)
Stock repurchases:			
Repurchase programs	(4,640,964)	(4,209,112)	(2,135,268)
Stock-based compensation programs	(1,820,766)	(1,776,838)	(3,676,513)
Stock issuances:			
Stock-based compensation programs	1,944,105	1,718,352	2,962,018
Treasury shares at end of year	(147,642,009)	(143,124,384)	(138,856,786)
Net shares outstanding at end of year	212,259,735	216,777,360	221,044,958

Holders of the Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors. The holders of Common Stock have 1 vote per share and the holders of Class B Stock have 10 votes per share. However, the Common Stock holders, voting separately as a class, are entitled to elect one-sixth of the Board. With respect to dividend rights, the Common Stock holders are entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

Class B Stock can be converted into Common Stock on a share-for-share basis at any time. During 2016 and 2015, no shares of Class B Stock were converted into Common Stock. During 2014, 440 shares were converted.

Hershey Trust Company

Hershey Trust Company, as trustee for the benefit of Milton Hershey School and as direct owner of investment shares, held 12,903,021 shares of our Common Stock as of December 31, 2016. As trustee for the benefit of Milton Hershey School, Hershey Trust Company held 60,612,012 shares of the Class B Stock as of December 31, 2016, and was entitled to cast approximately 80% of all of the votes entitled to be cast on matters requiring the vote of both classes of our common stock voting together. Hershey Trust Company, as trustee for the benefit of Milton Hershey School, or any successor trustee, or Milton Hershey School, as appropriate, must approve any issuance of shares of Common Stock or other action that would result in it not continuing to have voting control of our Company.

Noncontrolling Interests in Subsidiaries

We currently own a 50% controlling interest in Lotte Shanghai Foods Co., Ltd. (“LSFC”), a joint venture established in 2007 in China for the purpose of manufacturing and selling product to the venture partners.

A roll-forward showing the 2016 activity relating to the noncontrolling interest follows:

	Noncontrolling Interests
Balance, December 31, 2015	$ 49,465
Net loss attributable to noncontrolling interests (1)	(3,970)
Other comprehensive loss - foreign currency translation adjustments	(3,664)
Balance, December 31, 2016	$ 41,831

(1) Amounts are not considered significant and are presented within selling, marketing and administrative expenses.

13. COMMITMENTS AND CONTINGENCIES

We enter into certain obligations for the purchase of raw materials. These obligations are primarily in the form of forward contracts for the purchase of raw materials from third-party brokers and dealers. These contracts minimize the effect of future price fluctuations by fixing the price of part or all of these purchase obligations. Total obligations consisted of fixed price contracts for the purchase of commodities and unpriced contracts that were valued using market prices as of December 31, 2016.

The cost of commodities associated with the unpriced contracts is variable as market prices change over future periods. We mitigate the variability of these costs to the extent that we have entered into commodities futures contracts or other commodity derivative instruments to hedge our costs for those periods. Increases or decreases in market prices are offset by gains or losses on commodities futures contracts or other commodity derivative instruments. Taking delivery of and making payments for the specific commodities for use in the manufacture of finished goods satisfies our obligations under the forward purchase contracts. For each of the three years in the period ended December 31, 2016, we satisfied these obligations by taking delivery of and making payment for the specific commodities.

As of December 31, 2016, we had entered into agreements for the purchase of raw materials with various suppliers. Subject to meeting our quality standards, the purchase obligations covered by these agreements were as follows as of December 31, 2016:

In millions of dollars	2017	2018	2019	2020
Purchase obligations	$ 1,282.2	$ 240.5	$ 36.0	$ —

We also have commitments under various operating lease arrangements. Future minimum payments under lease arrangements with a remaining term in excess of one year were as follows as of December 31, 2016:

In millions of dollars	2017	2018	2019	2020	2021	Thereafter
Future minimum rental payments	$ 11.7	$ 13.7	$ 12.4	$ 10.9	$ 10.8	$ 189.0

Future minimum rental payments reflect commitments under non-cancelable operating leases primarily for offices, retail stores, warehouse and distribution facilities. Total rent expense for the years ended December 31, 2016, 2015 and 2014 was $20,330, $19,754 and $21,423, respectively, including short-term rentals.

Environmental contingencies

We have a number of facilities that contain varying amounts of asbestos in certain locations within the facilities. Our asbestos management program is compliant with current applicable regulations, which require that we handle or dispose of asbestos in a special manner if such facilities undergo major renovations or are demolished. We do not have sufficient information to estimate the fair value of any asset retirement obligations related to these facilities. We cannot specify the settlement date or range of potential settlement dates and, therefore, sufficient information is not available to apply an expected present value technique. We expect to maintain the facilities with repairs and maintenance activities that would not involve or require the removal of significant quantities of asbestos.

