HERSHEY CO
Form DEF 14A
March 20, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

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

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

The Hershey Company

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

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

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

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¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

The Hershey Company

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

DATE AND TIME	May 1, 2012, at 10:00 a.m. Eastern Daylight Time
PLACE	GIANT Center 550 West Hersheypark Drive Hershey, PA 17033
ITEMS OF BUSINESS	(1) Elect ten directors. (2) Ratify the appointment of KPMG LLP as the Company s independent auditors for 2012. (3) Approve, on a non-binding advisory basis, a resolution approving executive compensation. (4) Discuss and take action on any other business that is properly brought before the meeting.
WHO CAN VOTE?	You can vote at the meeting and at any adjournment or postponement of the meeting if you were a stockholder at the close of business on March 5, 2012, the record date for the annual meeting.

By order of the Board of Directors,

Burton H. Snyder

Senior Vice President,

General Counsel and Secretary

March 20, 2012

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.

The Hershey Company

100 Crystal A Drive

Hershey, Pennsylvania 17033

March 20, 2012

PROXY STATEMENT

For the Annual Meeting of Stockholders

To Be Held on May 1, 2012

The Board of Directors of The Hershey Company, a Delaware corporation, is furnishing this proxy statement to you in connection with the solicitation of proxies for our 2012 annual meeting of stockholders. The meeting will be held on May 1, 2012, at 10:00 a.m. Eastern Daylight Time, or EDT, at GIANT Center, 550 West Hersheypark Drive, Hershey, Pennsylvania 17033. Valid proxies received in connection with the annual meeting may be voted at the annual meeting and at any adjournments or postponements of that meeting.

Important Notice Regarding the Availability of Proxy Materials for the

2012 Annual Meeting of Stockholders to be held on May 1, 2012

Our notice of annual meeting and proxy statement, annual report to stockholders, electronic proxy card and other annual meeting materials are available 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 20, 2012. At that time, we also will begin mailing paper copies of our proxy materials to stockholders who requested them. Please see page 2 of this proxy statement for more information on how these materials will be distributed.

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Annual Meeting Information

What is a proxy statement and why is it important?

We hold a meeting of stockholders annually. This year s meeting will be held on May 1, 2012. There will be certain items of business that must be voted on by our stockholders at the meeting, and our Board of Directors is seeking your proxy to vote on these items. This proxy statement contains important information about The Hershey Company and the matters that will be voted on at the meeting. Please read these materials carefully so that you have the information you need to make informed decisions. Throughout this proxy statement, we will refer to ourselves as The Hershey Company, Hershey, we, our or the Company.

How are proxy solicitation and other required annual meeting materials distributed?

The Securities and Exchange Commission, or SEC, has adopted rules that allow us to mail a notice to our stockholders advising that our proxy statement, annual report to stockholders, electronic proxy card and related materials are available for viewing, free of charge, on the Internet. Stockholders may then access these materials and vote over the Internet or request delivery of a full set of materials by mail or email. We have elected to utilize this process for the 2012 annual meeting. We intend to begin mailing the required notice, called Notice of Internet Availability of Proxy Materials, or Notice, to stockholders on or about March 20, 2012. The proxy materials will be posted on the Internet, at *www.proxyvote.com*, no later than the day we begin mailing the Notice. If you receive a Notice, you will not receive a paper or email copy of the proxy materials unless you request one in the manner set forth in the Notice.

The Notice of Internet Availability of Proxy Materials contains important information, including:

- The date, time and location of the annual meeting;
- A brief description of the matters to be voted on at the meeting;
- A list of the proxy materials available for viewing on *www.proxyvote.com* and the control number you will use to access the site; and
- Instructions on how to access and review the proxy materials online, how to vote your shares over the Internet, and how to get a paper or email copy of the proxy materials, if that is your preference.

These rules give us the opportunity to serve you more efficiently by making the proxy materials available quickly online and reducing costs associated with printing and postage.

What is a proxy?

A proxy is your legal designation of another person to vote the stock that you own. The person you designate to vote your shares is also called a proxy. We have provided an electronic proxy card at *www.proxyvote.com* that you will use to vote your shares online or by telephone. If you requested a paper copy of our proxy materials, you also can vote using the proxy card enclosed with those materials. On our proxy card, you will find the names of the persons designated by the Company to act as proxies to vote your shares at the annual meeting. When you submit a valid proxy, the people named on the proxy card as proxies are required to vote your shares at the annual meeting in the manner you have instructed. Please turn to page 4 for more information about voting your shares.

What is the record date and why is it important?

The record date is the date used by our Board of Directors to determine which stockholders of the Company are entitled to receive notice of, and vote on the items presented at, the annual meeting. Our Board established March 5, 2012, as the record date for the 2012 annual meeting.

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

If you hold shares of Hershey stock directly in your name, you are a registered stockholder. If you own your Hershey shares indirectly through a broker, bank or other holder of record, those shares are held in street name.

How do I gain admission to the annual meeting?

If you owned Hershey stock on the record date, you may attend the annual meeting. 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 meeting. If you did not receive a Notice 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, to gain admission to the meeting. 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 your shares are held in *street name and you want to gain admission to the 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;

- A letter from your broker, bank or other holder of record indicating that you were the beneficial owner of Hershey stock as of the record date for the meeting; or

- Your most recent account statement indicating that you were the beneficial owner of Hershey stock as of the record date for the meeting.

What will occur at the annual meeting?

Following opening remarks, stockholders will be offered an opportunity to submit completed voting ballots on the proposals to be presented at this year s meeting. Following the vote, we will provide an update on our business followed by an opportunity for stockholders to ask questions. Finally, we will provide a preliminary report on the votes cast for each of the proposals presented at the meeting.

What proposals will I be voting on, and how does the Board of Directors recommend I vote?

	Proposal	Board Recommendation
No. 1	Election of ten directors, each to serve until the next annual meeting of stockholders and until his or her successor has been properly elected and qualified	FOR all nominees
No. 2	Ratification of the Audit Committee s selection of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2012	FOR
No. 3	Approval, on a non-binding advisory basis, of a resolution approving the Company s executive compensation	FOR

What other matters might arise at the meeting?

We are not aware of any other matters that will be brought before the stockholders at the annual meeting. Except under very limited circumstances, stockholder proposals and nominations for director had to be submitted to us in advance and meet certain requirements in order to be eligible for consideration at the meeting. We described those requirements in our 2011 proxy statement. If any other item of business is properly presented for a vote at the annual meeting, the proxies will vote validly-executed proxies returned to us in accordance with their best judgment. Procedures for submitting stockholder proposals and nominations for director for the 2013 annual meeting are described beginning on page 89.

Voting Information

Does Hershey have more than one class of stock outstanding?

We have two classes of stock outstanding, Common Stock and Class B Common Stock. As of the record date for the annual meeting, there were 163,358,747 shares of Common Stock outstanding and 60,631,517 shares of Class B Common Stock outstanding. All of the outstanding shares of Common Stock and Class B Common Stock are entitled to be voted at the meeting.

What are the voting rights of each class of stock?

You may cast one vote for each share of Common Stock that you held as of the close of business on the record date. You may cast ten votes for each share of Class B Common Stock that you held as of the close of business on the record date.

What is a quorum and why is it important?

A quorum is the minimum number of votes required to be present at the annual meeting to conduct business. Votes will be deemed to be present at the meeting if a stockholder of record:

- Attends the meeting in person; or

- Votes in advance by Internet, telephone or proxy card.

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.

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 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. A broker non-vote occurs when a nominee, such as a broker, bank or other holder of record, holding shares for a *street name* owner, cannot vote on a particular proposal because the nominee does not have discretionary voting power for that particular matter and has not received instructions on how to vote from the *street name* owner.

What vote is required to approve each proposal?

Proposal No. 1: Election of Directors. Ten directors are to be elected at our annual meeting. As required by our certificate of incorporation and by-laws:

One-sixth of our directors (which equates presently to two directors) will be elected by the holders of our Common Stock voting separately as a class.

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

You can cast your vote FOR any or all of the director nominees named on the proxy card or WITHHOLD your vote on any or all of the nominees. Please refer to the voter website, *www.proxyvote.com*, for voting instructions. If you requested a paper copy of the proxy materials, voting instructions are contained on the proxy card enclosed with those materials.

Directors will be elected by *plurality*. That means the nominees who receive the greatest number of properly cast FOR votes will be elected.

Pamela M. Arway and Charles A. Davis have been nominated by the Board for election by the holders of our Common Stock voting separately at the 2012 annual meeting. The other director nominees have been nominated for election by the holders of our Common Stock and Class B Common Stock voting together. Please go to page 27 for more information about Proposal No. 1.

Proposal Nos. 2 and 3. Holders of record of our Common Stock and Class B Common Stock present (in person or by proxy) and entitled to vote at the annual meeting will approve each of Proposals 2 and 3 if a majority of votes of the shares present and entitled to vote on the proposal are cast in favor of the proposal. We have provided additional information about these Proposals in this proxy statement.

How can I vote my shares before the meeting?

You may vote your shares prior to the meeting by following the instructions provided on the Notice of Internet Availability of Proxy Materials, this proxy statement and the voter website, *www.proxyvote.com*. If you requested a paper copy of the proxy materials, voting instructions also are contained on the proxy card enclosed with those materials.

If you are a *registered stockholder*, there are three ways to vote your shares before the meeting:

By Internet (www.proxyvote.com): Use the Internet to transmit your voting instructions until 11:59 p.m. EDT on April 30, 2012. Have your Notice of Internet Availability of Proxy Materials or proxy card with you when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

By telephone (800-690-6903): Submit your vote by telephone until 11:59 p.m. EDT on April 30, 2012. Have your Notice of Internet Availability of Proxy Materials or proxy card in hand when you call and then follow the instructions you receive from the telephone voting site.

By mail: If you requested a paper copy of the proxy materials, mark, sign and date the proxy card enclosed with those materials and return it in the postage-paid envelope we have provided. To be valid, proxy cards must be received before the start of the annual meeting. Proxy cards should be returned to The Hershey Company, c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717.

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. Follow the instructions on the Notice 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.

Can I vote at the meeting?

If you are a *registered stockholder*, you can vote at the 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 are not a holder of record of those shares and cannot vote them 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 meeting.

If you plan to vote at the 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 meeting, we strongly encourage you to vote by proxy prior to the meeting.

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

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 April 30, 2012);
- Voting again by Internet or telephone prior to 11:59 p.m. EDT on April 30, 2012 (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 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.

What will happen if I provide my proxy but do not vote on a proposal?

You should provide voting instructions for all proposals appearing on the proxy card. The persons named as proxies on the proxy card will vote your shares according to your instructions. However, if you submit a valid proxy but fail to provide instructions on how you want your shares to be voted, properly submitted proxies will be voted:

- FOR the election of all director nominees;
- FOR the ratification of the appointment of KPMG LLP as our independent auditors; and
- FOR the approval of the Company s executive compensation.

If any other item is properly presented for a vote at the meeting, the shares represented by your properly submitted proxy will be voted by the proxies using their own best judgment.

What will happen if I do not provide my proxy or vote my shares in person at the annual meeting?

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 might be authorized to 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.

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

If you mark or vote abstain on any of Proposal Nos. 2 or 3, the abstention will have the effect of being counted as a vote AGAINST the proposal. Broker non-votes with respect to a proposal are not included in vote totals and will not affect the outcome of the vote on that proposal.

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

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 regarding shares of our Common Stock credited to your account in the plan. You do not own these shares. They are owned by the trustee.

The plan provides you with voting rights based on the number of shares of Hershey 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 trustee by 11:59 p.m. EDT on April 26, 2012. 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.

By submitting voting instructions, you will direct the plan trustee:

- How to vote the shares of Common Stock allocated to your account in the plan; and

- How to vote a portion of the shares of Common Stock allocated to the accounts of other participants in the plan who have not submitted voting instructions by the deadline.

The plan trustee will submit one proxy to vote all shares of Common Stock in the plan. The trustee will vote the shares of participants submitting voting instructions in accordance with their instructions and will vote the remaining shares of Common Stock in the plan 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.

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

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.

Additional Information about the Annual Meeting

Who will pay the cost of soliciting votes for the annual meeting?

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.

What is householding?

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, the envelope must contain a separate Notice for each stockholder at the shared address. Each Notice 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 to both our stockholders and to us. 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 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 2012 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, (800) 542-1061, or write to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

What does it mean if I received more than one Notice or proxy card?

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, our transfer agent, Computershare, can assist you if you want to consolidate multiple registered accounts existing in your name. To contact our transfer agent, write to Computershare, 480 Washington Boulevard, Jersey City, New Jersey 07310-1900, or call:

(800) 851-4216	Domestic Holders
(201) 680-6578	Foreign Holders
(800) 231-5469	Domestic TDD line for hearing impaired
(201) 680-6610	Foreign TDD line for hearing impaired

Will you publish the results of voting?

Preliminary results of voting will be announced at the annual meeting. We also will publish voting results in a current report on Form 8-K that we will file with the SEC within four business days following the meeting, with the day the meeting ends counted as the first day. If on the date of this filing the Inspector of Elections for the annual meeting has not certified the voting results as final, we will note in the filing that the results are preliminary and publish the final results in a subsequent Form 8-K filing within four business days after the final voting results are known. The final results also will be posted in the Investors section of the Company s website, *www.thehersheycompany.com*, as soon as they are certified by the Inspector of Elections for the annual meeting. Questions also may be directed to our Investor Relations Department at (800) 539-0261.

GOVERNANCE OF THE COMPANY

What is corporate governance?

Corporate governance is the process by which companies govern themselves.

At The Hershey Company, day-to-day business activities are carried out by our employees under the direction and supervision of our Chief Executive Officer, or CEO. The Board of Directors oversees 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:

- Review of the Company s performance, strategies and major decisions;
- Oversight of the Company s compliance with legal and regulatory requirements and the integrity of its financial statements;
- Oversight of management, including review of the CEO s performance and succession planning for key management roles; and
- Oversight of compensation for the CEO, key executives and the Board, as well as oversight of compensation policies and programs for all employees.

What principles has the Board established with respect to corporate governance?

The general principles governing the functions of our Board and its committees are contained in the following documents:

- *Corporate Governance Guidelines:* Our Corporate Governance Guidelines provide the basic framework for the Board s role in the governance of the Company. The guidelines include the Board s policies regarding director independence, qualifications, 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 Corporate Governance Guidelines were last amended and restated by the Board on February 21, 2012.
- *Board Committee Charters:* The Board has adopted a charter for each standing committee of the Board the Audit Committee, the Compensation and Executive Organization Committee, the Finance and Risk Management Committee, the Governance Committee and the Executive Committee. The charters comply with the requirements of the Sarbanes-Oxley Act of 2002, rules of the SEC and listing standards of the New York Stock Exchange. We believe the charters reflect current best practices in corporate governance.
- *Code of Ethical Business Conduct:* The Board has adopted a Code of Ethical Business Conduct. Adherence to this Code assures that our directors, officers and employees are held to the highest standards of integrity. The Code 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.

You can view the Corporate Governance Guidelines, committee charters and Code of Ethical Business Conduct in the Investors section of our website, *www.thehersheycompany.com*. We will post amendments to any of these documents on our website as soon as possible after the effective date of the amendment. If any amendment or waiver of the Code of Ethical Business Conduct applies to directors or executive officers, our posting will appear within four business days of the amendment or waiver.

What is the composition of the Board and how often are members elected?

There currently are ten members of the Board. Each member s term will expire at the annual meeting. As discussed in greater detail beginning on page 27, the Board is recommending that you reelect each of these ten members for an additional one-year term at the annual meeting.

Which directors are independent, and how does the Board make that determination?

The Board determines which of our directors are independent. For a director to be considered independent under the listing standards of the New York Stock Exchange, the Board must affirmatively determine that the director has no direct or indirect material relationship with The Hershey Company. The Board has adopted categorical standards for independence that the Board uses when determining which directors are independent. Rather than have one set of standards for Board members as a whole and additional standards for Audit Committee members, as permitted by the New York Stock Exchange, the Board bases its determination of independence for all directors on the more stringent standards applicable to Audit Committee members. These standards are contained in our Corporate Governance Guidelines which are available for viewing in the Investors section of our website, *www.thehersheycompany.com*.

