



**PRENTISS  
SMITH & CO**

Socially Responsible Investment Report for:

# The Hershey Company

Hershey, PA

Ticker: HSY US Equity

Last Updated: 07-30-2020

# I. Exclusionary Screening

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Does The Hershey Company appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

## Fossil Fuels & Precious Metals Mining

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- Carbon Underground 200
- CDP/CAI Carbon Major
- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining

## Pornography, Gambling & Tobacco

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- BICS - Casinos
- BICS - Gaming Equipment
- BICS - Adult/nightclubs
- BICS - Tobacco

## Agrochemicals & Animal Cruelty

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- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

## Defense & Retail Gun Sales

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- SIPRI Top 100
- BICS - Defense Primes
- NRA Top Industry Allies

## Private Prisons

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- BICS - Security Services

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CDP = Carbon Disclosure Project  
CAI = Climate Accountability Institute  
BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute  
NRA = National Rifle Association

## I. Environmental, Social & Governance Data

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What quantifiable environmental, social and governance data, policies or recognition does The Hershey Company exhibit? Positive factors may help support a decision to invest.

### General

Dow Jones Sustainability World Index

**Listed**

Just Capital Overall (1-922)

**#86**

United Nations Global Compact Signatory

**No**

RobecoSAM Sustainability Score (1-100)

**75**

MSCI ESG Rating

**BBB**

GRI Criteria Compliance

**No**

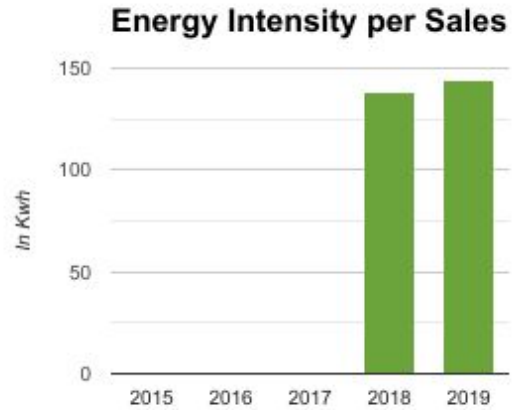
### Climate Change & Fossil Fuels

CDP Climate Change 2019 Score:

**C**

CDP Reporting since:

**2010**



Initiatives and Policies in Place:

- **Climate Change Policy**

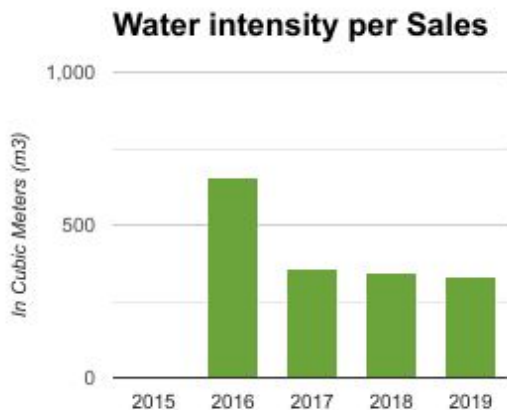
## Environmental Stewardship

Just Capital - Environment (1-922)

# #252

Sustainable Packaging

# Yes

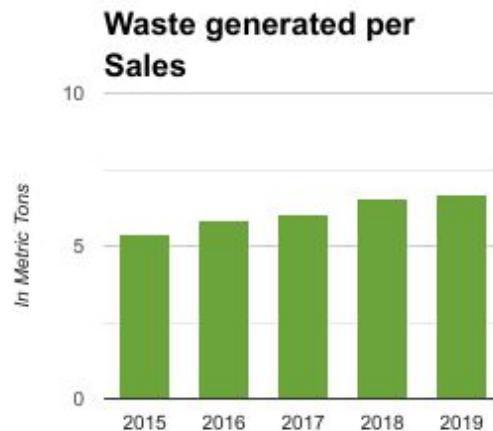


Publicly Disclosed Sustainable Supply Guidelines  
Encompassing ESG Areas

# Yes

Green Buildings

# No



Initiatives and Policies in Place:

- **Social Supply Chain Management**
- **Biodiversity Policy**
- **Water Policy**
- **Waste Reduction**
- **Environmental Quality Management**
- **Environmental Supply Management**
- **Emission Reduction**
- **Energy Efficiency Policy**

## Human Rights & Well-Being

Just Capital - Workers (1-922)

**#172**

Just Capital - Customers (1-922)

**#44**

KnowTheChain Sustainability (1-100)

**22**

Initiatives and Policies in Place:

- **Anti-child Labor Policy**
- **Human Rights Policy**
- **Equal Opportunity Policy**

## Diversity, Equity, Inclusion, and Justice

Diversity Inc - Top 50

**#21**

Just Capital - Communities (1-922)

**#465**

Forbes World's Best Employers (1-500)

**#270**

Corporate Human Rights Benchmark (1-100)

**20-30%**

HRC Equality Index (100 points)

**100**

Percentage of Women Employees

**48**

Percentage of Women on the Board

**42**

Percentage of Women Executives

**25**

CEO Action for Diversity & Inclusion

**Signatory**

Percentage of Women in Management

**37**

Number of Women on the Board

**5**

Number of Women Executives

**2**

### Corporate Responsibility

Just Capital - Shareholders (1-922)