Legal contingencies

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

14. EARNINGS PER SHARE

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

We compute basic and diluted earnings per share based on the weighted-average number of shares of Common Stock and Class B common stock outstanding as follows:

For the years ended December 31,	2016		2015		2014	
	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock
Basic earnings per share:						
Numerator:						
Allocation of distributed earnings (cash dividends paid)	$ 367,081	$ 132,394	$ 352,953	$ 123,179	$ 328,752	$ 111,662
Allocation of undistributed earnings	162,299	58,270	27,324	9,495	303,801	102,697
Total earnings—basic	$ 529,380	$ 190,664	$ 380,277	$ 132,674	$ 632,553	$ 214,359
Denominator (shares in thousands):						
Total weighted-average shares—basic	153,519	60,620	158,471	60,620	161,935	60,620
Earnings Per Share—basic	$ 3.45	$ 3.15	$ 2.40	$ 2.19	$ 3.91	$ 3.54
Diluted earnings per share:						
Numerator:						
Allocation of total earnings used in basic computation	$ 529,380	$ 190,664	$ 380,277	$ 132,674	$ 632,553	$ 214,359
Reallocation of total earnings as a result of conversion of Class B common stock to Common stock	190,664	—	132,674	—	214,359	—
Reallocation of undistributed earnings	—	(324)	—	(69)	—	(1,071)
Total earnings—diluted	$ 720,044	$ 190,340	$ 512,951	$ 132,605	$ 846,912	$ 213,288
Denominator (shares in thousands):						
Number of shares used in basic computation	153,519	60,620	158,471	60,620	161,935	60,620
Weighted-average effect of dilutive securities:						
Conversion of Class B common stock to Common shares outstanding	60,620	—	60,620	—	60,620	—
Employee stock options	964	—	1,335	—	1,920	—
Performance and restricted stock options	201	—	225	—	362	—
Total weighted-average shares—diluted	215,304	60,620	220,651	60,620	224,837	60,620
Earnings Per Share—diluted	$ 3.34	$ 3.14	$ 2.32	$ 2.19	$ 3.77	$ 3.52

The earnings per share calculations for the years ended December 31, 2016, 2015 and 2014 excluded 3,680, 2,660 and 1,510 stock options, respectively, that would have been antidilutive.

15. OTHER (INCOME) EXPENSE, NET

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

For the years ended December 31,	2016	2015	2014
Write-down of equity investments in partnerships qualifying for tax credits	$ 43,482	$ 39,489	$ —
Settlement of SGM liability (see Note 2)	(26,650)	—	—
Foreign currency exchange loss relating to strategy to cap SGM acquisition price as denominated in U.S. dollars	—	—	6,722
Gain on acquisition of controlling interest in LSFC	—	—	(4,627)
Gain on sale of non-core trademark	—	(9,950)	—
Other (income) expense, net	(673)	600	591
Total	$ 16,159	$ 30,139	$ 2,686

16. SUPPLEMENTAL BALANCE SHEET INFORMATION

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

December 31,	2016	2015
Inventories:		
Raw materials	$ 315,239	$ 353,451
Goods in process	88,490	67,745
Finished goods	528,587	534,983
Inventories at FIFO	932,316	956,179
Adjustment to LIFO	(186,638)	(205,209)
Total inventories	$ 745,678	$ 750,970
Property, plant and equipment:		
Land	$ 103,865	$ 96,666
Buildings	1,238,634	1,084,958
Machinery and equipment	3,001,552	2,886,723
Construction in progress	230,987	448,956
Property, plant and equipment, gross	4,575,038	4,517,303
Accumulated depreciation	(2,397,790)	(2,276,843)
Property, plant and equipment, net	$ 2,177,248	$ 2,240,460
Other assets:		
Capitalized software, net	$ 95,301	$ 68,004
Income tax receivable	1,449	1,428
Other non-current assets	71,615	85,934
Total other assets	$ 168,365	$ 155,366
Accrued liabilities:		
Payroll, compensation and benefits	$ 240,080	$ 215,638
Advertising and promotion	358,573	337,945
Due to SGM shareholders	—	72,025
Other	152,333	231,359
Total accrued liabilities	$ 750,986	$ 856,967
Other long-term liabilities:		
Post-retirement benefits liabilities	$ 220,270	$ 231,412
Pension benefits liabilities	65,687	122,681
Other	114,204	114,625
Total other long-term liabilities	$ 400,161	$ 468,718
Accumulated other comprehensive loss:		
Foreign currency translation adjustments	$ (110,613)	$ (101,236)
Pension and post-retirement benefit plans, net of tax	(207,169)	(254,648)
Cash flow hedges, net of tax	(58,106)	(15,141)
Total accumulated other comprehensive loss	$ (375,888)	$ (371,025)