Applying the categorical standards for independence, the listing standards of the New York Stock Exchange and rules of the SEC, the Board determined that the following directors recommended for election at the annual meeting are independent: Pamela M. Arway, Robert F. Cavanaugh, Charles A. Davis, Robert M. Malcolm, James M. Mead, James E. Nevels, Anthony J. Palmer, Thomas J. Ridge and David L. Shedlarz. The Board also determined that former director LeRoy S. Zimmerman, who did not stand for reelection at the 2011 annual meeting, was independent during his tenure on the Board. The Board determined that John P. Bilbrey, President and Chief Executive Officer of The Hershey Company, is not independent because he is an executive officer of the Company. The Board also determined that David J. West, who resigned as a director on June 13, 2011, and as President and Chief Executive Officer of the Company on May 17, 2011, was not independent during his tenure on the Board because he was an executive officer of the Company.

As part of its review of independence, the Board considered the following relationships but determined that they were not material:

Robert F. Cavanaugh, James M. Mead, James E. Nevels and LeRoy S. Zimmerman. Messrs. Cavanaugh, Mead and Nevels are independent members of the board of directors of Hershey Trust Company and the board of managers (governing body) of Milton Hershey School. Mr. Cavanaugh was initially recommended for nomination to our Board by the Milton Hershey School Trust in 2003. Mr. Nevels was initially elected to our Board in 2007 by the Milton Hershey School Trust acting by written consent. He has served as the non-executive Chairman of the Board since February 2009. Mr. Mead was initially recommended for nomination to our Board by the Milton Hershey School Trust in 2011. None of these individuals 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 board members of each of those entities. We do not expect these individuals to receive other forms of compensation from these entities in 2012.

Mr. Zimmerman was initially elected to our Board in 2007 by the Milton Hershey School Trust acting by written consent. He elected not to stand for reelection to our Board at the April 2011 annual meeting. During the time of his service on our Board, he also was a member of the board of directors of Hershey Trust Company and the board of managers of Milton Hershey School. During the time of his service on our Board, he did not receive any compensation from The Hershey Company, from Hershey Trust Company or from Milton Hershey School other than compensation he received in the ordinary course as a board member of each of these entities. Mr. Zimmerman retired from the board of directors of Hershey Trust Company and the board of managers of Milton Hershey School effective December 31, 2011.

Hershey Trust Company and the Milton Hershey School Trust are stockholders of the Company whose holdings are described in greater detail beginning on page 37 of this proxy statement. Under SEC rules, Hershey Trust Company, the Milton Hershey School Trust and companies controlled by the Milton Hershey School Trust are considered affiliates of the Company. During 2011, we had a number of transactions with the Milton Hershey School Trust 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 and transactions we contemplate for 2012 and beyond in greater detail in the section entitled Certain Transactions and Relationships, beginning on page 86 of this proxy statement. Messrs. Cavanaugh, Mead, Nevels and Zimmerman did not participate in Board decisions in connection with these transactions during their respective periods of service on our Board.

Do our independent directors meet separately in regularly-scheduled executive sessions, and, if so, who presides at those meetings?

Our independent directors meet regularly in executive session at the conclusion of every Board meeting and at other times as the independent directors deem necessary. Each executive session is chaired by James E. Nevels, our non-executive Chairman of the Board. In the Chairman s absence, executive sessions are chaired by an independent director assigned on a rotating basis. Members of the Audit Committee, Compensation and Executive Organization Committee, Finance and Risk Management Committee, Governance Committee and Executive Committee also meet regularly in executive session at the conclusion of committee meetings. Additional information about executive sessions is contained in our Corporate Governance Guidelines which are available for viewing in the Investors section of our website, *www.thehersheycompany.com*.

Can I communicate with directors?

You may communicate with our directors in several ways. Communications regarding accounting, internal accounting controls or auditing matters may be 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

You also may email the Audit Committee at auditcommittee@hersheys.com. Finally, you may submit your comments, confidentially and anonymously, if you desire, 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.*

You may contact the independent directors at the following address:

Independent Directors

c/o Corporate Secretary

The Hershey Company

100 Crystal A Drive

P. O. Box 810

Hershey, PA 17033-0810

You also may email the independent directors at independentdirectors@hersheys.com or contact the independent directors using the Hershey Concern Line telephone number or website noted above.

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 in the Investors section of our website at *www.thehersheycompany.com*. Communications to the Audit Committee, independent directors and 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 Audit Committee 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. Solicitations, junk mail and obviously frivolous or inappropriate communications are not forwarded to the Audit Committee, but copies are retained and made available to any director who wishes to review them.

How often did the Board meet in 2011?

The Board held six regular meetings and seven special meetings in 2011. Each director attended at least 88% of all of the meetings of the Board and committees of the Board on which he or she served (during the period he or she served) in 2011. Average attendance for all of these meetings equaled 97%.

What is the Company s policy regarding Board members attendance at the annual meeting?

Directors are expected to attend our annual meetings of stockholders. All of the nine directors standing for election at our 2011 annual meeting, held on April 28, 2011, were in attendance at that meeting.

What is the Board s leadership structure, and why is it the best structure for the Company at this time?

The Board s current leadership structure separates the roles of the Chairman of the Board of Directors and the Chief Executive Officer. Our non-executive Chairman of the Board presides at all Board and stockholder meetings, approves the agendas for all Board meetings and sees that all orders, resolutions and policies adopted or established by the Board are carried into effect. The Board has determined that our Chairman is an independent member of the Board under the listing standards of the New York Stock Exchange and our Corporate Governance Guidelines. Our Chief Executive Officer is responsible for the Company s strategic focus and oversees the day-to-day operations of the Company. He also serves as a member of the Board and is the primary liaison between the Board and Company management.

Our Board believes that separation of the roles of Chairman and Chief Executive Officer is the best governance model for the Company at this time. Under this model, our Chairman can devote his attention to assuring that the Company has the proper governance controls in place, that our Board is properly structured from the standpoints of membership, size and diversity, and that management has the support it needs from the Board to carry out the Company s strategic priorities. The Chief Executive Officer, relieved of the duties normally performed by the Chairman, is free to focus his entire attention on growing and strengthening the business.

What is the Board s role in risk oversight?

Our Board takes an active role in risk oversight. In August 2009, the Board established a 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 Finance and Risk Management Committee is composed of independent directors and operates in accordance with a written charter. The Committee receives regular reports from management on risk topics pursuant to the Committee s rolling agenda. Reports are then provided by the Committee to the Board at the Board s next regularly-scheduled meeting. The Chair of the Finance and Risk Management Committee also meets at least annually with the Audit Committee to discuss the Company s risk management programs. The Audit Committee includes a summary of these discussions in its report to the Board at the Board s next regularly-scheduled meeting.

In addition, when setting the performance measures and goals for the Company s incentive plans for 2011 and 2012, the Compensation and Executive Organization Committee of the Board received management s views on whether the incentive plans measures or goals may encourage inappropriate risk-taking by the Company s officers or employees. Management noted, and the Committee concurred and reported to the full Board, that the performance measures and goals were tied to the Company s strategic objectives, achievable financial performance centered on the Company s publicly-announced financial expectations and adherence with Hershey s values. As such, the incentive plans were believed not to encourage risk-taking outside of the range of risks contemplated by the Company s business plan.

What are the committees of the Board and what are their functions?

The Board has five standing committees: Audit, Compensation and Executive Organization, Finance and Risk Management, Governance, and Executive. The Board also establishes, from time to time, committees of limited duration for a special purpose. Our Corporate Governance Guidelines require that every member of the Audit Committee, Compensation and Executive Organization Committee, Finance and Risk Management Committee, and Governance Committee be independent.

Audit Committee	11 meetings in 2011
Members:	Charles A. Davis (Chair)* Pamela M. Arway James M. Mead* James E. Nevels* * David L. Shedlarz served as Chair of the Audit Committee, and Robert F. Cavanaugh served as a member of the Committee, until April 28, 2011. Effective that date, the Board approved changes to the membership of the Committee. Messrs. Shedlarz and Cavanaugh rotated off the Committee; Charles A. Davis, a member of the Committee, replaced Mr. Shedlarz as Chair of the Committee; and Messrs. Mead and Nevels joined the Committee.
Independence:	The Board determined that all directors on this Committee are, or were during the time they served, independent under applicable listing standards of the New York Stock Exchange, Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and the Company s Corporate Governance Guidelines.
Responsibilities:	Assists the Board in its oversight of the integrity of the Company s financial statements, the Company s compliance with legal and regulatory requirements, the qualifications and independence of the Company s independent auditors and the performance of the independent auditors and the Company s internal audit function; Directly oversees and has direct responsibility for the appointment, compensation, retention and oversight of the work of the independent auditors; Approves all audit and non-audit engagement fees and terms with the independent auditors; Reviews and oversees, in consultation with the Finance and Risk Management Committee, the guidelines and policies governing the process by which the Company assesses and manages risk; and Administers our Procedures for Submission and Handling of Complaints Regarding Compliance Matters.
Charter:	A current copy of the charter of the Audit Committee may be viewed on the Company s website at *www.thehersheycompany.com* in the Investors section. The 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. Should the Board ever make such a determination, it will be posted on the Company s website.
Qualifications:	The Board has determined that all directors on this Committee are financially literate. The Board 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. The Board also determined at the time Messrs. Cavanaugh and Shedlarz served on the Committee that they were financially literate and that each was an audit committee financial expert having accounting or related financial management expertise.

Compensation and Executive Organization Committee	11 meetings in 2011
Members:	Robert F. Cavanaugh (Chair) Pamela M. Arway Robert M. Malcolm* Anthony J. Palmer* David L. Shedlarz * On April 28, 2011, the Board appointed Anthony J. Palmer to replace James E. Nevels as a member of the Compensation and Executive Organization Committee. On December 12, 2011, the Board appointed Robert M. Malcolm to the Committee.
Independence:	The Board determined that all directors on this Committee are, or were during the time they served, independent under the listing standards of the New York Stock Exchange and the Company s Corporate Governance Guidelines.
Responsibilities:	Establishes the compensation of the Company s executive officers (other than the Chief Executive Officer) and oversees the compensation policies and programs for all employees; Evaluates the performance of and recommends to the independent directors of the full Board as a group the compensation of the Company s Chief Executive Officer; Reviews and recommends to the full Board the form and amount of director compensation; Grants performance stock units, stock options, restricted stock units and other rights under the Long-Term Incentive Program of the Company s Equity and Incentive Compensation Plan (Incentive Plan); Establishes target-award levels and makes awards under the Annual Incentive Program of the Incentive Plan; Administers the Incentive Plan; Monitors compensation arrangements for management employees for consistency with corporate objectives and stockholders interests; Reviews the executive organization of the Company; and Monitors the development of personnel available to fill key management positions as part of the succession planning process.
Charter:	A current copy of the charter of the Compensation and Executive Organization Committee may be viewed on the Company s website at *www.thehersheycompany.com* in the Investors section.

The Compensation and Executive Organization Committee recommends or establishes director and executive officer compensation in accordance with the authority granted by its charter and the Board-approved compensation plans the Committee oversees. The Committee may delegate its responsibilities under limited circumstances to a subcommittee composed only of a subset of Committee members. Also, under the terms of the Board- and stockholder-approved Incentive Plan, the Committee is authorized to provide our CEO with limited authority to make stock-based awards to non-executive employees in connection with recruitment, retention, performance recognition or promotion. The Incentive Plan does not authorize our CEO to make grants to our executive officers.

The Committee engaged Mercer (US) Inc. (Mercer), an executive compensation consultant, to provide independent assistance to the Committee with respect to the Committee s development and refinement of our compensation policies and the Committee s assessment of whether our compensation programs support our business objectives, are market competitive and are cost-efficient.

Under its engagement letter with the Committee, Mercer has acknowledged that the firm is retained by and performs its service for the Committee while working with management to provide advice, counsel and recommendations that reinforce the Company s business strategy, economics, organization and management approach. Mercer has provided and continues to provide services and products to the Company in addition to its work for the Committee, including services related to global compensation studies 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) and property insurance consulting services (provided by Marsh USA Inc.). The Committee reviews and pre-approves all fees for services related to executive and director compensation provided by Mercer, as well as fees for compensation-related products and services provided to the Company in the United States if such fees exceed, in the aggregate, $10,000. The Committee also reviews fees paid to Mercer for compensation-related products or services provided to the Company outside the United States. The Committee has no role in the engagement of Mercer or Mercer affiliates that provide products or services to the Company that are unrelated to compensation, however, the Committee reviews the fees for such products and services concurrently with its review of compensation-related fees paid to Mercer.

The fees paid to Mercer and its affiliates in 2011 were as follows:

Services related to executive and director compensation		$ 681,812
Other services		
Compensation-related products and services	$ 559,920	
Services unrelated to compensation	$ 240,241	
Total other services		$ 800,161

Mercer provides the Committee with advice, counsel and recommendations with respect to the composition of the peer group and competitive data used for benchmarking our compensation program and financial performance. The Committee uses this and other information provided by Mercer to reach an independent recommendation regarding compensation to be paid to our CEO. The Committee s final recommendation is then given to the independent directors of our Board for review and final approval.

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

Please turn to page 42 for additional information regarding our executive compensation programs and page 23 for information regarding compensation of our directors.

Finance and Risk Management Committee 12 meetings in 2011

Members:	David L. Shedlarz (Chair)*
	Robert F. Cavanaugh
	Robert M. Malcolm*
	Anthony J. Palmer*
	Thomas J. Ridge
	* Charles A. Davis served as Chair of the Finance and Risk Management Committee until April 28, 2011. Effective that date, the Board approved changes to the membership of the Committee. Mr. Davis rotated off the Committee; David L. Shedlarz, a member of the Committee, replaced Mr. Davis as Chair of the Committee; and Anthony J. Palmer joined the Committee. On December 12, 2011, the Board appointed Robert M. Malcolm to the Committee.
Independence:	The Board determined that all directors on this Committee are, or were during the time they served, independent under the listing standards of the New York Stock Exchange and the Company s Corporate Governance Guidelines.
Responsibilities:	Assists the Board in fulfilling its oversight responsibilities relating to the Company s management of its assets, liabilities and risks;
	Reviews and makes recommendations regarding capital projects, acquisitions and dispositions of assets and changes in capital structure;
	Reviews the Company s annual budget and monitors performance against operational plans;
	Recommends the terms of the Company s principal banking relationships, credit facilities and commercial paper programs; and
	Reviews and oversees, in consultation with the Audit Committee, the guidelines and policies governing the process by which the Company assesses and manages risk.
Charter:	A current copy of the charter of the Finance and Risk Management Committee may be viewed on the Company s website at *www.thehersheycompany.com* in the Investors section.

Governance Committee 9 meetings in 2011

Members:	Pamela M. Arway (Chair)*
	Robert F. Cavanaugh*
	James E. Nevels
	Thomas J. Ridge
	* LeRoy S. Zimmerman served on the Governance Committee until April 28, 2011, when his membership on the Board ended. Effective that date, the Board appointed Pamela M. Arway and Robert F. Cavanaugh to the Committee. Subsequently, on December 6, 2011, the Board named Ms. Arway Chair of the Committee, replacing Mr. Nevels, who continues to serve on the Committee.
Independence:	The Board determined that all directors on this Committee are, or were during the time they served, independent under the listing standards of the New York Stock Exchange and the Company s Corporate Governance Guidelines.
Responsibilities:	Reviews and makes recommendations on the composition of the Board and its committees;
	Identifies, evaluates and recommends candidates for election to the Board consistent with the Board s membership qualifications;
	Reviews and makes recommendations to the full Board on corporate governance matters, including the Company s Corporate Governance Guidelines;
	Administers the Company s Related Person Transaction Policy as directed by the Board; and
	Evaluates the performance of the full Board, its independent committees and each director.
Charter:	A current copy of the charter of the Governance Committee may be viewed on the Company s website at *www.thehersheycompany.com* in the Investors section.