17. QUARTERLY DATA (Unaudited)

Summary quarterly results were as follows:

Year 2016	First	Second	Third	Fourth
Net sales	$ 1,828,812	$ 1,637,671	$ 2,003,454	$ 1,970,244
Gross profit	817,376	747,398	850,848	742,269
Net income	229,832	145,956	227,403	116,853
Common stock:				
Net income per share—Basic[(a)]	1.09	0.70	1.09	0.56
Net income per share—Diluted[(a)]	1.06	0.68	1.06	0.55
Dividends paid per share	0.583	0.583	0.618	0.618
Class B common stock:				
Net income per share—Basic[(a)]	0.99	0.64	0.99	0.51
Net income per share—Diluted[(a)]	0.99	0.64	0.99	0.51
Dividends paid per share	0.530	0.530	0.562	0.562
Market price—common stock:				
High	93.71	113.49	113.89	104.44
Low	83.32	89.60	94.64	94.63

Year 2015	First	Second	Third[(b)]	Fourth[(b)]
Net sales	$ 1,937,800	$ 1,578,825	$ 1,960,779	$ 1,909,222
Gross profit	900,843	735,408	868,706	877,718
Net income (loss)	244,737	(99,941)	140,266	227,889
Common stock:				
Net income (loss) per share—Basic[(a)]	1.14	(0.47)	0.66	1.08
Net income (loss) per share—Diluted[(a)]	1.10	(0.47)	0.64	1.04
Dividends paid per share	0.535	0.535	0.583	0.583
Class B common stock:				
Net income (loss) per share—Basic[(a)]	1.04	(0.42)	0.60	0.98
Net income (loss) per share—Diluted[(a)]	1.03	(0.42)	0.60	0.98
Dividends paid per share	0.486	0.486	0.530	0.530
Market price—common stock:				
High	110.78	101.74	94.31	97.07
Low	98.52	87.86	85.13	83.58

(a) Quarterly income per share amounts do not total to the annual amount due to changes in weighted-average shares outstanding during the year, as well as the impact of excluding dilutive securities in the period in which there was a net loss.

(b) In 2015, the Company identified a material weakness in its internal control over financial reporting related to hedge accounting compliance for cocoa commodity derivatives. As a result, hedge accounting treatment for cocoa commodity derivatives was disallowed for the third and fourth quarters of 2015; therefore the impact of changes in fair value of the cocoa commodity futures outstanding during these periods should have been recorded within cost of sales as incurred, instead of deferred within AOCI. Such gains (losses) totaled $(23,358) for the third quarter of 2015 and an essentially offsetting amount for the fourth quarter of 2015. The amounts presented above for the third and fourth quarters of 2015 reflect the impact of reclassifying these gains (losses) deferred within AOCI to cost of sales for the respective periods.

Item 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

None.

Item 9A. ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”), as of December 31, 2016. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2016.

Design and Evaluation of Internal Control Over Financial Reporting

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company’s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Company’s reports filed under the Exchange Act is accumulated and communicated to management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

Management's report on the Company's internal control over financial reporting appears on the following page. There were no changes in the Company’s internal control over financial reporting during the fourth quarter of 2016 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of The Hershey Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control–Integrated Framework (2013 edition)*. Based on this assessment, management concluded that, as of December 31, 2016, the Company's internal control over financial reporting was effective based on those criteria.

The Company's independent auditors have audited, and reported on, the Company's internal control over financial reporting as of December 31, 2016.

/s/ JOHN P. BILBREY	/s/ PATRICIA A. LITTLE
John P. Bilbrey ***Chief Executive Officer*** ***(Principal Executive Officer)***	**Patricia A. Little** ***Chief Financial Officer*** ***(Principal Financial Officer)***

Item 9B. ***OTHER INFORMATION***

None.

PART III

Item 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information regarding executive officers of the Company required by Item 401 of SEC Regulation S-K is incorporated herein by reference from the disclosure included under the caption "SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT" at the end of Part I of this Annual Report on Form 10-K.

The information required by Item 401 of SEC Regulation S-K concerning the directors and nominees for director of the Company, together with a discussion of the specific experience, qualifications, attributes and skills that led the Board to conclude that the director or nominee should serve as a director at this time, will be located in the Proxy Statement in the section entitled "PROPOSAL NO. 1 – ELECTION OF DIRECTORS," which information is incorporated herein by reference.