Executive Committee		2 meetings in 2011
Members:	James E. Nevels (Chair) Pamela M. Arway* Robert F. Cavanaugh Charles A. Davis David L. Shedlarz * LeRoy S. Zimmerman served on the Executive Committee until April 28, 2011, when his membership on the Board ended. As required by our Corporate Governance Guidelines, Pamela M. Arway became a member of the Executive Committee upon her appointment as Chair of the Governance Committee on December 6, 2011.	
Responsibilities:	Manages the business and affairs of the Company, to the extent permitted by the Delaware General Corporation Law, when the Board is not in session. A subcommittee consisting of the independent directors on this Committee who are not affiliated with Hershey Trust Company, Hershey Entertainment & Resorts Company and/or Milton Hershey School, or any subsidiary, division or affiliate of any of the foregoing, reviews and approves in advance any transaction not in the ordinary course of business between the Company and any of these entities, unless the Board or Corporate Governance Guidelines specify a different approval process. Currently, our Corporate Governance Guidelines provide that, unless directed otherwise by the independent members of our 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 this Committee approve such transactions. For more information regarding the review, approval or ratification of transactions involving the Company and these entities, please refer to the section entitled Certain Transactions and Relationships beginning on page 86.	
Charter:	A current copy of the charter of the Executive Committee may be viewed on the Company s website at *www.thehersheycompany.com* in the Investors section.	

How are nominees for the Board selected?

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

The Governance Committee considers recommendations from directors, stockholders (including the Milton Hershey School Trust) or other sources. Occasionally, the Governance Committee engages a paid third-party consultant to assist it in identifying and evaluating director candidates. The Governance Committee has sole authority under its charter to retain, compensate and terminate these consultants. The Governance Committee has established a policy that it will not recommend a candidate to the full Board until all members of the Committee have interviewed and approved the candidate for nomination.

Our Corporate Governance Guidelines describe the experience, qualifications, attributes and skills sought by the Board of any Board nominee. Generally, 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.

In reviewing the qualifications of prospective directors, the Board considers factors it deems appropriate, including the candidate s:

- Integrity;
- Judgment;
- Skill;
- Diversity;
- Ability to express informed, useful and constructive views;
- Experience with businesses and other organizations of comparable size;
- Ability to commit the time necessary to learn our business and to prepare for and participate actively in committee meetings and in Board meetings;
- Experience and how it relates to the experience of the other Board members; and
- Overall desirability as an addition to the Board and its committees.

The Board seeks individuals having knowledge and experience in such disciplines as finance, international business, marketing, mergers and acquisitions, supply chain management, information technology, human resources and consumer products. 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.

The Governance Committee does not distinguish between nominees recommended by stockholders and other nominees. However, stockholders desiring to nominate a director candidate at the annual meeting must comply with certain procedures. We explained the procedures for nominating a director candidate at this year s annual meeting in our 2011 proxy statement. If you are a stockholder and desire to nominate a director candidate at next year s annual meeting, you must comply with the procedures for nomination set forth in the section entitled Information about the 2013 Annual Meeting, beginning on page 89. 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 as described above and in the section beginning on page 89. The Governance Committee may require the nominating stockholder to submit additional information before considering the candidate.

Does the Board impose a maximum age limit for directors?

Our Corporate Governance Guidelines provide that directors will not be nominated for reelection after their 72nd birthday. All of the directors standing for election at the 2012 annual meeting of stockholders satisfied the applicable age requirement at the time of their nomination.

DIRECTOR COMPENSATION

How are directors compensated?

The Company maintains a Directors Compensation Plan 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 their 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 President and Chief Executive Officer, and Mr. West, our former President and Chief Executive Officer who resigned from the Board effective June 13, 2011, are the only employees of the Company who also served as directors and thus received no additional compensation for their Board service in 2011.

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 Compensation Peer Group. Information about the Compensation Peer Group is included in the Compensation Discussion and Analysis beginning on page 42. Each year, with the assistance of the Compensation and Executive Organization Committee and the Committee s compensation consultant, the Board reviews the compensation paid to directors at companies in the Compensation Peer Group and establishes its compensation in accordance with its target. As a result of its review in December 2010, the Board increased the annual retainer for 2011:

- From $80,000 to $90,000 for non-employee directors other than the non-executive Chairman of the Board; and
- From $180,000 to $195,000 for the non-executive Chairman of the Board.

Therefore, compensation paid to non-executive directors in 2011 was as follows:

Annual retainer for non-executive Chairman of the Board	$ 195,000
Annual retainer for other non-employee directors	$ 90,000
Annual restricted stock unit award	$ 120,000
Annual fee for chairs of the Audit Committee, Compensation and Executive Organization Committee, Finance and Risk Management Committee, and Governance Committee	$ 10,000

Payment of Annual Retainer and Committee Chair Fees

Non-employee directors may elect to receive all or a portion of the annual retainer in cash or Common Stock. Non-employee directors also may elect to defer receipt of the retainer or committee chair fees until the date their membership on the Board ends. 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 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, as selected by the director. These investment funds were selected from 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

Restricted stock units, or RSUs, are granted quarterly to non-employee directors on the first day of January, April, July and October. In 2011, the number of RSUs granted in each quarter was determined by dividing $30,000 by the average closing price of a share of our Common Stock on the New York Stock Exchange 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, or such other circumstances as the Board may determine. Once vested, RSUs are paid to directors only in shares of Common Stock or, at the option of the director, 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 paid currently in shares of Common Stock or deferred as common stock units together with RSUs the director has deferred. As of March 5, 2012, Messrs. Davis, Mead, Nevels, Ridge and Shedlarz 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. The Board will consider paying additional compensation to non-employee directors who serve on special committees, generally $1,250 per meeting, if the special committee holds six or more meetings, each lasting one hour or more. No director received compensation for service on a special committee in 2011.

Prior to 1997, directors participated in our Directors Charitable Award Program. No directors have been added to the program since 1996 and our obligations under the program were not affected by the service of any director during 2011. Under the program, upon the participating director s death, the Company makes a charitable gift to an educational institution designated by the director. The amount of the donation varies, depending upon the director s length of service, with a maximum donation of $1 million after five years of service. As of December 31, 2011, there were 16 former directors who participated in the program for whom we are committed to make charitable contributions aggregating $15.8 million. No current director participates in this program.

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 all of 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.

We do not award stock options or maintain a non-equity incentive plan or defined benefit pension plan for our non-employee directors.

The following table and explanatory footnotes provide information with respect to the compensation paid or provided to non-employee directors during 2011 in accordance with the policies and programs described above.

Director Compensation

2011

Name	Fees Earned and/ or Paid in Cash[1] ($)	Stock Awards [2] ($)	All Other Compensation [3] ($)	Total ($)
Pamela M. Arway	90,707	120,000	5,000	215,707
Robert F. Cavanaugh	100,000	120,000	4,500	224,500
Charles A. Davis	100,000	120,000	5,000	225,000
Robert M. Malcolm	6,359	8,478	5,000	19,837
James M. Mead	60,824	81,099	5,000	146,923
James E. Nevels	204,321	120,000	5,000	329,321
Anthony J. Palmer	60,824	81,099		141,923
Thomas J. Ridge	90,000	120,000	5,000	215,000
David L. Shedlarz	100,000	120,000		220,000
LeRoy S. Zimmerman*	29,423	39,231	5,000	73,654

* Mr. Zimmerman retired from the Board on April 28, 2011.

(1) This column includes amounts earned and/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. A director may choose to have his or her retainer and committee chair fee deferred in the form of cash or Common Stock until his or her membership on the Board ends. Amounts credited as earnings on amounts deferred under the Directors Compensation Plan are based on mutual funds or other investment options available to all participants in our 401(k) Plan or our Common Stock and, accordingly, the earnings credited during 2011 were not above market or preferential earnings.

The following table sets forth the portion of fees paid in cash or Common Stock, and the portion deferred with respect to retainers and fees earned during 2011:

	Immediate Payment			Deferred and Investment Election		
Name	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	90,707					
Robert F. Cavanaugh	100,000					
Charles A. Davis	100,000					
Robert M. Malcolm	6,359					

James M. Mead	60,824				
James E. Nevels	145,821	58,500	1,076		
Anthony J. Palmer		60,824	1,072		
Thomas J. Ridge				90,000	1,656
David L. Shedlarz	100,000				
LeRoy S. Zimmerman	29,423				

(2) This column presents the dollar amount recognized as expense during 2011 for financial statement reporting purposes with respect to RSUs awarded to the directors during 2011. 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 2011 was $120,000.

The following table provides information with respect to the number and market value of deferred common stock units and RSUs held by each director as of December 31, 2011, based on the $61.78 closing price of our Common Stock as reported by the New York Stock Exchange on December 30, 2011, the last trading day of the year. The information presented includes the accumulated value of each director s 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, 2011 ($)	Number of RSUs (#)	Market Value of RSUs as of December 31, 2011 ($)
Pamela M. Arway			2,256	139,376
Robert F. Cavanaugh	28,730	1,774,939	2,256	139,376
Charles A. Davis			2,256	139,376
Robert M. Malcolm			144	8,896
James M. Mead			1,437	88,778
James E. Nevels			2,256	139,376
Anthony J. Palmer			1,437	88,778
Thomas J. Ridge	18,657	1,152,629	2,256	139,376
David L. Shedlarz			2,256	139,376
LeRoy S. Zimmerman				

(3) This column represents the Company match for contributions made by the director to one or more charitable organizations during 2011 under the Gift Matching Program.

Have there been any changes to director compensation since the end of 2011?

Following a review of competitive data, the Board elected to increase the compensation paid to the chairs of the Audit Committee, the Compensation and Executive Organization Committee and the Finance and Risk Management Committee, from $10,000 to $15,000, effective January 1, 2012. Except for this change, all other elements of director compensation described above remain unchanged for 2012.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

How many directors are standing for election?

Ten directors are to be elected at the annual meeting. Each director is expected to serve until the next annual meeting and until his or her successor has been elected and qualified.

Which of the nominees currently serve on the Board?

Each of the nominees is currently a member of the Board. Nominee Robert M. Malcolm is standing for election by the stockholders for the first time at the 2012 annual meeting. Our Board elected Mr. Malcolm a director on December 6, 2011, upon the recommendation of the Governance Committee. He was identified and recommended to the Governance Committee for consideration by a third-party consultant retained by the Committee.

What happens if a nominee becomes unavailable for election?

If a nominee becomes unavailable for election for any reason, the proxies will have discretionary authority to vote for a substitute.

Who are the nominees?

The Board unanimously recommends the following nominees for election at the 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 set forth in the biographies below. In the case of directors standing for reelection, the Governance Committee also reviewed each director s past performance on our Board, as reflected in the Committee s annual evaluation of Board and individual director 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.

PAMELA M. ARWAY, age 58, has been a Hershey director since May 2010. She chairs the Governance Committee and is a member of the Audit Committee, the Compensation and Executive Organization Committee and the Executive Committee. She has been nominated for election by the holders of the Common Stock voting separately as a class. Ms. Arway retired in October 2008 as Senior Advisor to the Chairman and Chief Executive Officer of American Express Company, Inc., New York, New York, a global payments, network and travel company. She held that position during 2008 until her retirement. From October 2005 to January 2008, she was President, Japan/Asia Pacific/Australia Region, American Express International, Inc., Singapore; from December 2004 to October 2005, she was Chief Executive Officer, American Express Australia Ltd., Sydney, Australia; and from July 2000 to December 2004, she was Executive Vice President and General Manager, Corporate Travel North America, American Express Company, Inc. 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 has been a director of DaVita, Inc., since July 2009. Ms. Arway holds a bachelor s degree in languages from Memorial University of Newfoundland and a Masters of Business Administration degree in marketing from Queen s University, Kingston, Ontario, Canada.

JOHN P. BILBREY, age 55, has been a Hershey director since June 2011. He was elected President and Chief Executive Officer of The Hershey Company effective May 17, 2011. From November 2010 to May 2011, he was Executive Vice President, Chief Operating Officer, and from December 2007 until November 2010, he was Senior Vice President, President Hershey North America. From November 2005 to December 2007, he was Senior Vice President, President International Commercial Group, and was Senior Vice President, President Hershey International from November 2003 until November 2005. As our President and Chief Executive Officer, Mr. Bilbrey is responsible for day-to-day global operations and commercial activities and 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 a Chief Executive Officer and Chief Operating Officer of the Company. Prior to joining Hershey, Mr. Bilbrey held executive positions at Mission Foods and Danone Waters of North America, Inc., a division of Groupe Danone, Paris, France, responsible for all operations of Groupe Danone s North American water division. He also served in positions of increasing responsibility in the United States as well as numerous international assignments during his 22 years at The Procter & Gamble Company. Mr. Bilbrey has been a director of McCormick & Company, Incorporated since November 2005. He holds a bachelor s degree in psychology from Kansas State University.

ROBERT F. CAVANAUGH, age 53, has been a Hershey director since October 2003. He chairs the Compensation and Executive Organization Committee and is a member of the Finance and Risk Management Committee, the Governance Committee and the Executive Committee. Mr. Cavanaugh is Chairman of the board of directors of Hershey Trust Company and the board of managers of Milton Hershey School. He is one of three representatives of the Milton Hershey School Trust currently serving on our Board. Mr. Cavanaugh, a 1977 graduate of Milton Hershey School, brings unique perspectives to our Board not only as a representative of our largest stockholder, but also of the school that is its sole beneficiary. Mr. Cavanaugh is Chief Investment Officer of Vestar Development Company, Phoenix, Arizona, one of the leading privately held real estate companies in the western United States. He has held that position since October 31, 2011. Previously, he was Managing Director of DLJ Real Estate Capital Partners, Los Angeles, California, a leading global real estate private equity firm. He held that position since October 1999. Prior to joining DLJ Real Estate Capital Partners, Mr. Cavanaugh held positions with Deutsche Bank Securities (where he founded and oversaw that firm s real estate investment banking effort on the West Coast), Goldman, Sachs & Co. and LaSalle Partners. He has experience in investment banking, finance, real estate and risk management. Mr. Cavanaugh holds a bachelor s degree in economics, *cum laude*, from the Wharton School of the University of Pennsylvania and a Masters of Business Administration degree from Harvard Business School where he earned academic honors.

CHARLES A. DAVIS, age 63, has been a Hershey director since November 2007. He chairs the Audit Committee and is a member of the Executive Committee. He has been nominated for election by the holders of the Common Stock voting separately as a class. Mr. Davis is Chief Executive Officer of Stone Point Capital LLC, Greenwich, Connecticut, a global private equity firm. Mr. Davis has held that position since June 2005 when the firm was established. Prior to that, Mr. Davis was with MMC Capital, Inc., the private equity business of Marsh & McLennan Companies, Inc., serving as President from April 1998 to December 2002, Chief Executive Officer from January 1999 to May 2005 and Chairman from January 2002 to May 2005. He also served as a Vice Chairman of Marsh & McLennan Companies, Inc., a global professional services firm and the parent of MMC Capital, Inc., from September 1999 to May 2005. Prior to joining MMC Capital, Inc. in 1998, Mr. Davis spent 23 years at Goldman, Sachs & Co. where he served as head of Investment Banking Services worldwide, co-head of the Americas Group, head of the Financial Services Industry Group, a member of the International Executive Committee and a General Partner. He has experience in finance, investment banking, international business and real estate, in addition to having experience as a chief executive officer, and qualifies as an audit committee financial expert. Mr. Davis has been a director of AXIS Capital Holdings Limited since November 2001 and a director of The Progressive Corporation since October 1996. Mr. Davis was formerly a director of Merchants Bancshares, Inc., from June 1985 to February 2008. Mr. Davis holds a bachelor s degree from the University of Vermont and a Masters of Business Administration degree from Columbia University Graduate School of Business.

ROBERT M. MALCOLM, age 59, has been a Hershey director since December 6, 2011. He is a member of the Compensation and Executive Organization Committee and the Finance and Risk Management Committee. Mr. Malcolm retired in December 2008 as President, Global Marketing, Sales & Innovation of Diageo PLC, London, UK, the world s leading premium drinks company. He held that position from June 2002. From September 2001 to June 2002, he was President, Global Market, Sales and Innovation for Guinness UDV, a division of Diageo. From December 1999 to September 2001, Mr. Malcolm served as Global Marketing Director United Distillers & Vintners, a division of Diageo, and was based in London. At the time of his retirement, Mr. Malcolm was responsible for strategy, equity management, innovation and global orchestration for more than 120 brands, as well as functional performance for both the marketing and global sales organization. Prior to joining Diageo, Mr. Malcolm spent 24 years at Proctor & Gamble in positions of increasing responsibility, departing in June 1999 as Vice President, General Manager, Beverages Europe, Middle East, Africa. He is a globally recognized expert in strategic marketing and is currently a professor at the Wharton School, University of Pennsylvania, in the Wharton MBA and Executive programs. He has experience in international business and in the marketing and sales of consumer products, including consumer packaged goods and fast moving consumer goods. Mr. Malcolm serves on the board of directors of the American Marketing Association and on the advisory boards of Just Marketing, Inc. and Effective Brands. He was formerly a director of Logitech International S.A. from June 2007 to September 2010. Mr. Malcolm holds a bachelor s degree in marketing and a Masters of Business Administration degree in marketing, both from the University of Southern California.