Information regarding the identification of the Audit Committee as a separately-designated standing committee of the Board and information regarding the status of one or more members of the Audit Committee as an "audit committee financial expert" will be located in the Proxy Statement in the section entitled "MEETINGS AND COMMITTEES OF THE BOARD – Committees of the Board," which information is incorporated herein by reference.

Reporting of any inadvertent late filings under Section 16(a) of the Securities Exchange Act of 1934, as amended, will be located in the Proxy Statement in the section entitled "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE," which information is incorporated herein by reference.

Information regarding our Code of Ethical Business Conduct applicable to our directors, officers and employees is located in Part I of this Annual Report on Form 10-K, under the heading "Available Information."

Item 11. *EXECUTIVE COMPENSATION*

Information regarding the compensation of each of our named executive officers, including our Chief Executive Officer, will be located in the Proxy Statement in the section entitled "COMPENSATION DISCUSSION & ANALYSIS," which information is incorporated herein by reference. Information regarding the compensation of our directors will be located in the Proxy Statement in the section entitled "NON-EMPLOYEE DIRECTOR COMPENSATION," which information is incorporated herein by reference.

The information required by Item 407(e)(4) of SEC Regulation S-K will be located in the Proxy Statement in the section entitled "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION," which information is incorporated herein by reference.

The information required by Item 407(e)(5) of SEC Regulation S-K will be located in the Proxy Statement in the section entitled "Compensation Committee Report," which information is incorporated herein by reference.

Item 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Information concerning ownership of our voting securities by certain beneficial owners, individual nominees for director, the named executive officers, including persons serving as our Chief Executive Officer and Chief Financial Officer, and directors and executive officers as a group, will be located in the Proxy Statement in the section entitled "SHARE OWNERSHIP OF DIRECTORS, MANAGEMENT AND CERTAIN BENEFICIAL OWNERS," which information is incorporated herein by reference.

Information regarding all of the Company's equity compensation plans will be located in the Proxy Statement in the section entitled "EQUITY COMPENSATION PLAN INFORMATION," which information is incorporated herein by reference.

Item 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Information regarding transactions with related persons will be located in the Proxy Statement in the section entitled "CERTAIN TRANSACTIONS AND RELATIONSHIPS," which information is incorporated herein by reference. Information regarding director independence will be located in the Proxy Statement in the section entitled "CORPORATE GOVERNANCE – Director Independence," which information is incorporated herein by reference.

Item 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

Information regarding "Principal Accounting Fees and Services," including the policy regarding pre-approval of audit and non-audit services performed by our Company's independent auditors, will be located in the Proxy Statement in the section entitled "INFORMATION ABOUT OUR INDEPENDENT AUDITORS," which information is incorporated herein by reference.

PART IV

Item 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

Item 15(a)(1): Financial Statements

The audited consolidated financial statements of The Hershey Company and its subsidiaries and the Report of Independent Registered Public Accounting Firm thereon, as required to be filed, are located under Item 8 of this Annual Report on Form 10-K.

Item 15(a)(2): Financial Statement Schedule

Schedule II—Valuation and Qualifying Accounts for The Hershey Company and its subsidiaries for the years ended December 31, 2016, 2015 and 2014 is filed as part of this Annual Report on Form 10-K as required by Item 15(c).

We omitted other schedules because they are not applicable or the required information is set forth in the consolidated financial statements or notes thereto.

Item 15(a)(3): Exhibits

The information called for by this Item is incorporated by reference from the Exhibit Index included in this Annual Report on Form 10-K.

Item 16. *FORM 10-K SUMMARY*

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 21st day of February, 2017.

THE HERSHEY COMPANY
(Registrant)

By: /S/ PATRICIA A. LITTLE
Patricia A. Little
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the date indicated.

Signature	Title	Date
/S/ JOHN P. BILBREY **John P. Bilbrey**	Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2017
/S/ PATRICIA A. LITTLE **Patricia A. Little**	Chief Financial Officer (Principal Financial Officer)	February 21, 2017
/S/ JAVIER H. IDROVO **Javier H. Idrovo**	Chief Accounting Officer (Principal Accounting Officer)	February 21, 2017
/S/ PAMELA M. ARWAY **Pamela M. Arway**	Director	February 21, 2017
/S/ ROBERT F. CAVANAUGH **Robert F. Cavanaugh**	Director	February 21, 2017
/S/ CHARLES A. DAVIS **Charles A. Davis**	Director	February 21, 2017
/S/ MARY KAY HABEN **Mary Kay Haben**	Director	February 21, 2017
/S/ ROBERT M. MALCOLM **Robert M. Malcolm**	Director	February 21, 2017
/S/ JAMES M. MEAD **James M. Mead**	Director	February 21, 2017
/S/ JAMES E. NEVELS **James E. Nevels**	Director	February 21, 2017
/S/ ANTHONY J. PALMER **Anthony J. Palmer**	Director	February 21, 2017
/S/ THOMAS J. RIDGE **Thomas J. Ridge**	Director	February 21, 2017
/S/ DAVID L. SHEDLARZ **David L. Shedlarz**	Director	February 21, 2017