JAMES M. MEAD, age 66, has been a Hershey director since April 2011. He is a member of the Audit Committee. Mr. Mead is a director and non-executive president of Hershey Trust Company and a member of the board of managers of Milton Hershey School. He is one of three representatives of the Milton Hershey School Trust serving on our Board. In addition to bringing to our Board the perspectives of the Milton Hershey School Trust, Mr. Mead brings extensive business and leadership experience. He is founder and President of JM Mead, LLC, Camp Hill, Pennsylvania, an economic advisory firm serving the health care industry. He has held that position since July 2004. He also is a partner in Radius Ventures, LLC, New York, New York, a venture capital firm focused on leading-edge health and life sciences companies. He has held that position since June 2005. He also serves as Vice Chairman of the Board of Capital BlueCross, Harrisburg, Pennsylvania, a full-service managed care and health insurance provider, after having served that firm for 20 years as its President and Chief Executive Officer from 1984 to 2004. Mr. Mead was a member of the board of directors of the Federal Reserve Bank of Philadelphia from 1991 to 1996 and served as its Chairman from 1994 until 1996. He is actively involved in other professional and community board activities, including as board member and treasurer of the North American branch of the International Life Sciences Institute, Washington, D.C. He has experience in finance, marketing, insurance, information technology and risk management, in addition to having experience as a chief executive officer, and qualifies as an audit committee financial expert. Mr. Mead holds a bachelor s degree in economics and a Masters of Arts degree from The Pennsylvania State University.

JAMES E. NEVELS, age 60, has been a Hershey director since November 2007 and the non-executive Chairman of the Board of Directors since February 2009. He also chairs the Executive Committee and is a member of the Audit Committee and the Governance Committee. Mr. Nevels is a director of Hershey Trust Company and the board of managers of Milton Hershey School. He is one of three representatives of the Milton Hershey School Trust currently serving on our Board. In addition to bringing to our Board the perspectives of the Milton Hershey School Trust, Mr. Nevels has extensive finance and leadership experience and qualifies as an audit committee financial expert. He is Chairman of The Swarthmore Group, Philadelphia, Pennsylvania, a minority-owned investment-advisory firm, which he founded in 1991. In 2004, he was appointed by the President of the United States to a three-year term on the advisory committee to the Pension Benefit Guaranty Corporation, where he served as Chairman from 2005 to 2007. In 2001, he was appointed by the Governor of Pennsylvania as Chairman of the Philadelphia School Reform Commission overseeing the turnaround of the Philadelphia School System, the seventh largest school district in the United States. He has been a member of the board of directors of the Federal Reserve Bank of Philadelphia since January 2010, and in January 2012 was appointed Deputy Chairman of the board. Mr. Nevels was formerly a director of Tasty Baking Company from May 2005 to May 2011. He holds a bachelor s degree, *cum laude* and Phi Beta Kappa, in political science and philosophy from Bucknell University, a Masters of Business Administration degree from the Wharton School of the University of Pennsylvania and a Juris Doctor degree from University of Pennsylvania Law School.

ANTHONY J. PALMER, age 52, has been a Hershey director since April 2011. He is a member of the Compensation and Executive Organization Committee and the Finance and Risk Management Committee. Mr. Palmer is Senior Vice President and Chief Marketing Officer of Kimberly-Clark Corporation, Dallas, Texas, a manufacturer and marketer of various personal care and health care products worldwide. He has held that position since October 2006. From June 2002 to September 2006, he worked at the Kellogg Company, Battle Creek, Michigan, and was a member of the Worldwide Leadership Team of Kellogg Company from February 2003. From June 2002 to February 2003, he served as Kellogg s Vice President of Business Development and Innovation. From February 2003 to August 2004, he was President of Kellogg s Natural, Frozen and Warehouse Club division, and from August 2004 to September 2006 he was Managing Director of Kellogg s United Kingdom and Ireland businesses. Prior to June 2002, he held various positions of significant responsibility in the consumer products field, including marketing and general management positions with the Minute Maid division of the Coca-Cola Company USA and as region director for Coca-Cola in Austral-Asia. He has experience in the areas of consumer packaged goods, fast moving consumer packaged goods, international business, marketing and human resources. He holds a bachelor s degree in business marketing from Monash University in Melbourne, Australia, and a Masters of Business Administration degree, with distinction, from the International Management Institute, Geneva, Switzerland.

THOMAS J. RIDGE, age 66, has been a Hershey director since November 2007 and is a member of the Finance and Risk Management Committee and the Governance Committee. Mr. Ridge is President and Chief Executive Officer of Ridge Global, LLC, Washington, D.C., a global strategic consulting company. He has held that position since July 2006. Additionally, in April 2010, Mr. Ridge became a partner in Ridge Policy Group, Harrisburg, Pennsylvania and Washington, D.C., a bi-partisan, full-service government affairs and issue management group. From April 2005 to July 2006, he was President and Chief Executive Officer of Thomas Ridge LLC. From October 2001 to February 2005, Mr. Ridge was Secretary of the U.S. Department of Homeland Security. Prior to his service as Secretary of Homeland Security, he was Governor of Pennsylvania from 1995 to 2001. Mr. Ridge s background and experience have prepared him well for membership on our Board. As President and Chief Executive Officer of Ridge Global, 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. Mr. Ridge has been a director of Exelon Corporation since May 2005, a director of Brightpoint Inc. since September 2009, a director of Geospatial Holdings, Inc. since April 2010 and a director of FS Investment Corporation since November 2011. He was formerly a director of Vonage from August 2005 to April 2010 and Home Depot, Inc. from May 2005 to May 2007. Mr. Ridge holds a bachelor s degree, *cum laude*, from Harvard University and a Juris Doctor degree from The Dickinson School of Law of The Pennsylvania State University.

DAVID L. SHEDLARZ, age 63, has been a Hershey director since August 2008. He chairs the Finance and Risk Management Committee and is a member of the Compensation and Executive Organization Committee and the Executive Committee. Mr. Shedlarz retired in December 2007 as Vice Chairman of Pfizer Inc., New York, New York, a pharmaceutical, consumer and animal products health company. He held that position from July 2005. From January 1999 to July 2005, he was Pfizer s Executive Vice President and Chief Financial Officer. 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. During his time at Pfizer, Mr. Shedlarz also gained extensive experience in international business. Mr. Shedlarz has been a director of Pitney Bowes, Inc. since May 2001 and a member of the Teachers Insurance and Annuity Association Board of Trustees since March 2007. Mr. Shedlarz holds a bachelor s degree in economics and mathematics from Oakland/Michigan State University and a Masters of Business Administration degree in finance and accounting from the New York University, Leonard N. Stern School of Business.

How many votes will be required to elect a nominee to the Board?

For nominees to be elected by the holders of the Common Stock and Class B Common Stock voting together: The nominees receiving the greatest number of votes of the Common Stock and Class B Common Stock, in descending order, will be elected to the positions to be filled.

For nominees to be elected by the holders of the Common Stock voting separately as a class: The nominees receiving the greatest number of votes of the Common Stock, in descending order, will be elected to the positions to be filled.

What is the Board s recommendation for voting on Proposal No. 1?

The Board of Directors unanimously recommends that stockholders

vote **FOR** the nominees listed above.

AUDIT COMMITTEE REPORT

To Our Stockholders:

Our role as the Audit Committee of the Board of Directors is to prepare this report and 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.

Our Committee operates under a written charter that was last amended and restated by the Board on February 22, 2011. The charter may be viewed on the Company s website at *www.thehersheycompany.com* in the Investors section.

Our duties as a 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, 2011, 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 the statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards,* Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

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 a 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 a 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, 2011, filed with the SEC on February 17, 2012.

Submitted by the Audit Committee of the Company s Board of Directors:

Charles A. Davis, Chair

Pamela M. Arway

James M. Mead

James E. Nevels

INFORMATION ABOUT OUR INDEPENDENT AUDITORS

Who are the Company s current independent auditors?

KPMG LLP, an independent registered public accounting firm, has audited the Company s financial statements since May 10, 2002.

What were KPMG LLP s fees for professional services to the Company in fiscal years 2010 and 2011?

KPMG LLP s fees were as follows:

For the Fiscal Years Ended December 31,	**2011**	**2010**
Audit Fees	$ 3,080,000	$ 2,788,305
Audit-Related Fees[1]	275,838	3,489,385
Tax Fees[2]	64,137	51,803
All Other Fees[3]	40,125	
Total Fees	$ 3,460,100	$ 6,329,493

(1) Fees associated primarily with services related to regulatory reporting and due diligence associated with potential business acquisitions and auditing of employee benefit plans.

(2) Fees pertaining primarily to assistance with the preparation of tax returns and tax audits for the Company s foreign subsidiaries.

(3) In fiscal 2011, KPMG LLP acquired the business of an information technology consulting firm that was providing services to the Company prior to the acquisition. The fees are for certain ongoing projects that were completed after the acquisition.

What is the Audit Committee s policy regarding pre-approval of audit and non-audit services performed by the Company s independent auditors?

The Audit Committee pre-approves all audit and non-audit services performed by KPMG LLP. The Committee is authorized by its charter to delegate to one or more of its members the authority to pre-approve any audit 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 LLP in 2011.

PROPOSAL NO. 2 APPOINTMENT OF INDEPENDENT AUDITORS

What is the Board proposing?

The Board is proposing that you ratify the Audit Committee s appointment of KPMG LLP as the Company s independent auditors for 2012. The Audit Committee and the Board consider KPMG LLP to be well-qualified for that role.

Is stockholder ratification necessary or required?

The Audit Committee is not required to obtain stockholder ratification of its appointment of KPMG LLP. However, the Audit Committee recommended to the Board that stockholders be given the opportunity to vote on KPMG LLP s appointment at the annual meeting.

What will happen if the appointment of KPMG LLP is not ratified by the stockholders?

If stockholders do not ratify the appointment of KPMG LLP as the Company s independent auditors for 2012, the Audit Committee will reconsider its appointment.

How many votes will be required for ratification?

KPMG LLP s appointment as the Company s independent auditors for 2012 will be considered ratified if a majority of the votes of the shares of the Common Stock and Class B Common Stock present and entitled to vote at the annual meeting are cast for the proposal.

Will representatives of KPMG LLP attend the annual meeting?

Representatives of KPMG LLP will attend the annual meeting, will have the opportunity to make a statement, if they so desire, and will respond to questions.

What is the Board s recommendation for voting on Proposal No. 2?

The Board of Directors unanimously recommends that stockholders

vote **FOR** Proposal No. 2.

OWNERSHIP OF THE COMPANY S SECURITIES

When are shares beneficially owned ?

Shares are beneficially owned when a person has voting or investment power over the shares or the right to acquire voting or investment power within 60 days. Voting power is the power to vote the shares. Investment power is the power to direct the sale or other disposition of the shares.

What information is presented in the following table?

This table shows the number of Company shares beneficially owned by:

- Stockholders who we believe owned more than 5% of our outstanding Common Stock or Class B Common Stock, as of the dates indicated; and

- Our directors, current and former executive officers named in the Summary Compensation Table on page 61 (we refer to these officers as named executive officers), and all directors, named executive officers and other executive officers as a group, as of March 5, 2012.

Unless we have indicated otherwise in a footnote, the individuals and entities listed in the table have sole voting and investment power over the shares listed.

Holder	Common Stock[1]	Exercisable Stock Options[2]	Percent of Common Stock[3]	Class B Common Stock	Percent of Class B Common Stock[4]
Milton Hershey School Trust[5] Founders Hall Hershey, PA 17033 Hershey Trust Company[5] 100 Mansion Road Hershey, PA 17033	12,513,521		7.7	60,612,012	99.9
Hershey Trust Company[6]	389,000		**		
BlackRock, Inc.[7] 40 East 52nd Street New York, NY 10022	9,533,688		5.8		
Humberto P. Alfonso	37,056	206,074	**		
Pamela M. Arway*	3,148		**		
John P. Bilbrey*	9,696	229,431	**		
Michele G. Buck	157	80,262	**		
Robert F. Cavanaugh*	1,000		**		
Charles A. Davis*	11,126		**		
Robert M. Malcolm*[8]			**		
James M. Mead*	700		**		
James E. Nevels*	16,522		**		
Terence L. O Day		92,736	**		
Anthony J. Palmer*	1,572		**		
Thomas J. Ridge*			**		
David L. Shedlarz*	8,862		**		
Kevin R. Walling			**		
David J. West[9]			**		
All directors, named executive officers and other executive officers as a group (18 persons)	165,638	915,361	**		

* Director

** Less than 1%

(1) Amounts listed for named executive officers and other executive officers include shares of Common Stock allocated by the Company to the officer s account in The Hershey Company 401(k) Plan under section 401(k) of the Internal Revenue Code. Amounts listed also include the following restricted stock units, or RSUs, that will vest and be paid to the following holders within 60 days of March 5, 2012:

RSUs held by directors:

Pamela M. Arway	559
Charles A. Davis	559
James E. Nevels	559
David L. Shedlarz	559

1,213 RSUs held by executive officers who are not named executive officers.

Amounts listed also include shares for which certain of the directors and named executive officers share voting and/or investment power with one or more other persons as follows: Ms. Arway, 2,589 shares owned jointly with her spouse; Mr. Cavanaugh, 1,000 shares owned jointly with his spouse; Mr. Nevels, 13,495 shares owned jointly with his spouse and 2,467 shares owned jointly with another individual; and Mr. Palmer, 1,572 shares owned jointly with his spouse.

(2) This column reflects stock options that were exercisable by the named executive officers and the executive officers as a group on March 5, 2012. No executive officer holds stock options that will become exercisable within 60 days of March 5, 2012.

(3) Based upon 163,358,747 shares of Common Stock outstanding on March 5, 2012, unless indicated otherwise in a footnote.

(4) Based upon 60,631,517 shares of Class B Common Stock outstanding on March 5, 2012.

(5) Reflects stockholdings as of March 5, 2012. The Milton Hershey School Trust has the right at any time to convert its Class B Common Stock shares into Common Stock shares on a share-for-share basis. If on March 5, 2012, the Milton Hershey School Trust converted all of its Class B Common Stock shares to Common Stock, Hershey Trust Company, in its capacity as trustee for the Milton Hershey School Trust, would own beneficially 73,125,533 shares of our Common Stock (12,513,521 Common Stock shares plus 60,612,012 converted Class B Common Stock shares), or 32.6% of the 223,970,759 shares of Common Stock outstanding following the conversion (calculated as 163,358,747 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 and the voting of these securities, please turn to pages 40 and 41.

(6) Reflects stockholdings as of March 5, 2012. Please turn to pages 40 and 41 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 filed with the SEC on February 9, 2012. The filing indicated that, as of December 30, 2011, BlackRock, Inc. had sole voting and investment power over 9,533,688 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) Our Board elected Mr. Malcolm a director on December 6, 2011. He is standing for election by the stockholders for the first time at the 2012 annual meeting.

(9) Mr. West resigned as President and Chief Executive Officer on May 17, 2011, and as a director on June 13, 2011.

Do the directors and named executive officers listed in the beneficial ownership table above hold additional Company securities not reflected in that table?

Our directors and named executive officers hold certain Company securities not reflected in the beneficial ownership table above. We are not permitted to show these securities in the beneficial ownership table because they will not convert, or cannot be converted, to actual shares of

Common Stock over which the holder will have voting or investment power within 60 days of our March 5, 2012, record date. These securities include:

- Certain unvested RSUs or deferred common stock units held by our directors and named executive officers; and
- Certain unvested stock options held by our named executive officers.

We have added the table below to show these holdings by our directors and named executive officers as of March 5, 2012. You can find additional information about RSUs and deferred common stock units held by directors in the Director Compensation section beginning on page 23. You can find additional information about stock options, RSUs and deferred common stock units held by the named executive officers in the Executive Compensation section beginning on page 42.

Holder	Shares Underlying Common Stock Units Not Beneficially Owned[1]	Shares Underlying Stock Options Not Beneficially Owned
Humberto P. Alfonso	8,996	155,951
Pamela M. Arway*	1,531	
John P. Bilbrey*	75,491	431,474
Michele G. Buck	57,201	125,254
Robert F. Cavanaugh*	31,471	
Charles A. Davis*	1,531	
Robert M. Malcolm*	629	
James M. Mead*	1,922	
James E. Nevels*	1,531	
Terence L. O Day	39,070	140,164
Anthony J. Palmer*	1,922	
Thomas J. Ridge*	21,398	
David L. Shedlarz*	1,531	
Kevin R. Walling	31,300	56,555
David J. West[2]		

* Director

(1) Common stock units not beneficially owned include the following:

Unvested RSUs granted on or before March 5, 2012, to the named executive officers under the Incentive Plan;

Unvested RSUs granted on or before March 5, 2012, to our directors under the Directors Compensation Plan or the Incentive Plan;

Common stock units deferred by the named executive officers under the Company s Deferred Compensation Plan; and

Common stock units deferred by the directors under the Directors Compensation Plan.

(2) Mr. West resigned as President and Chief Executive Officer on May 17, 2011, and as a director on June 13, 2011.

What is the Milton Hershey School Trust?

In 1909, Milton S. and Catherine S. Hershey established a trust (the Milton Hershey School 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.

What is the relationship of the Milton Hershey School Trust and Hershey Trust Company to The Hershey Company?

The Milton Hershey School Trust is our controlling stockholder. It will have the right to cast 7.7% of all of the votes entitled to be cast on matters requiring the vote of the Common Stock voting separately and 80.4% 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 the Milton Hershey School Trust will be invested. The board of directors of Hershey Trust Company decides how shares of The Hershey Company held by the Milton Hershey School Trust will be voted.

As of the record date, Hershey Trust Company also held 389,000 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 12,902,521 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 7.9% of all of the votes entitled to be cast on matters requiring the vote of the Common Stock voting separately and 80.4% 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 Class B Common Stock and the Milton Hershey School Trust s ownership of that stock:

- All holders of Class B Common Stock, including the Milton Hershey School Trust, 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 the Milton Hershey School Trust 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 the Milton Hershey School Trust before we issue any Common Stock or take any other action that would deprive the Milton Hershey School Trust 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.

What is the governance structure of Milton Hershey School and Hershey Trust Company?

All of the outstanding shares of Hershey Trust Company are owned by the Milton Hershey School Trust. The members of the board of managers of Milton Hershey School are appointed by and from the board of directors of Hershey Trust Company. There are eight members of the board of directors of Hershey Trust Company. There are eight members of the board of managers of Milton Hershey School. Robert F. Cavanaugh, James M. Mead and James E. Nevels, each currently a director of our Company, are members of the board of directors of Hershey Trust Company and board of managers of Milton Hershey School. Directors of Hershey Trust Company and members of the Milton Hershey School board of managers individually are not considered to be beneficial owners of the shares of Hershey Common Stock and Class B Common Stock held by the Milton Hershey School Trust.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section discusses and analyzes the decisions we made concerning the compensation of Hershey s executive officers. It also describes the process for determining executive compensation and the factors considered in determining the amount of compensation awarded to our named executive officers.

The named executive officers are: J. P. Bilbrey, our Chief Executive Officer, or CEO; H. P. Alfonso, our Chief Financial Officer, or CFO; M. G. Buck, T. L. O Day and K. R. Walling, who were the three highest paid of our other executive officers employed at the end of 2011; and D. J. West, who served as our CEO through May 17, 2011, and whose employment terminated in June 2011. SEC rules require that Mr. West s information be included in the tables because he was CEO during a portion of 2011. Mr. West s 2011 compensation is described separately within the following Compensation Discussion and Analysis and, accordingly, references in the following discussion to our named executive officers do not include Mr. West unless otherwise specified.

What material highlights and events affected decision-making regarding 2011 executive compensation? What actions were taken in response to those highlights and events?

We started 2011 with high performance expectations. In February 2011, we projected that:

- 2011 net sales growth would be around the top of our long-term 3% to 5% annual growth objective; and

- 2011 growth in adjusted earnings per share-diluted (which we define as diluted earnings per share of our Common Stock excluding adjustments as described beginning on page 21 of the 2011 Annual Report to Stockholders that accompanies this proxy statement) also would be around the top of our long-term objective for annual growth of 6% to 8%.

We used these expectations when setting the performance goals for our annual incentive program, the One Hershey Incentive Program, in 2011. Growth in adjusted earnings per share-diluted also was included as a performance goal in the long-term incentive program.

Our 2011 financial performance exceeded our expectations. We continued to experience strong core brand growth through emphasis on brand building, marketing and advertising investments. We also realized productivity gains from Project Next Century (the continuation of our global supply chain transformation program) and execution of our operating plans. These successes translated into:

- Net sales growth of 7.2%; and

- Adjusted earnings per share-diluted of $2.82, an increase of 10.6% over 2010.

As a result, our executive officers earned above-target annual cash incentive awards under the One Hershey Incentive Program for 2011.

Our strong financial performance enabled our stockholders to realize significant total stockholder return, or TSR, of 34.4% during 2011, reflecting:

- A 31% increase in our stock price from year-end 2010 to year-end 2011; and

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- A dividend yield of 2.2%, which included an increase to our dividend of 8% initiated in the first quarter of 2011.

Our TSR for the three years ended in 2011 was 93.9%. This TSR performance, together with the financial performance we generated during 2009, 2010 and 2011, merited substantially above-target payouts of performance stock unit, or PSU, awards for the three-year performance period ended in 2011.

In May 2011, we executed a seamless CEO succession when Mr. Bilbrey was named President and CEO following the resignation of Mr. West. Mr. Bilbrey was our Executive Vice President, Chief Operating Officer, or COO, since November 2010. We increased Mr. Bilbrey s compensation in conjunction with his promotion to CEO.

In June 2011, Mr. Walling joined our senior management team as Senior Vice President, Chief People Officer. We granted a sign-on bonus and stock awards to Mr. Walling as an inducement to join Hershey and to replace awards forfeited upon leaving his prior employer. In September 2011, Mr. Walling s title was changed to Senior Vice President, Chief Human Resources Officer.

In September 2011, we announced the promotion of Mr. Alfonso to the position of Executive Vice President, Chief Financial Officer and Chief Administration Officer. Mr. Alfonso had been our Senior Vice President, Chief Financial Officer since 2007. Also in September, Ms. Buck was named Senior Vice President, Chief Growth Officer. Ms. Buck was previously Senior Vice President, Global Chief Marketing Officer. We increased Mr. Alfonso s and Ms. Buck s compensation in conjunction with their promotions.

Based on our periodic review of competitive market practices, we amended our Executive Benefits Protection Plan (Group 3A), or EBPP 3A, to more closely align the plan with evolving best practices and those existing at companies in our peer group. The EBPP 3A provides for the protection of covered executives in the event of a change in control or termination of employment. The amendments we adopted in February 2011:

- Eliminated the excise tax gross-up in the event of a change in control;

- Reduced the level of severance benefits for new entrants to the plan; and

- Provided that a change in control will occur upon consummation of a transaction and not just stockholder approval of the transaction.

Additional information and analysis regarding these events and actions is provided in the series of questions and answers below.

What are the objectives of the Company s executive compensation program?

We seek to create a strong alignment between the interests of Hershey s executive officers and its stockholders. Our compensation programs are designed to help achieve the Company s business strategies, which aim to build stockholder value over the long term. We do this by:

Considering industry-specific and broader market practices to establish pay levels that attract, retain and motivate executive talent;

Cultivating a high performance culture where a significant portion, from 60% to over 80%, of executive compensation is tied directly to Company financial and stock price performance;

Setting challenging individual goals for executives that support the Company s overall goals and strategies and directly linking the executives compensation to those measures;

Using our Common Stock for long-term incentive compensation to tie a significant amount of the executive officers total compensation to the long-term market value of our Common Stock; and

Requiring stock ownership by all executives.

These actions are described in the discussion that follows.

What do we reward?

We engage our executive officers and employees by creating a high performance culture that recognizes both Company and individual performance. We reward results.

A significant amount of our executive officers pay depends upon achieving our financial goals. If performance falls below our targets, executives will receive lesser amounts of annual or long-term incentive payments and may not receive some payments at all. We use our Common Stock in combination with multi-year performance and vesting periods for long-term compensation. If we achieve strong financial performance relative to our goals and our stock price appreciates, executives will earn significant rewards. If our stock price lags, compensation under these equity programs will be reduced or eliminated.

Achievement of individual performance objectives is considered in the determination of base salary and annual incentive compensation. We incorporate a values modifier in the One Hershey Incentive Program to reinforce the expectation that the executive officers consistently demonstrate our Company values. An executive officer who falls short of expectations in demonstrating our Company values will have his or her One Hershey Incentive Program award payment reduced. We believe our performance management and compensation programs align all of our employees with respect to Company performance and encourage a culture that is known for results, which brings increased value to our stockholders.

What was the result of the say-on-pay voting at our 2011 Annual Meeting of Stockholders? What was our response?

At our annual meeting of stockholders in April 2011, our stockholders overwhelmingly approved our first say-on-pay resolution with more than 98% of the votes cast by the holders of Common Stock and Class B Common Stock approving the 2010 executive compensation described in our 2011 proxy statement. Our stockholders also approved our proposal to hold a say-on-pay vote every year. As a result, our Board has committed to annual say-on-pay votes (as described beginning on page 85). We also have continued our policies, processes and approach to executive compensation on substantially the same basis as those in place in 2010 and for which our stockholders registered their approval.

Who is responsible for our decision-making concerning executive compensation?

The Compensation and Executive Organization Committee of our Board of Directors, or the Committee, has primary responsibility for decision-making concerning executive compensation. Our CEO s compensation is approved by the independent members of the Board of Directors based on recommendations of the Committee.

What process does the Committee follow to implement the executive compensation program?

The Committee operates under a charter approved by the Board of Directors and carries out the responsibilities outlined on pages 17 through 19. The Committee receives information from Mercer (US) Inc., or Mercer, its independent executive compensation consultant, input from our CEO (except for matters regarding his own pay) and assistance from our internal compensation specialists. The Committee uses this information in making decisions and conducting its annual review of the Company s executive compensation program.

The Committee works with a rolling agenda. Its heaviest workload occurs during the first quarter of the year, as decisions are made with respect to annual and long-term incentives earned for the prior year s performance and the design, target-setting and levels of compensation to be reflected in the current year s base salaries and annual and long-term incentive programs. The Committee also reviews and approves this Compensation Discussion and Analysis. During the second and third quarters, the Committee reviews materials relating to peer group composition, tally sheets, competitive pay analysis and other information which forms the foundation for future decisions. The Committee uses the third and fourth quarters to finalize decisions relating to the peer group and plan design for use in the following year.

Does the Committee use benchmarking in its decision-making? What peer group is used?

The Committee s annual compensation review for 2011 included an analysis of data compiled by Mercer, comparing the Company s levels of executive compensation against a peer group of publicly-held consumer products companies that we call the Compensation Peer Group.

Prior to 2011, Mercer provided analysis based on consumer products companies that participated in Mercer s surveys. Because the participants in the surveys that Mercer used to generate the database varied over time, with some companies choosing to participate every two to three years rather than every year, changes occurred in the sample of companies that made up the peer group from year to year, as was the case for the peer group used for 2010. As a result, in August 2010, the Committee approved Mercer s recommendation to establish a Compensation Peer Group of publicly-traded companies to be used for benchmarking executive and director pay levels beginning in 2011. The 19-member Compensation Peer Group replaced the 40-member peer group used for 2010.

The Compensation Peer Group for 2011 was composed entirely of publicly-traded companies and is expected to be a stable reference group that will not vary significantly from year to year. The 2011 Compensation Peer Group was composed of companies with annual revenues ranging from \$2.6 billion to \$14.7 billion and market capitalization ranging from \$2.2 billion to \$22.5 billion (as measured in the third quarter of 2010). When compared to this Compensation Peer Group, Hershey s annual revenues and market capitalization of \$5.3 billion and \$10.7 billion, as measured in the third quarter of 2010, were at the 49^{th} and 79^{th} percentiles, respectively.

Companies in the Compensation Peer Group used to benchmark executive and director pay levels for 2011 were:

Brown-Forman Corporation	H. J. Heinz Company
Campbell Soup Company	Hormel Foods Corporation
ConAgra Foods, Inc.	Kellogg Company
Constellation Brands, Inc.	McCormick & Company, Incorporated
Dean Foods Company	Molson Coors Brewing Company
Del Monte Foods Company	Ralcorp Holdings, Inc.
Dr Pepper Snapple Group, Inc.	Sara Lee Corporation
Energizer Holdings, Inc.	The Clorox Company
Flowers Foods, Inc.	The J. M. Smucker Company
General Mills, Inc.	

Companies included in the 2010 peer group were:

ACH Food Companies, Inc.	Mars North America
Bacardi U.S.A., Inc.	McDonald s Corporation
Bob Evans Farms, Inc.	MillerCoors LLC
Brown-Forman Corporation	Molson Coors Brewing Company
California Pizza Kitchen, Inc.	Nestlé USA, Inc.
Chiquita Brands International, Inc.	Ocean Spray Cranberries, Inc.
Colgate-Palmolive Company	Ralcorp Holdings, Inc.
ConAgra Foods, Inc.	Reckitt Benckiser Inc.
Darden Restaurants, Inc.	Reynolds American, Inc.
Dean Foods Company	Rich Products Corporation
Del Monte Foods Company	Riviana Foods Inc.
Dole Food Company, Inc.	Sara Lee Corporation
Dunkin Brands Group, Inc.	The Coca-Cola Company
Farmland Foods, Inc.	The Dannon Company, Inc.
H. J. Heinz Company	The Estée Lauder Companies Inc.
Kellogg Company	The Schwan Food Company
Keystone Foods LLC	Unilever United States, Inc.
Kimberly-Clark Corporation	Wells Dairy, Inc.
Lance, Inc.	Wendy s/Arby s Group, Inc.
Land O Lakes, Inc.	Wm. Wrigley Jr. Company

Mercer s benchmarking of senior executive compensation is based primarily on the Compensation Peer Group. Although there was a significant change in the make-up of the peer group from 2010 to 2011, the change in peer group companies did not result in a significant difference in the compensation levels included in Mercer s analysis. The Compensation Peer Group contains a focused group of consumer products companies that have comparable business characteristics to the Company. Data from the Compensation Peer Group is supplemented by composite data from consumer products companies ranging in size from $2 billion to $12 billion in approximate annual sales. This information is included in three national surveys conducted by Hewitt, Mercer and Towers Watson. In addition, the use of the survey composite provides us with broader, industry-specific information regarding pay levels at consumer products companies not only for our executive officers but also for other officers within the Company.

Mercer provided the Committee and Company with a report summarizing executive compensation levels at the 25th, 50th and 75th percentiles of the Compensation Peer Group and the survey composite for positions comparable to those held by each of our executive officers. The Committee also received an analysis from Mercer comparing the target total cash compensation (base salary plus target annual incentive) and target total direct compensation (base salary plus target annual incentive plus value of long-term incentives) for each of the executive officers against these benchmarks. For retention and competitive considerations, the Company targets each executive officer s total cash compensation and total direct compensation levels at the 50th percentile of the Compensation Peer Group data or survey composite data applicable to his or her position. The 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 executive officer s performance, internal comparisons and other factors. As a result of these factors, the target total cash compensation and target total direct compensation of our named executive officers in 2011 were positioned within a range of the 25th to 75th percentiles. The amount of compensation the executive officer receives depends upon actual Company performance and individual performance.

What other information does the Committee consider when making executive compensation decisions?

In addition to the benchmark and other competitive landscape data, the Committee also receives and considers tally sheet information (as described below) relating to the CEO and each member of the senior leadership team. Much of this information is reflected on pages 61 through 84 of this proxy statement.

During 2011, the Committee received detailed tally sheets prepared by management and reviewed by Mercer. Each tally sheet captures comprehensive compensation, benefits and stock ownership data for each member of the senior executive team, including the CEO. The tally sheets provide the 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 or death. The Committee considers this information, as well as the benchmark information, when making compensation decisions.

Do costs and tax rules play a role?

An important factor in the Committee s deliberations is the anticipated cost of the various components of executive compensation. Accounting treatment is also taken into consideration in the design and implementation of the annual and long-term incentive programs.