Schedule II

THE HERSHEY COMPANY AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2016, 2015 and 2014

		Additions			
Description	**Balance at Beginning of Period**	**Charged to Costs and Expenses**	**Charged to Other Accounts**	**Deductions from Reserves**	**Balance at End of Period**
In thousands of dollars					
For the year ended December 31, 2016					
Allowances deducted from assets					
Accounts receivable—trade, net (a)	$ 32,638	$ 174,314	$ —	$ (166,799)	$ 40,153
Valuation allowance on net deferred taxes (b)	207,055	28,430	—	—	235,485
Inventory obsolescence reserve (c)	22,632	30,053	—	(32,642)	20,043
Total allowances deducted from assets	$ 262,325	$ 232,797	$ —	$ (199,441)	$ 295,681
For the year ended December 31, 2015					
Allowances deducted from assets					
Accounts receivable—trade, net (a)	$ 15,885	$ 172,622	$ —	$ (155,869)	$ 32,638
Valuation allowance on net deferred taxes (b)	147,223	59,832	—	—	207,055
Inventory obsolescence reserve (c)	11,748	32,434	—	(21,550)	22,632
Total allowances deducted from assets	$ 174,856	$ 264,888	$ —	$ (177,419)	$ 262,325
For the year ended December 31, 2014					
Allowances deducted from assets					
Accounts receivable—trade, net (a)	$ 14,329	$ 153,652	$ —	$ (152,096)	$ 15,885
Valuation allowance on net deferred taxes (b)	87,159	60,064	—	—	147,223
Inventory obsolescence reserve (c)	564	24,660	—	(13,476)	11,748
Total allowances deducted from assets	$ 102,052	$ 238,376	$ —	$ (165,572)	$ 174,856

(a) Includes allowances for doubtful accounts, anticipated discounts and write-offs of uncollectible accounts receivable.
(b) Includes adjustments to the valuation allowance for deferred tax assets that we do not expect to realize.
(c) Includes adjustments to the inventory reserve, transfers, disposals and write-offs of obsolete inventory.

EXHIBIT INDEX

Exhibit Number	Description
2.1	Share Purchase Agreement by and among Shanghai Golden Monkey Food Joint Stock Co., Ltd., various shareholders thereof and Hershey Netherlands B.V., a wholly-owned subsidiary of the Company, as of December 18, 2013, is incorporated by reference from Exhibit 2.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.
3.1	The Company’s Restated Certificate of Incorporation, as amended, is incorporated by reference from Exhibit 3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended April 3, 2005.
3.2	The Company's By-laws, as amended and restated as of April 1, 2015, are incorporated by reference from Exhibit 3.1 to the Company’s Current Report on Form 8-K filed April 2, 2015.
4.1	The Company has issued certain long-term debt instruments, no one class of which creates indebtedness exceeding 10% of the total assets of the Company and its subsidiaries on a consolidated basis. These classes consist of the following: 1) 1.600% Notes due 2018 2) 4.125% Notes due 2020 3) 8.8% Debentures due 2021 4) 2.625% Notes due 2023 5) 3.200% Notes due 2025 6) 2.300% Notes due 2026 7) 7.2% Debentures due 2027 8) 3.375% Notes due 2046 9) Other Obligations The Company undertakes to furnish copies of the agreements governing these debt instruments to the Securities and Exchange Commission upon its request.
10.1(a)	*Kit Kat*® and *Rolo*® License Agreement (the “License Agreement”) between the Company and Rowntree Mackintosh Confectionery Limited is incorporated by reference from Exhibit 10(a) to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1980.
10.1(b)	Amendment to the License Agreement is incorporated by reference from Exhibit 19 to the Company’s Quarterly Report on Form 10-Q for the quarter ended July 3, 1988.
10.1(c)	Assignment of the License Agreement by Rowntree Mackintosh Confectionery Limited to Société des Produits Nestlé SA as of January 1, 1990 is incorporated by reference from Exhibit 19 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1990.
10.2	*Peter Paul/York* Domestic Trademark & Technology License Agreement between the Company and Cadbury Schweppes Inc. (now Kraft Foods Ireland Intellectual Property Limited) dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Company’s Current Report on Form 8-K dated September 8, 1988.
10.3	*Cadbury* Trademark & Technology License Agreement between the Company and Cadbury Limited (now Cadbury UK Limited) dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Company’s Current Report on Form 8-K dated September 8, 1988.
10.4(a)	Trademark and Technology License Agreement between Huhtamäki and the Company dated December 30, 1996, is incorporated by reference from Exhibit 10 to the Company’s Current Report on Form 8-K filed February 26, 1997.
10.4(b)	Amended and Restated Trademark and Technology License Agreement between Huhtamäki and the Company is incorporated by reference from Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
10.5(a)	Five Year Credit Agreement dated as of October 14, 2011, among the Company and the banks, financial institutions and other institutional lenders listed on the respective signature pages thereof (“Lenders”), Bank of America, N.A., as administrative agent for the Lenders, JPMorgan Chase Bank, N.A., as syndication agent, Citibank, N.A. and PNC Bank, National Association, as documentation agents, and Bank of America Merrill Lynch, J.P. Morgan Securities LLC, Citigroup Global Markets, Inc. and PNC Capital Markets LLC, as joint lead arrangers and joint book managers, is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 20, 2011.

10.5(b) Amendment No. 1 to Credit Agreement dated as of November 12, 2013, among the Company, the banks, financial institutions and other institutional lenders who are parties to the Five Year Credit Agreement and Bank of America, N.A., as agent, is incorporated by reference from Exhibit 10.6 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

10.6 364 Day Credit Agreement, dated as of June 16, 2016, among the Company and Citibank, N.A, as lender and administrative agent, is incorporated by reference from Exhibit 10.1 to the Company’s Current Report on Form 8-K filed June 17, 2016.

10.7(a) Master Innovation and Supply Agreement between the Company and Barry Callebaut, AG, dated July 13, 2007, is incorporated by reference from Exhibit 10.1 to the Company’s Current Report on Form 8-K filed July 19, 2007.

10.7(b) First Amendment to Master Innovation and Supply Agreement between the Company and Barry Callebaut, AG, dated April 14, 2011, is incorporated by reference from Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q for the quarter ended July 3, 2011.

10.8 Supply Agreement for Monterrey, Mexico, between the Company and Barry Callebaut, AG, dated July 13, 2007, is incorporated by reference from Exhibit 10.2 to the Company’s Current Report on Form 8-K filed July 19, 2007.

10.9 The Company’s Equity and Incentive Compensation Plan, amended and restated February 22, 2011, and approved by our stockholders on April 28, 2011, is incorporated by reference from Appendix B to the Company’s proxy statement filed March 15, 2011.[+]

10.10(a) Form of Notice of Award of Restricted Stock Units (pre-February 15, 2016 version) is incorporated by reference from Exhibit 10.9 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.[+]

10.10(b) Form of Notice of Award of Restricted Stock Units (effective February 15, 2016).*[+]

10.11(a) Form of Notice of Special Award of Restricted Stock Units (pro-rata vest, pre-February 15, 2016 version) is incorporated by reference from Exhibit 10.2 to the Company’s Current Report on Form 8-K filed June 16, 2011.[+]

10.11(b) Form of Notice of Special Award of Restricted Stock Units (pro-rata vest, effective February 15, 2016) is incorporated by reference from Exhibit 10.1 to the Company’s Current Report on Form 8-K filed June 17, 2016.[+]

10.11(c) Form of Notice of Special Award of Restricted Stock Units (3-year cliff vest) is incorporated by reference from Exhibit 10.1 to the Company’s Current Report on Form 8-K filed February 18, 2016.[+]

10.12(a) Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan (pre-February 15, 2016 version) is incorporated by reference from Exhibit 10.2 to the Company’s Current Report on Form 8-K filed February 24, 2012.[+]

10.12(b) Terms and Conditions of Nonqualified Stock Option Awards under the Equity and Incentive Compensation Plan (effective February 15, 2016).*[+]

10.13(a) Form of Notice of Award of Performance Stock Units (pre-February 15, 2016 version) is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 24, 2012.[+]

10.13(b) Form of Notice of Award of Performance Stock Units (effective February 15, 2016).*[+]

10.14 The Long-Term Incentive Program Participation Agreement is incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 18, 2005.[+]

10.15 The Company’s Deferred Compensation Plan, Amended and Restated as of June 27, 2012, is incorporated by reference from Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended July 1, 2012.[+]

10.16(a) The Company’s Supplemental Executive Retirement Plan, Amended and Restated as of October 2, 2007, is incorporated by reference from Exhibit 10.6 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007.[+]