Section 162(m) of the Internal Revenue Code, or IRC, limits the Company s ability to deduct certain compensation in excess of $1 million paid to our CEO or to other named executive officers. This limitation does not apply to our CFO, to compensation paid after termination of employment or to compensation that qualifies as performance-based under applicable Internal Revenue Service, or IRS, regulations. The Committee has considered the effect of section 162(m) of the IRC on the Company s executive compensation program. It is the Committee s opinion that, in administering the components of the Company s executive compensation program intended to qualify as performance-based under the regulations (the One Hershey Incentive Program, stock options and performance stock units, or PSUs, described below), it will attempt to satisfy the requirements for deductibility under section 162(m) of the IRC. However, the Committee is authorized to exercise discretion in determining payments in relation to levels of achievement of performance goals and believes that the total compensation program for executive officers 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.

What are the individual components of the executive compensation program and why does the Company choose to use these components of pay? What percentage of executive compensation is dependent on performance?

Our executive compensation program includes three key components: base salary and benefits, an annual cash incentive program and a long-term incentive program consisting of stock-based awards. The total compensation package provided by the Company (including pension benefits, supplemental retirement benefits and other benefits) is considered by the Committee when determining each component of an executive officer s compensation.

Base salary and related benefits are the foundation of the overall pay package. We set base salaries and establish benefit programs primarily to attract and retain executives with proven skills and leadership abilities that will enable us to be successful.

Annual and long-term incentives variable or performance-based compensation play an important role in motivating executive performance and in aligning executive pay opportunities with the interests of stockholders. The variable or performance-oriented elements are designed to reward performance as measured by the achievement of both short- and long-term financial goals and individual objectives. The long-term incentives link a significant portion of each executive officer s total compensation directly to long-term Company performance versus internal objectives, to individual performance evaluations, and to relative total TSR measured against our external peers. Variable, performance-based compensation represents over 80% of the total target compensation of our CEO and approximately 70% of the other named executive officers total target compensation as shown in the charts below.

How are base salaries determined?

We establish the initial base salary for a new executive officer by evaluating his or her responsibilities and experience, analyzing the salaries paid by other companies for comparable executive talent and assessing the base salary necessary to recruit the individual to Hershey. We apply a similar approach when adjusting an executive s base salary to reflect a promotion or significant change in job responsibilities.

Salary reviews for incumbent officers are generally conducted at the beginning of each year. Each executive officer s base salary is compared to the range of the 25th to 75th percentiles of the base salary level for the comparable position at the companies in our Compensation Peer Group and the survey composite. Base salaries are targeted at the median, or 50th percentile. Base salary adjustments, if any, are made after considering peer group comparisons, Company performance against financial goals and individual executive performance as evaluated by the Committee and independent members of the Board in the case of our CEO, or by the CEO in the case of other members of the leadership team. If an executive officer 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, and in light of the Company s and the individual executives strong performance in 2010, the Committee, and the independent directors in the case of our CEO, approved increases to base salaries for 2011. Because Mr. Bilbrey s base salary was increased from $600,000 to $750,000 in November 2010 when he was promoted to Executive Vice President and COO, no adjustment was made to his salary at the beginning of 2011. Upon his promotion to CEO in May 2011, Mr. Bilbrey s base salary was increased to $1,060,000, the base salary which had been in effect for his predecessor, Mr. West. Mr. Walling s base salary of $400,000 was set at the time he was hired by the Company.

See Column (c) of the Summary Compensation Table beginning on page 61 for information regarding the base salary earned by each of our named executive officers during 2011.

How is the Company s annual incentive program designed? How are target annual incentive amounts and required performance goals established?

Our executive officers, as well as all other salaried employees globally, are eligible to receive a cash incentive award under the annual incentive program, which we refer to as the One Hershey Incentive Program, of the stockholder-approved Equity and Incentive Compensation Plan, which we refer to as the Incentive Plan.

Our pay-for-performance philosophy in setting One Hershey Incentive Program objectives is to link, where appropriate, the executive s payout opportunity directly to measures he or she can affect most directly. For 2011, our CEO and all executive officers reporting directly to him (including the named executive officers) 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. Nominal or no incentive compensation is paid for missing targets, and an appropriate and competitive degree of upside is included to motivate and reward above-target performance.

In 2011, participating executive officers were eligible to earn individual One Hershey Incentive Program awards, expressed as a percentage of base salary, contingent upon attainment of Company and individual performance objectives. The percentages for meeting target performance levels established at the start of 2011 were 100% for Mr. Bilbrey, 75% for Mr. Alfonso, 60% for

Ms. Buck and 65% for Mr. O Day. Mr. Bilbrey s short-term incentive target was increased to 120% upon his promotion to CEO in May 2011. Ms. Buck s short-term incentive target was increased to 75% upon her promotion to Senior Vice President, Chief Growth Officer in September 2011. Mr. Walling s short-term incentive target was set at the time he was hired at 60% of base salary earned during 2011.

In determining the target percentage for each of the executive officers, the Committee compared the level of total target cash compensation (base salary and target One Hershey Incentive Program award) to the benchmark range of the median percentile level of his or her counterparts in the Compensation Peer Group, the survey composite or a blend of the two. The target percentage for Mr. Alfonso was increased from the 2010 level to move his target cash compensation closer to the median. For each of the other named executive officers, the total target cash compensation ranges from approximately the 40^{th} to 75^{th} percentiles of total target cash compensation for comparable positions.

The final award earned under the One Hershey Incentive Program by participating executive officers is determined by multiplying the executive officer s base salary, the applicable target percentage, and performance scores ranging from 0% to 200% based on Company performance and performance against individual Strategic Bonus Goals, or SBGs. The Company performance goals are established at the beginning of each year by the Committee. Individual SBGs also are established at that time. If performance scores exceed the objectives, an individual executive officer might receive more than his or her target percentage. If scores are below target, the executive s One Hershey Incentive Program payout will be below his or her target percentage, subject to no award if performance is below threshold levels. For executive officers in 2011, the weighting of Company financial performance metrics accounted for 75% of their target award under the program. The remaining 25% of the target award was based upon individual performance toward achievement of up to five SBGs.

The Committee, and the independent directors in the case of our CEO, has discretion to increase or decrease the results achieved on the basis of Company financial metrics (75% of the target award in 2011) by up to 30% based upon the Committee s assessment of the quality of financial results. Through the use of this discretion, the independent members of the Board are able to adjust actual payouts to better correspond to the level of overall performance.

The maximum payment opportunity for executive officers displaying exceptional performance, without adjustment to the Company financial performance score, for 2011 was 200%. The maximum payment opportunity for the executive officers, including Mr. Bilbrey, in the event the Committee or independent members of the Board made a maximum adjustment to the Company financial performance score to reflect outstanding Company performance, was 245%. The Committee also approved the inclusion of a values modifier in the One Hershey Incentive Program award calculations for executive officers. One Hershey Incentive Program award payments for 2011, if any, were subject to a 10% reduction for any executive officer judged to need to improve upon his or her adherence to our Company values.

What were the performance targets under the 2011 One Hershey Incentive Program? Were they achieved? What were the final One Hershey Incentive Program payouts for 2011?

The financial performance metrics for our executive officers One Hershey Incentive Program awards reflected our results-oriented, pay-for-performance compensation philosophy. The Company performance objectives for the 2011 One Hershey Incentive Program participants were centered on the following targets:

Consolidated net sales of $5.98 billion, a 5.5% increase from 2010;

Adjusted earnings per share-diluted of $2.76, an 8.2% increase from 2010; and

Operating cash flow of $875 million, a level representing achievement of 93% of the strong operating cash flow generated in 2010. Operating cash flow is defined as the average of cash from operations less pension contributions and commodities hedging transactions, measured in five 12-month periods ending on the last day of fiscal year 2010 and each quarter of fiscal year 2011.

We achieved above-target performance in adjusted earnings per share-diluted and net sales and solid results in operating cash flow. Our financial performance during 2011 and the resulting financial performance scores were as follows:

Metric	2011 Target ($)	2011 Actual ($)	Target Award (%)	Performance Score (%)
Net Sales	5.983 billion	6.081 billion	50	79.34
Adjusted Earnings per Share-diluted	2.76	2.82	40	48.00
Operating Cash Flow	875 million	871 million	10	9.79
Total One Hershey Incentive Program Company Score			**100**	**137.13**

For 2011, 75% of the One Hershey Incentive Program award for each of the named executive officers was based on the Company performance score of 137.13%. The Committee did not exercise its discretion to adjust this score for financial results in 2011. The remainder of the One Hershey Incentive Program award was determined by individual performance ratings based on achievement of SBGs and adherence to our Company values. In 2011, all of the named executive officers demonstrated our Company values and no reduction was made for the values modifier.

The individual SBGs for each of the named executive officers other than Mr. Walling were established in February 2011 based on the officer s strategic objectives for the year. Mr. Walling s SBGs were established shortly after he joined the Company in June 2011. Following the close of 2011, the Committee provided the independent directors with an assessment and scoring of Mr. Bilbrey s performance, and Mr. Bilbrey provided the Committee with his assessment and scoring of each named executive officer s performance relative to these performance goals and the officer s demonstration of our Company values.

The SBGs for Mr. Bilbrey included those for the period when he was our COO, through May 2011, and for the portion of the year when he served as our CEO. As COO, Mr. Bilbrey s goals centered on implementation of our global structure, brand expansions in North America and supply chain projects. As CEO, Mr. Bilbrey focused on our executive management transition, global expansion, strategic leadership, Project Next Century manufacturing initiatives, innovation and insights-driven performance. As a result of Mr. Bilbrey s achievement in these areas, he was awarded an individual performance score of 160%. Based on the 75% weighting of the Company financial score and the 25% weighting of his individual performance score, the Committee recommended to the independent directors a 2011 One Hershey Incentive Program award for Mr. Bilbrey of $1,541,698, 143% of his target award.

The SBGs for Mr. Alfonso, our Executive Vice President, Chief Financial Officer and Chief Administration Officer, included development and integration of our strategic planning processes and new general ledger to support financial reporting and decision-making, integrated business planning, a leadership role in the analysis and structuring of financing and acquisition-related initiatives, and talent development. As a result of Mr. Alfonso s achievement in these areas, he was awarded an individual performance score of 135%. Based on the 75% weighting of the

Company financial score and the 25% weighting of his individual performance score, the Committee approved a 2011 One Hershey Incentive Program award for Mr. Alfonso of $557,340, 137% of his target award.

For Ms. Buck, our Senior Vice President, Chief Growth Officer, the individual SBGs centered on delivery of new growth opportunities including health and wellness, digital and social media, insights-driven performance, next generation marketing capabilities, and development of our marketing organization, people and processes. As a result of Ms. Buck s achievement in these areas, she was awarded an individual performance score of 145%. Based on the 75% weighting of the Company financial score and 25% weighting of her individual performance, the Committee approved a One Hershey Incentive Program award for Ms. Buck of $420,125, 139% of her target award.

The SBGs for Mr. O Day, our Senior Vice President, Global Operations, centered on enhancing the effectiveness of several areas of our global operations including achievement of Project Next Century objectives, improved sourcing strategies, optimization of the global operations network and employee engagement. As a result of Mr. O Day s achievement in these areas, he was awarded an individual performance score of 175%. Based on the 75% weighting of the Company financial score and the 25% weighting of his individual performance score, the Committee approved a 2011 One Hershey Incentive Program award for Mr. O Day of $468,247, 147% of his target award.

For Mr. Walling, our Senior Vice President, Chief Human Resources Officer, the individual SBGs centered on development of capabilities, focus and alignment within Human Resources, employee engagement, and development of a high performance culture and structure under our new CEO. As a result of Mr. Walling s achievement in these areas, he was awarded an individual performance score of 120%. Based on the 75% weighting of the Company financial score and the 25% weighting of his individual performance score, the Committee approved a 2011 One Hershey Incentive Program award for Mr. Walling of $187,622, 133% of his target award.

See Column (g) of the Summary Compensation Table for information relating to the amount of One Hershey Incentive Program payments made to the named executive officers.

What are the elements of the long-term incentive program?

We use awards of PSUs, stock options and RSUs to provide long-term incentive compensation that aligns the interests of our executives with our stockholders. These awards are made under the long-term incentive program of the Incentive Plan. The Committee customarily awards long-term incentive grants, including stock options, to executive officers and various other management and professional employees in February of each year, two to three weeks after the release of fourth quarter and annual financial results.

The Committee, and the independent directors in the case of our CEO, determines the value of long-term incentive awards made to an executive officer by comparing the executive s target total direct compensation (the sum of base salary, target One Hershey Incentive Program award and the value of the long-term incentive award) to the 50th percentile level of target total direct compensation of his or her counterparts in the Compensation Peer Group and survey composite data. The target award percentages approved in February 2011 (and June 2011 for Mr. Walling), expressed as a percentage of base salary, were:

Name	Target Long-Term Incentive Award Percentage (% of Salary)
J. P. Bilbrey	225
H. P. Alfonso	190
M. G. Buck	150
T. L. O Day	170
K. R. Walling	140

Mr. Bilbrey received a stock option award and a grant of PSUs for the 2011-2013 performance cycle upon his promotion in May 2011 that increased the value of his target long-term incentive award percentage to 325% of his base salary, a level equal to the long-term incentive target in effect for Mr. West. The independent directors also approved an award of additional PSUs for the 2009-2011 and 2010-2012 performance cycles for Mr. Bilbrey upon his promotion.

In determining the value of the long-term incentive awards, the Committee values PSUs using the average of the daily closing prices of the Company s Common Stock in the December preceding the start of the performance cycle. The Committee values RSUs using the closing price of our Common Stock on the New York Stock Exchange on the date of the award and 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). Overall, after taking into account the long-term incentive awards made in 2011, the target total direct compensation of our executive officers was generally between the 25th and 75th percentiles of total direct compensation for the comparable positions in the Compensation Peer Group and survey composite data.

How are PSU awards structured? What performance goals are used? What were the results at year-end 2011?

PSUs are granted to those executive officers and other senior officers 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 annual base salary and determined as part of a total compensation package based on the applicable Compensation 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.

The performance objectives for the 2009-2011 performance cycle awarded in 2009 were based upon the following metrics:

- Three-year relative TSR versus the Financial Peer Group (described below);
- Three-year compound annual growth 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 Committee selected these metrics to ensure performance was measured against both internal targets aligned with our stockholders interests and to returns offered investors by our peer companies. Based on input from Mercer, the Committee selected 14 food, beverage and consumer products companies with a median revenue of $9 billion, our Financial Peer Group, for use in assessing our Company s 2009-2011 TSR against the food and beverage industry. The Financial Peer Group is a high-performing group of companies with whom we compete for investors in the food and beverage industry.

Companies included in the 14-member 2009 Financial Peer Group were:

Cadbury plc	Hormel Foods Corporation
Campbell Soup Company	Kellogg Company
Dean Foods Company	Kraft Foods Inc.
Del Monte Foods Company	McCormick & Company, Incorporated
Dr Pepper Snapple Group, Inc.	Molson Coors Brewing Company
General Mills, Inc.	Sara Lee Corporation
H. J. Heinz Company	The J. M. Smucker Company

Due to the acquisition of Cadbury plc by Kraft Foods Inc. in 2010 and the privatization of the Del Monte Foods Company in 2011, the Committee removed both companies from the Financial Peer Group for the purpose of measuring three-year relative TSR for the 2009-2011 performance cycle, 2010-2012 performance cycle, and the 2011-2013 performance cycle. The 12 companies in the Financial Peer Group had a median revenue of $9 billion when measured in third quarter 2010.

The 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 Committee to establish performance targets 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 for the 2009-2011 performance cycle and the Company s TSR and financial performance during the 2009-2011 performance cycle were as follows:

2009-2011 PSU Performance Cycle

Metric	**Target (Increase vs. Prior Year Actual Performance)**	**Actual Performance (Increase vs. Prior Year)**	**Target Award (%)**	**Performance Score (%)**
Total Stockholder Return (TSR)	50th Percentile	67th Percentile	50.00	84.00
Three-year Compound Annual Growth Rate (CAGR) in Adjusted Earnings per Share-diluted	5.6% CAGR	14.5% CAGR	12.50	31.25
2009 Adjusted Earnings per Share-diluted	$1.94 (3.2% increase)	$2.17 (15.4% increase)	12.50	31.25
2010 Adjusted Earnings per Share-diluted	$2.34 (7.8% increase)	$2.55 (17.5% increase)	12.50	31.25
2011 Adjusted Earnings per Share-diluted	$2.76 (8.2% increase)	$2.82 (10.6% increase)	12.50	15.00
Total			**100.00**	**192.75**

At the conclusion of each three-year and annual performance period, the 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 whether performance objectives have been achieved, specific adjustments may be made by the Committee to the Company s performance to take into account extraordinary or unusual items occurring during the period. No adjustments were made in determining the 192.75% performance score or the number of PSUs earned by our named executive officers for the 2009-2011 performance cycle described above.