10.16(b) First Amendment to the Company’s Supplemental Executive Retirement Plan, Amended and Restated as of October 2, 2007, is incorporated by reference from Exhibit 10.5 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.[+]

10.17 The Company’s Compensation Limit Replacement Plan, Amended and Restated as of January 1, 2009, is incorporated by reference from Exhibit 10.6 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.[+]

10.18 The Company’s Executive Benefits Protection Plan (Group 3A), Amended and Restated as of June 27, 2012, is incorporated by reference from Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended July 1, 2012.[+]

10.19 The Company's Executive Benefits Protection Plan (Group 3), Amended and Restated as of June 27, 2012, is incorporated by reference from Exhibit 10.18 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.[+]

10.20 Executive Confidentiality and Restrictive Covenant Agreement, adopted as of February 16, 2009, is incorporated by reference from Exhibit 10.4 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.[+]

10.21(a)	Employee Confidentiality and Restrictive Covenant Agreement, amended as of February 18, 2013, is incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.+
10.21(b)	Employee Confidentiality and Restrictive Covenant Agreement, amended as of October 10, 2016.*+
10.22(a)	Executive Employment Agreement with John P. Bilbrey, dated as of August 7, 2012, is incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2012.+
10.22(b)	First Amendment to Executive Employment Agreement, dated as of November 16, 2015, by and between the Company and John P. Bilbrey is incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 19, 2015.+
10.23	The Company’s Directors’ Compensation Plan, Amended and Restated as of December 2, 2008, is incorporated by reference from Exhibit 10.8 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
12.1	Computation of ratio of earnings to fixed charges statement.*
16.1	Letter from KPMG, LLP, dated April 27, 2016, regarding dismissal as the Company’s independent registered public accounting firm is incorporated by reference from Exhibit 16.1 to the Company’s Current Report on Form 8-K filed April 27, 2016.
21.1	Subsidiaries of the Registrant.*
23.1	Consent of Independent Registered Public Accounting Firm.*
31.1	Certification of John P. Bilbrey, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Patricia A. Little, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of John P. Bilbrey, Chief Executive Officer, and Patricia A. Little, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

*	Filed herewith
**	Furnished herewith
+	Management contract, compensatory plan or arrangement

Exhibit 31.1

CERTIFICATION

I, John P. Bilbrey, certify that:

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

/s/ JOHN P. BILBREY

John P. Bilbrey
Chief Executive Officer

February 21, 2017

Exhibit 31.2

CERTIFICATION

I, Patricia A. Little, certify that:

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

/S/ PATRICIA A. LITTLE

Patricia A. Little
Chief Financial Officer

February 21, 2017

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of The Hershey Company (the "Company") hereby certify that the Company's Annual Report on Form 10-K for the year ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2017

/s/ JOHN P. BILBREY

John P. Bilbrey
Chief Executive Officer

Date: February 21, 2017

/s/ PATRICIA A. LITTLE

Patricia A. Little
Chief Financial Officer

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

Directors and Officers as of March 23, 2017

DIRECTORS

John P. Bilbrey
Chairman of the Board
The Hershey Company

James E. Nevels
Lead Independent Director
The Hershey Company Chairman
The Swarthmore Group
Philadelphia, PA

Pamela M. Arway
Former Executive
American Express Company, Inc.
New York, NY

Michele G. Buck
President and Chief Executive Officer
The Hershey Company

Robert F. Cavanaugh
Former Chief Executive Officer
ValueRock Investment Partners
Irvine, CA

Charles A. Davis
Chief Executive Officer
Stone Point Capital LLC
Greenwich, CT

Mary Kay Haben
Former President
North America
Wm. Wrigley Jr. Company
Chicago, IL

Robert M. Malcolm
Former President,
Global Marketing, Sales & Innovation
Diageo PLC
London, UK

James M. Mead
Founder and Managing Director
JM Mead, LLC
Camp Hill, PA

Anthony J. Palmer
President
Global Brands and Innovation
Kimberly-Clark Corporation
Dallas, TX

Thomas J. Ridge
Chairman
Ridge Global, LLC
Washington, DC

David L. Shedlarz
Former Vice Chairman
Pfizer Inc.
New York, NY

COMMITTEES

Audit
Charles A. Davis, Chair
Pamela M. Arway
James M. Mead
James E. Nevels

Compensation and Executive Organization
James E. Mead, Chair
Mary Kay Haben
Robert M. Malcolm
Anthony J. Palmer
David L. Shedlarz

Finance and Risk Management
David L. Shedlarz, Chair
Robert F. Cavanaugh
Robert M. Malcolm
Anthony J. Palmer
Thomas J. Ridge