The performance objectives for the 2010-2012 performance cycle and 2011-2013 performance cycle were based upon the following metrics:

- Three-year relative TSR versus the 12-member Financial Peer Group with target requiring 50th percentile performance (50% of the target award);

- Three-year compound annual growth in adjusted earnings per share-diluted measured against an internal target consistent with our long-term financial goal of 6% to 8% annual growth (12.5% of the target award); 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 with target performance consistent with our long-term financial goal of 6% to 8% annual growth (12.5% of the target award per year).

The actual Company results for 2011 of $2.82 of adjusted earnings per share-diluted reflected a 10.6% increase from 2010 and exceeded the 2011 target of $2.76. As a result, 15% of the final award was earned for this metric in the 2010-2012 and 2011-2013 performance cycles. These PSUs will be paid at the end of each of the applicable three-year cycles to participating executives who are entitled to payouts under the terms of the program.

See Columns (f) through (h) of the Grants of Plan-Based Awards table on page 65, Columns (i) and (j) of the Outstanding Equity Awards table on page 67 and Columns (d) and (e) of the Option Exercises and Stock Vested table on page 69 for more information about PSUs awarded to the named executive officers.

How are stock options used within the Company s long-term incentive program? What process is followed in the granting of stock options?

Stock options are an important element of our long-term incentive compensation program enabling us to align the interests of executives with those of stockholders. In general, stock options are awarded annually to the Company s senior executive group 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 Committee sets guidelines for the value of stock options to be awarded based on competitive compensation data. In 2011, the target number of stock options awarded to each executive officer was determined by multiplying the executive s base salary by one-half 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 17 of the Consolidated Financial Statements contained in the 2011 Annual Report to Stockholders that accompanies this proxy statement. The actual number of options awarded may vary from the target level based on an executive s individual performance evaluation.

Stock options awarded in 2011 vest in equal increments over four years and have a ten-year term. As required by the stockholder-approved Incentive Plan, the options have an exercise price equal to the closing market price of the Common Stock on the New York Stock Exchange on the date of the award.

Stock options are awarded annually under the Incentive Plan to eligible recipients; however, the Committee may elect not to award stock options in a given year. To ensure flexibility in providing awards for recruitment, retention, performance recognition or in conjunction with a promotion, the Committee is authorized under the Incentive Plan to establish a stock option pool, an RSU pool and a separate CEO discretionary equity pool (described below) for use by our CEO for such purposes. The pools are available for approximately 12 months from the date created and the Committee determines whether to establish any or all of these three pools annually. Options and RSUs remaining in any pool at the end of the period do not carry over to any pool established by the Committee for a subsequent period.

In February 2011, the Committee authorized the CEO to award up to 600,000 stock options and up to 100,000 RSUs from the stock option and RSU pools during the year. The Committee also authorized a CEO discretionary equity pool for recruitment or retention purposes up to an aggregate value of $1.5 million (as measured at the time of grant). This was in addition to the stock option and RSU pools. Recipients of awards from the CEO discretionary equity pool were permitted to select a mix of options and/or RSUs equaling the value of the award. The value of option awards made from the pools is based upon the value used for financial reporting purposes (the Black-Scholes value). The CEO may not make discretionary awards from any pool to the Company s executive officers. Stock option and RSU awards from the CEO pools as well as awards from the CEO discretionary equity pool are made one time per month according to an annually pre-determined schedule, and the exercise price for the options is based on the closing price of our Common Stock on the date of the award. Individual awards in any month may not exceed 12,000 stock options or 7,500 RSUs without further approval by the Chair of the Committee.

See Column (f) of the Summary Compensation Table, Columns (j) through (l) of the Grants of Plan-Based Awards table, Columns (b) through (f) of the Outstanding Equity Awards table and Columns (b) and (c) of the Option Exercises and Stock Vested table for more information on stock options awarded to the named executive officers.

How are RSUs used within the long-term incentive program?

The Committee awards RSUs to executive officers and other senior executives from time to time as special incentives. RSUs also are awarded to replace compensation forfeited by newly-hired executive officers and other key new hires. In 2011, the Committee did not make any RSU grants to any of the executive officers, except for Mr. Walling. Mr. Walling received an award of 31,300 RSUs at the time he was hired by Hershey. The RSU award was made to replace compensation forfeited when he left his prior employer to join the Company.

The Committee used a mix of RSUs and stock options in making long-term incentive awards to eligible employees below the executive level in 2011. Each RSU awarded under the Incentive Plan represents a value equal to that of a share of Common Stock. Generally, RSUs vest if the award recipient remains in the Company s employment for a designated period of time.

At the time of award, the Committee determines if an RSU award is payable upon vesting in shares of Common Stock, net of applicable taxes, or if the recipient may elect to receive payment for vested RSUs in cash or in shares of Common Stock, net of applicable taxes. The value for financial reporting purposes of an RSU payable in shares is based upon the closing price of the Common Stock on the New York Stock Exchange on the grant date. The value for financial reporting purposes of an RSU payable in cash or shares is adjusted based upon the closing price of the Common Stock on the New York Stock Exchange at the end of each fiscal quarter.

As described in the discussion of stock options, the Committee is authorized under the Incentive Plan to allocate a pool of RSUs for our CEO to use for recruitment, retention, performance recognition or promotion awards. The Committee determines whether to establish an RSU pool annually. RSUs remaining in the pool at the end of the period do not carry over to any pool established by the Committee for a subsequent period.

What retirement benefits are provided to the executive officers?

Based on their date of hire, executive officers participate in the same defined benefit pension and defined contribution 401(k) plans as do 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 executive officers under tax-qualified plans. The Company maintains a defined benefit Supplemental Executive Retirement Plan, or DB SERP, a defined contribution Supplemental Executive Retirement Plan, or DC SERP, a defined benefit Compensation Limit Replacement Plan, or CLRP, and a Deferred Compensation Plan to provide these and additional benefits that are comparable to those offered by our competitors. Under the provisions of the Deferred Compensation Plan, our named executive officers may elect to defer payments from the DB SERP, DC SERP, CLRP, the One Hershey Incentive Program, PSU and RSU awards, but not stock options.

The DB SERP was closed to new participants in 2006. No new participants have been or will be added to the DB SERP. Executive officers and Senior Vice Presidents reporting to the CEO not eligible for the DB SERP are considered by the Committee for participation in the DC SERP. In comparison, the DC SERP typically yields a lower benefit than the DB SERP upon retirement. Executive officers eligible for the Company s qualified defined benefit pension plan who are not eligible for the DB SERP participate in the CLRP. The Company believes that the DB SERP, DC SERP, CLRP 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 Compensation Peer Group. The DC SERP was established as part of our Deferred Compensation Plan and is not a separate plan.

See the Pension Benefits table and accompanying narrative beginning on page 70 and the Non-Qualified Deferred Compensation table and accompanying narrative beginning on page 73 for more information regarding the DB SERP, DC SERP, CLRP and other retirement benefits.

What role do executive perquisites play in the total compensation package for the executive officers?

Executive perquisites are kept by the Committee to a minimal level relative to an executive s total compensation and do not play a significant role in our executive compensation program. See the footnotes to Column (i) of the Summary Compensation Table for information regarding the perquisites received by our named executive officers.

In addition, our CEO and the other named executive officers 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 accredited colleges or universities on a dollar-for-dollar basis up to a maximum aggregate contribution of $5,000 per employee annually.

Has the Company implemented provisions designed to protect the Company, such as conditioning compensation on restrictive covenants?

Beginning in 2008, the Company initiated a program requiring executive officers to sign an Executive Confidentiality and Restrictive Covenant Agreement, or ECRCA, as a condition of receiving PSUs and other long-term incentive awards or, for new executive officers, as a condition of their employment. The terms of the ECRCA prohibit the executive from disclosing the Company s confidential information, competing with the Company in specific categories for a period of 12 months following termination of the executive s employment, recruiting or soliciting the Company s employees, or disparaging the Company s reputation in any way. 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 officer s last year of employment, as well as any amounts received from the DB SERP and DC SERP.

Has the Company entered into any employment agreements with or does the Company provide severance or change in control plans for its executive officers?

We have not entered into employment agreements with any named executive officer, except for Mr. West, who resigned as CEO and from the Company during the first half of 2011.

We entered into an employment agreement with Mr. West upon his promotion to President and CEO in 2007. The Committee and independent members of the Board determined that doing so was appropriate in light of the fact that we had entered into an employment agreement with Mr. West s predecessor, and believed we would have been required to enter into an employment agreement with any individual recruited to become our CEO from another company. We determined the terms of Mr. West s employment agreement by reference to the benchmarking we had done with respect to Mr. West s predecessor.

All of the named executive officers participate in our Executive Benefits Protection Plan (Group 3A), or EBPP 3A. The EBPP 3A is intended to help us attract and retain qualified management employees and maintain a stable work environment in the event of activity that could potentially result in a change in control. The terms of the plan generally provide that a covered executive, whose employment with the Company terminates 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, as defined in the EBPP 3A, within two years after election of a new CEO.

As described on page 43, the EBPP 3A was amended and restated in February 2011 to include, among other changes, a modification to remove the golden parachute excise tax gross-up feature. As a result, no executive officer or other employee of the Company is entitled to receive an excise tax gross-up.

See the discussion beginning on page 75 for information regarding the EBPP 3A and payments that would be due to our named executive officers under that plan in the event of termination of employment or a change in control.

What compensation did Mr. West receive during 2011 prior to or in connection with his resignation from the Company?

As part of the normal compensation process at the beginning of 2011, Mr. West received an increase in his base salary of approximately 2.9%, had a target short-term incentive opportunity of 120% of his base salary and received PSU and stock option awards on a basis consistent with the awards made to the other executive officers. Because Mr. West voluntarily terminated his employment with the Company during 2011, he was not entitled to any payment under the One Hershey Incentive Program, each of his unvested PSU and stock option awards were forfeited and he was not entitled to, nor did he receive, any severance or other incremental compensation under his employment agreement in connection with his departure from the Company. As a result of his termination, Mr. West forfeited his DB SERP benefit.

Mr. West s employment agreement provided him with the right to exercise any vested stock options for a period of 90 days following his termination of employment. The value Mr. West received for stock option exercises during 2011 is included in the Option Exercises and Stock Vested table.

Do we require our executive officers to hold Company stock?

The Company believes that requiring executive officers to hold significant amounts of our Common Stock strengthens the alignment of the executive officers with the interest of stockholders and promotes achievement of long-term business objectives. Our executive stock ownership policy has been in place for more than 20 years. Ownership requirements were updated in 2008 to better align with external market comparisons provided by Mercer.

Officers with stock ownership requirements are required to accumulate and hold the minimum number of shares to meet their stock ownership level within five years of their initial election to their position. For purposes of this requirement, shares include shares of our Common Stock that are owned by the officer, unvested time-based RSUs, PSUs earned for the annual segments of open performance cycles, as well as vested RSUs and PSUs that have been deferred by the officer as common stock units under our Deferred Compensation Plan. It is anticipated that officers will hold a significant number of the shares earned from PSU and RSU awards and the exercise of stock options to satisfy their obligations. Currently, minimum stockholding requirements for executive and other elected officers range from one to five times base salary, as described in the table below. The dollar value of shares which must be acquired and held equals a multiple of the individual executive s base salary. The number of shares to be held is updated whenever a change in base salary occurs.

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

Failure to reach the minimum within the five-year period results in a notification letter to the officer, 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 reached. The Committee receives an annual summary of each individual officer s ownership status to monitor compliance.

As of March 5, 2012, the record date for the annual meeting, all of the named executive officers exceeded their ownership requirements.

Compensation Committee Report

To Our Stockholders:

We have reviewed and discussed with management the Compensation Discussion and Analysis, beginning on page 42. Based on that review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

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

Robert F. Cavanaugh, Chair

Pamela M. Arway

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. West s and Mr. Bilbrey s compensation.

Charles A. Davis

James M. Mead

James E. Nevels

Thomas J. Ridge

Summary Compensation Table

The following table and accompanying footnotes provide information regarding compensation earned, held by, or paid to, individuals holding the positions of Chief (Principal) Executive Officer and Chief (Principal) Financial Officer during 2011 and the three most highly compensated of our other executive officers. We refer to these executive officers as our named executive officers. In accordance with SEC rules, information is included for Mr. West who left the Company in June 2011. The following table provides information with respect to 2011, 2010 and 2009 compensation, if reported in our prior years proxy statements. Ms. Buck and Mr. Walling were not named executive officers in the Company s 2011 or 2010 proxy statements; therefore, information on their 2010 or 2009 compensation is not included.

Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary[1] ($) (c)	Bonus[2] ($) (d)	Stock Awards[3] ($) (e)	Option Awards[4] ($) (f)	Non-Equity Incentive Plan Compen-sation[5] ($) (g)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings[6] ($) (h)	All Other Compen-sation[7] ($) (i)	Total ($) (j)
J. P. Bilbrey	2011	945,538		3,760,073	1,742,167	1,541,698	2,455,275	182,122	10,626,873
President and	2010	625,577		600,699	720,013	993,192	1,204,919	70,407	4,214,807
CEO	2009	550,000		555,119	514,274	711,022	723,957	54,422	3,108,794
H. P. Alfonso	2011	544,021		716,683	504,017	557,340	44,517	216,134	2,582,712
Executive Vice	2010	515,000		490,991	489,265	662,042	34,318	196,377	2,387,993
President,	2009	500,000		476,689	475,006	576,032	24,069	161,840	2,213,636
CFO and Chief									
Administration									
Officer									
M. G. Buck	2011	466,552		488,220	412,676	420,125	729,351	55,752	2,572,676
Senior Vice									
President,									
Chief Growth Officer									
T. L. O Day	2011	491,400		579,423	501,231	468,247		222,709	2,263,010
	2010	468,000		388,476	460,537	565,896		195,590	2,078,499
	2009	450,000		337,728	337,504	458,387		100,626	1,684,245
Senior Vice									
President,									
Global									
Operations									
K. R. Walling	2011	235,385	310,000	2,048,258	280,033	187,622		396,561	3,457,859
Senior Vice									

President, Chief Human Resources Officer									
D. J. West	2011	464,769		2,483,005	1,717,221			47,875	4,712,870
Former President and CEO	2010	1,030,000		2,001,731	2,000,016	2,225,049	3,050,879	180,141	10,487,816
	2009	1,000,000		1,500,427	1,500,022	2,267,730	1,613,252	122,598	8,004,029

(1) Column (c) reflects annual base salary earned, on an accrual basis, for the years indicated and includes Internal Revenue Code, or IRC, section 125 deductions pursuant to The Hershey Company Flexible Benefits Plan and amounts deferred by the named executive officers in accordance with the provisions of The Hershey Company 401(k) Plan, or 401(k).

(2) With the exception of Mr. Walling, Column (d) indicates that no discretionary bonuses were paid to the named executive officers. Mr. Walling, who joined the Company in June 2011, received a sign-on bonus to replace awards forfeited at his prior employer.

(3) Column (e) includes the aggregate grant date fair value of contingent target PSU awards for the 2011-2013 performance cycle and, with the exception of Mr. Walling, for the 2011 adjusted earnings per share-diluted component of the 2010-2012 and 2009-2011 performance cycles. With the exception of Messrs. Bilbrey and Walling, Column (e) reflects the grant date fair value of the PSUs awarded to each named executive officer in February 2011. Mr. Bilbrey s 2011 stock awards include the awards granted in February 2011 and special PSU awards for the 2011-2013, 2010-2012 and 2009-2011 performance cycles granted upon his promotion to CEO in May 2011. The amount listed in Column (e) for Mr. Walling includes contingent target units granted for the 2011-2013 performance cycle in June 2011 upon his hire.

The number and grant date fair value of the PSUs awarded each named executive officer are shown on the Grants of Plan-Based Awards table in Columns (g) and (l). 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 named executive officers would be as follows:

Name	Year	Maximum Value at Grant Date ($)
J. P. Bilbrey	2011	7,377,919
	2010	1,501,748
	2009	1,169,735
H. P. Alfonso	2011	1,468,555
	2010	1,227,476
	2009	1,191,723
M. G. Buck	2011	1,000,119
T. L. O Day	2011	1,181,117
	2010	971,190
	2009	844,320
K. R. Walling	2011	614,864
D. J. West	2011	5,103,306
	2010	5,004,326
	2009	3,751,068

Mr. West forfeited all of his outstanding PSU awards including those shown in Column (e) of the 2011 Summary Compensation Table as a result of his resignation from the Company in the first half of 2011.

Column (e) also includes the grant date fair value of RSU awards granted in the years indicated. The unvested portion of these RSU awards is included in the amounts presented in Columns (g) and (h) of the Outstanding Equity Awards table. The number of shares acquired and value received by the named executive officers with respect to RSU awards that vested in 2011 is included in Columns (d) and (e) of the Option Exercises and Stock Vested table.

The assumptions used to determine the grant date fair value of awards listed in Column (e) are set forth in Note 17 to the Company s Consolidated Financial Statements included in our 2011 Annual Report to Stockholders that accompanies this proxy statement.

(4) Column (f) presents the grant date fair value of stock options awarded the executive 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 17 to the Company s Consolidated Financial Statements included in our 2011 Annual Report to Stockholders that accompanies this proxy statement. The number and grant date fair value of stock options awarded to each named executive officer during 2011 appears in Columns (j) and (l) of the Grants of Plan-Based Awards table. As a result of his termination, Mr. West forfeited all stock options awarded him in 2011 and unvested options awarded in prior years, which on the date of his termination of employment had a value of $7,502,156.

(5) As discussed in the Compensation Discussion and Analysis and as shown in Column (g), the Committee determined that payments would be awarded under our annual incentive program, which we refer to as the One Hershey Incentive Program, to the named executive officers for 2011. Awards under the One Hershey Incentive Program for 2011 are based on base salary received in 2011. Mr. West received no award due to his resignation in the first half of 2011.

(6)

Column (h) reflects the aggregate change in the actuarial present value of the named executive officer s retirement benefit under the Company s tax-qualified pension plan, the Compensation Limit Replacement Plan, or CLRP, and the Defined Benefit Supplemental Executive Retirement Plan, or DB SERP. The change in value calculation uses the same interest and mortality rate assumptions as the 2011 audited financial statements and measures the change in value between the pension plan measurement date in the 2010 and 2011 audited financial statements.

As a result of his resignation, Mr. West forfeited his entire DB SERP benefit. As of December 31, 2010, that amount was $6,162,105. In addition, Mr. West received a distribution of his accrued benefit from the qualified defined benefit plan in the amount of $185,554. No further pension benefits are due to Mr. West as of December 31, 2011.

Messrs. Alfonso, O Day and Walling participate in the DC SERP rather than the DB SERP. The DC SERP is authorized under the Company s Deferred Compensation Plan. DC SERP contributions for Messrs. Alfonso, O Day and Walling are included in Column (i) as listed in footnote 7 below.

The named executive officers 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). No portion of the notional earnings credited during 2011 was above market or preferential. Consequently, no Deferred Compensation Plan earnings are included in amounts reported in Column (h) above. See the Pension Benefits and the Non-Qualified Deferred Compensation tables for more information on the benefits payable under the qualified pension plan, DB SERP, CLRP and Deferred Compensation Plan to the named executive officers.

(7) All other compensation includes 401(k) matching contributions, perquisites and other amounts as described below. Benefits based upon a percent of base salary are computed as a percent of pay received in a calendar year.

Name	Year	Amount ($)	Description
J. P. Bilbrey	2011	83,305	Security services (See footnote 8)
		76,218	Supplemental 401(k) match
		11,025	401(k) match
		10,010	Company-paid financial counseling
		800	Reimbursement of personal tax return preparation fee
		764	Supplemental retirement contribution
	2010	49,122	Supplemental 401(k) match
		11,025	401(k) match
		8,750	Company-paid financial counseling
		800	Reimbursement of personal tax return preparation fee
		710	Supplemental retirement contribution
	2009	33,191	Supplemental 401(k) match
		11,025	401(k) match
		8,750	Company-paid financial counseling
		800	Reimbursement of personal tax return preparation fee
		656	Supplemental retirement contribution
H. P. Alfonso	2011	150,758	DC SERP contribution
		43,248	Supplemental 401(k) match
		11,025	401(k) match
		10,303	Company-paid financial counseling
		800	Reimbursement of personal tax return preparation fee

	2010	136,386	DC SERP contribution
		38,074	Supplemental 401(k) match
		11,025	401(k) match
		10,092	Company-paid financial counseling
		800	Reimbursement of personal tax return preparation fee
	2009	114,224	DC SERP contribution
		30,096	Supplemental 401(k) match
		11,025	401(k) match
		5,695	Company-paid financial counseling
		800	Reimbursement of personal tax return preparation fee
M. G. Buck	2011	32,339	Supplemental 401(k) match
		11,025	401(k) match
		10,945	Company-paid financial counseling
		800	Reimbursement of personal tax return preparation fee
		643	Supplemental retirement contribution

Name	Year	Amount ($)	Description
T. L. O Day	2011	132,162	DC SERP contribution
		36,553	Supplemental 401(k) match
		24,369	Supplemental Core Retirement Contribution (See footnote 9)
		11,025	401(k) match
		10,825	Company-paid financial counseling
		7,350	Core Retirement Contribution (See footnote 9)
		425	Reimbursement of personal tax return preparation fee
	2010	115,807	DC SERP contribution
		30,666	Supplemental 401(k) match
		20,444	Supplemental Core Retirement Contribution (See footnote 9)
		11,025	401(k) match
		9,890	Company-paid financial counseling
		7,350	Core Retirement Contribution (See footnote 9)
		408	Reimbursement of personal tax return preparation fee
	2009	58,413	DC SERP contribution
		11,025	401(k) match
		10,004	Supplemental 401(k) match
		7,350	Core Retirement Contribution (See footnote 9)
		6,710	Company-paid financial counseling
		6,669	Supplemental Core Retirement Contribution (See footnote 9)
		455	Reimbursement of personal tax return preparation fee
K. R. Walling	2011	345,311	Relocation expenses and related taxes (See footnote 10)
		29,423	DC SERP contribution
		10,385	401(k) match
		7,062	Core Retirement Contribution (See footnote 9)
		4,380	Company-paid financial counseling
D. J. West	2011	31,850	Personal use of Company aircraft
		11,025	401(k) match
		4,200	Company-paid financial counseling
		800	Reimbursement of personal tax return preparation fee
	2010	137,378	Supplemental 401(k) match
		21,145	

	11,025	Personal use of Company aircraft
	9,058	
	800	401(k) match
	735	Company-paid financial counseling
		Reimbursement of personal tax return preparation fee
		Supplemental retirement contribution
2009	86,484	Supplemental 401(k) match
	14,858	
	11,025	Personal use of Company aircraft
	8,750	
	800	401(k) match
	681	Company-paid financial counseling
		Reimbursement of personal tax return preparation fee
		Supplemental retirement contribution

Amounts shown for personal use of the Company aircraft were computed on the basis of the incremental expense incurred by the Company for the flights.

(8) 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. Under applicable SEC rules, these services are considered other compensation and the amount reported is the Company s incremental cost for such services during 2011.

(9) As are all new hires since January 1, 2007, Messrs. O Day and Walling are eligible to receive a contribution to their 401(k) account equal to 3% of base salary up to the maximum amount permitted by the IRS. We call this contribution the Core Retirement Contribution. They also are eligible to receive a Supplemental Core Retirement Contribution of 3% of base salary in excess of the IRS limit.

(10) Mr. Walling joined Hershey in June 2011. Company relocation benefits provided for Mr. Walling included $111,720 to partially offset the loss on sale of his prior residence, $143,323 for moving, storage and closing costs and $90,268 for reimbursement of certain taxes related to his relocation.

Grants of Plan-Based Awards

The following table and explanatory footnotes provide information with regard to the potential cash award that might have been earned during 2011 under the One Hershey Incentive Program, and with respect to each PSU, stock option and RSU awarded to each named executive officer during 2011. The amounts that were earned under the One Hershey Incentive Program during 2011 by the named executive officers are set forth in Column (g) of the Summary Compensation Table.

Grants of Plan-Based Awards

2011

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Possible Payouts Under Equity Incentive Plan Awards(3)						
Name	**Grant Date(1)**	**Thres-hold ($)**	**Target ($)**	**Maxi-mum ($)**	**Thres-hold (#)**	**Target (#)**	**Maxi-mum (#)**	**All Other Stock Awards: Number of Shares of Stock or Units(4) (#)**	**All Other Option Awards: Number of Securities Under-lying Options(5) (#)**	**Exercise or Base Price of Option Awards(6) ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards(7) ($)**
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
J. P. Bilbrey	02/22/2011	2,428	1,079,261	2,644,191	269	17,213	43,033		101,310	51.42	2,110,029
	05/18/2011				581	37,240	93,100		71,275	55.48	3,392,212
H. P. Alfonso	02/22/2011	918	408,016	999,639	178	11,424	28,560		50,655	51.42	1,220,700
M. G. Buck	02/22/2011	680	302,036	739,988	121	7,780	19,450		41,475	51.42	900,896
T. L. O Day	02/22/2011	719	319,410	782,555	143	9,188	22,970		50,375	51.42	1,080,655
K. R. Walling	06/14/2011	318	141,231	346,015	70	4,462	11,155	31,300	27,135	55.12	2,328,291
D. J. West(8)	02/22/2011	3,180	1,272,000	3,116,400	619	39,699	99,248		172,585	51.42	4,200,226

(1) All awards presented were made in accordance with the Company s stockholder-approved Incentive Plan. Dates listed in Column (b) represent the Grant Date for PSUs reflected in Columns (f), (g) and (h), RSUs listed in Column (i), and the stock options listed in Column (j).

(2) Except for Mr. Bilbrey, Ms. Buck and Mr. Walling, the amounts shown in Columns (c), (d) and (e) represent the threshold, target and maximum potential amounts that might have been payable based on the One Hershey Incentive Program targets approved for the named executive officers in February 2011. For Mr. Bilbrey, the amounts shown in Columns (c), (d) and (e) represent the threshold, target and maximum potential amounts that might have been payable based on the One Hershey Incentive Program target amount approved in February 2011 and the target amount approved in May 2011, concurrent with his promotion to CEO. For Ms. Buck, the amounts shown in Columns (c), (d) and (e) represent the threshold, target and maximum potential amounts that might have been payable based on the One Hershey Incentive Program target amount approved in February 2011 and the target amount approved in September 2011 upon Ms. Buck s promotion to Senior Vice President, Chief Growth Officer. For Mr. Walling, the amounts shown in Columns (c), (d) and (e) represent the threshold, target and maximum potential amounts that might have been payable based on the One Hershey Incentive Program target approved in June 2011 upon his hire. All the amounts shown in Columns (c), (d) and (e) are based upon pay received in 2011 and include the possible 30% adjustment to the financial scores.

The threshold amount is the amount that would have been payable had the minimum score been achieved. Target is the amount payable had the business and individual performance scores been 100% on all metrics. The maximum amount reflects the highest amount payable for maximum scoring on all metrics.

(3) With the exception of Mr. Bilbrey, the number of units presented in Columns (f), (g) and (h) represents PSUs for the 2011-2013 performance cycle and with the exception of Mr. Walling, for the 2011 adjusted earnings per share-diluted component of the 2010-2012 and the 2009-2011 performance cycles. For Mr. Bilbrey, the number of units presented in Columns (f), (g) and (h) includes PSUs awarded in February 2011 and PSUs awarded upon his promotion to CEO in May 2011. PSUs granted upon Mr. Bilbrey s promotion were: 13,950 units for the 2011-2013 performance cycle; 16,770 units for the 2010-2012

performance cycle; and 6,520 units for the 2009-2011 performance cycle.

Each PSU represents the value of one share of our Common Stock. The number of PSUs earned for the 2011-2013 performance cycle will depend upon achievement against the following metrics:

Three-year relative TSR versus the financial peer group (50% of the target award);

Three-year compound annual growth in adjusted earnings per share-diluted measured against an internal target (12.5% of the target award); and

Annual growth in adjusted earnings per share-diluted measured against an internal target for each year of the three-year performance cycle (12.5% of the target award per year).

Payment, if any, will be made in shares of the Company s Common Stock at the conclusion of the three-year performance cycle. The 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.

For Mr. Bilbrey, the number of PSUs earned for awards made in 2011 for the 2010-2012 performance cycle will depend upon results achieved against metrics established for that performance cycle as disclosed in the Company s 2011 proxy statement. The number of PSUs earned for the 2009-2011 performance cycle was based upon results described in the Compensation Discussion and Analysis.

More information regarding PSUs and the 2011 awards can be found in the Compensation Discussion and Analysis and the Outstanding Equity Awards table.

(4) With the exception of Mr. Walling, none of the named executive officers received other stock awards in 2011. Mr. Walling, who joined the Company in June 2011, received RSUs to replace compensation forfeited at his prior employer.

(5) The number of options awarded to each named executive officer on February 22, 2011, was targeted as one-half of the executive s long-term incentive target percentage times his or her 2011 base salary divided by the Black-Scholes value of $9.95 for each option. The Black-Scholes value is based on the $51.42 exercise price for these options determined as the closing price on the New York Stock Exchange of the Company s Common Stock on the award date, February 22, 2011. The actual number of options awarded varied from the target level based on the executive s performance evaluation for 2010. The options awarded to Mr. Bilbrey on May 18, 2011, and to Mr. Walling on June 14, 2011, had a Black-Scholes value of $10.30 and $10.32 for each option, respectively.

All options awarded by the Company have a ten-year term and vest in 25% increments over four years. Unvested options are forfeited if the executive terminates his or her employment, unless the termination is due to the executive s death, disability or retirement, in which case (i) options granted prior to April 28, 2011, continue to vest and are exercisable for five years following termination, and (ii) options granted on or after April 28, 2011, vest immediately and are exercisable for five or three years (depending on the terms and conditions of the grant) following termination. Options granted in the year of retirement are prorated based upon the number of full calendar months worked in that year. In the event of a change in control, options granted prior to April 28, 2011, automatically vest upon the change in control and options granted on or after April 28, 2011, automatically vest unless a qualifying replacement award remains outstanding after the change in control, in which case options will vest in accordance with the original vesting schedule. Within the two-year period following a change in control, options will vest immediately if the executive s employment is terminated without Cause or the executive resigns for Good Reason, as defined in the EBPP 3A. No option may be exercised later than the option expiration date.

More information regarding stock options and the 2011 awards can be found in the Compensation Discussion and Analysis and the Outstanding Equity Awards table below.

(6) This column presents the exercise price for each option award based upon the closing price of the Company s Common Stock on the New York Stock Exchange 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 grant date fair value of RSU awards reported in Column (i) and the stock options reported in Column (j) 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 17 to the Company s Consolidated Financial Statements included in our 2011 Annual Report to Stockholders that accompanies this proxy statement.

(8) As a result of his resignation, Mr. West forfeited any award that might have been earned during 2011 under the One Hershey Incentive Program and the PSU and stock option awards listed above.

Outstanding Equity Awards

The following table provides information regarding unexercised stock options and unvested stock awards held by our named executive officers as of December 31, 2011. All values in the table are based on a market value for our Common Stock of $61.78, the closing price of our Common Stock on December 30, 2011, the last trading day of 2011, as reported by the New York Stock Exchange.

Outstanding Equity Awards

As of December 31, 2011

	Option Awards(1)					Stock Awards			
Name	Number of Securities Underlying Unexercised Options(2) (#) Exercisable	Number of Securities Underlying Unexercised Options(3) (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(4) (#)	Market Value of Shares or Units of Stock That Have Not Vested(5) ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(6) (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(7) ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
J. P. Bilbrey		71,275		55.48	05/17/2021				
		101,310		51.42	02/21/2021				
		78,949		39.26	02/22/2020				
		48,425		34.89	02/16/2019				
		17,909		35.87	02/12/2018				
	26,316			54.68	04/22/2017				
	48,425			52.30	02/15/2016				
	726			61.70	02/14/2015				
	24,750								
	19,700								
	15,750								