Governance
Pamela M. Arway, Chair
Robert F. Cavanaugh
Mary Kay Haben
James E. Nevels
Thomas J. Ridge

Executive
John P. Bilbrey, Chair
Pamela M. Arway
Charles A. Davis
James M. Mead
James E. Nevels
David L. Shedlarz

OFFICERS

Michele G. Buck
President and Chief Executive Officer

Javier H. Idrovo
Vice President
Chief Accounting Officer

Patricia A. Little
Senior Vice President
Chief Financial Officer

Terence L. O'Day
Senior Vice President
Chief Product Supply and
Technology Officer

Steven Schiller
President, International

Leslie M. Turner
Senior Vice President
General Counsel and Secretary

Kevin R. Walling
Senior Vice President
Chief Human Resources Officer

D. Michael Wege
Senior Vice President
Chief Administrative Officer

Waheed Zaman
Senior Vice President
Chief Knowledge,
Strategy and Technology Officer

STOCKHOLDER INFORMATION

Transfer Agent and Registrar

Computershare

Standard Delivery:
P.O. Box 30170, College Station, TX 77842-3170

Overnight Delivery:
211 Quality Circle, Suite 210,
College Station, TX 77845

Domestic Holders: (800) 851-4216
Foreign Holders: (201) 680-6578
Hearing Impaired (Domestic): (800) 952-9245
Hearing Impaired (Foreign): (312) 558-4110

www.computershare.com/investor

Investor Relations Contact / Financial Information

Mark K. Pogharian
Vice President, Investor Relations, India & EMEA
100 Crystal A Drive
P. O. Box 810
Hershey, PA 17033-0810
(800) 539-0261

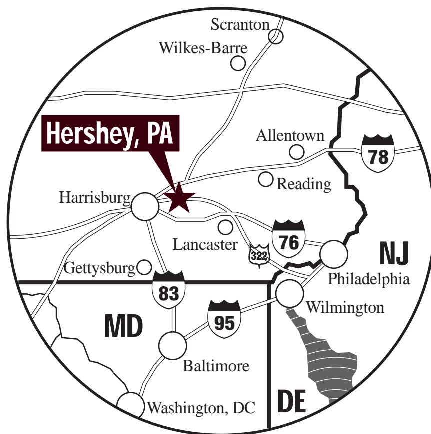
www.thehersheycompany.com

DIRECTIONS AND GENERAL INFORMATION REGARDING ANNUAL MEETING

May 3, 2017
10:00 a.m. Eastern Daylight Time

GIANT Center
550 West Hersheypark Drive
Hershey, PA

The doors to GIANT Center will open at 8:30 a.m. Please note the only entrance to the meeting will be at the rear entrance of GIANT Center and transportation from the parking area will be available. There will be designated seating for those using wheelchairs or requiring special assistance.



- **Traveling South on I-81**
  Take exit 80 and follow Route 743 South to Hershey. Follow Route 743 South / Hersheypark Drive to GIANT Center. Follow signs for parking.
- **Traveling North on I-81**
  Take exit 77 and follow Route 39 East to Hershey. Continue to GIANT Center. Follow signs for parking.
- **Traveling West on the PA Turnpike (I-76)**
  Take exit 266. Turn left on Route 72 North. Follow Route 72 North to Route 322 West. Follow Route 322 West into Hershey. Stay straight as Route 322 West becomes Hersheypark Drive / Route 39 West. Continue to GIANT Center. Follow signs for parking.
- **Traveling East on PA Turnpike (I-76)**
  Take exit 247. Take I-283 North to exit 3 and follow Route 322 East to Hershey. Take the Hersheypark Drive / Route 39 West exit. Follow Route 39 to GIANT Center. Follow signs for parking.
- **Traveling North on I-83**
  Approaching Harrisburg, follow signs to continue on I-83 North. Follow I-83 North to Route 322 East to Hershey. Take the Hersheypark Drive / Route 39 West exit. Follow Route 39 to GIANT Center. Follow signs for parking.

Everyone will walk through a magnetometer and is subject to further inspection. All handbags and packages will be inspected. Weapons and sharp objects (such as pocketknives and scissors), cell phones, pagers, cameras and recording devices will not be permitted inside the meeting room.

HERSHEY'S CHOCOLATE WORLD Attraction will be open from 9:00 a.m. to 6:00 p.m. on the day of the Annual Meeting and we are offering stockholders a special 25% discount on selected items on that date. You will need to show your admission ticket at HERSHEY'S CHOCOLATE WORLD Attraction on the day of the meeting to receive the special discount.

HERSHEY