**#69**

Size of the Board

**12**

Shareholders' vote on management remuneration

**99%**

Community Spending (\$ USD millions)

**20.5**

Points of Light - Civic 50

**Honoree**

Percentage of Independent Directors

**92**

Number of Employee Representatives on the Board

**0**

Initiatives and Policies in Place:

- **Whistleblower Protection Policy**
- **Ethics Policy**

Data sources may include:

- Sustainability and other report(s) published by the company.
- Bloomberg LP ESG Data (via Data License).
- Global Reporting Initiative (GRI)
- CDP
- Science-Based Targets initiative (SBTi)
- Climate Accountability Institute (CAI)
- Fossil Free Funds
- Dow Jones Sustainability Indices (DJSI)
- Barron's 100 Most Sustainable US Companies
- Newsweek Green Rankings
- State Street Global Advisors' Gender Diversity Index
- The 2019 Top 50 DiversityInc
- HRC's 2020 Corporate Equality Index
- PEOPLE's 50 Companies That Care
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Points of Light Civic 50 Honorees
- Stockholm International Peace Research Institute (SIPRI)
- Institute for Clinical and Economic Review (ICER)
- Roundtable on Sustainable Palm Oil (RSPO)
- National Rifle Association (NRA)

## I. Research Narrative

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What else has our research process told us about how HERSHEY CO/THE conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

### Summary

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Hershey is one of the world's largest candy and snack foods companies.<sup>1</sup> The company's current strategy involves moving away from confections towards more nutrient-dense snacking products, and removing artificial ingredients from its products, including reformulation of over 500 SKUs (stock-keeping units) since 2015.<sup>2</sup> The company is working on a new set of science-based targets after originally launching sustainability targets in 2016, which have helped it hold a place on the Dow Jones World Sustainability Index since 2013,<sup>3</sup> and helped it make Barron's well-regarded list of the 100 Most Sustainable Companies in the US in 2019.<sup>4</sup> Women account for nearly half of the company's workforce and represent over one-third of management, including the CEO.

The child labor and farming practices of the cocoa supply chain represent a serious challenge for Hershey and the industry at large. Hershey was traditionally considered a laggard in the area of ethical sourcing of cocoa and faced years of lawsuits and negative media attention. The current CEO has been improving the company's sourcing practices, and recently expanded existing programs by committing to further improve traceability of the cocoa supply chain in high-risk areas. The company has pledged \$500 million to support sustainable cocoa sourcing efforts. Deforestation is also an issue for Hershey, especially in its cocoa and palm oil supply chains. We will continue to monitor the company's progress in dealing with challenging supply chain issues, and in the meantime welcome Hershey's commitment to improved transparency.

### Products & Services

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<sup>1</sup> <https://www.candyindustry.com/2019/top-25-candy-companies>,

<https://www.snackandbakery.com/top-50-snack-bakery-companies-2016>

<sup>2</sup> <https://www.candyusa.com/news/hershey-makes-progress-ingredient-transition-transparency/>

<sup>3</sup> <https://eu.spindices.com/indices/equity/dow-jones-sustainability-world-index>

<sup>4</sup> <https://www.barrons.com/articles/these-stocks-are-winning-as-ceos-push-for-a-sustainable-future-51549657527>



The Hershey Company is a global confectionery and snacks company. Hershey was founded in 1894 by Milton Hershey, who was a confectioner by trade. Hershey was originally a subsidiary of another of Milton Hershey's ventures, the Lancaster Caramel Company. While Hershey's cocoa was the company's first commercial product, familiar products such as Hershey's milk chocolate bars and Hershey's Kisses were launched in 1900 and 1903, respectively. Today, Hershey is the largest producer of chocolates in North America and one of the largest chocolate manufacturers in the world.<sup>5</sup> Hershey distributes its products under more than 80 brand names to around 70 countries worldwide. Beyond the company's well known Hershey's chocolate bars and Hershey's Kisses, other leading brands include Reese's, Take5, Twizzlers, Jolly Rancher, Heath, Mounds, Almond Joy, Whoppers, Kit Kat, Krackel, York, 5th Avenue, Mr. Goodbar, Ice Breakers, Milk Duds, PayDay, Pirate's Booty, SkinnyPop, barkTHINS, and more.

Hershey claims that it is increasing its commitment to ingredient transparency and simplicity (first announced in February 2015), with more of its brands and best selling products now containing no artificial ingredients.<sup>6</sup> The company defines simple ingredients as those with no artificial flavors, preservatives, sweeteners, and only using colors from natural sources. Hershey's iconic milk chocolate bar contains seven all-natural ingredients. In addition to milk chocolate bars, Hershey has also improved the ingredient profile of Hershey's Kisses and Hershey's Nuggets, by transitioning from artificial vanilla to natural vanilla and by removing an ingredient called polyglycerol polyricinoleate, which aids in the flow of chocolate, and increasing the content of cocoa butter and milk fat. By early 2017, Hershey Special Dark Chocolate, Mr. Goodbar, Krackel, and Hershey's Miniatures Assortment were all free from artificial ingredients. Since the ingredient simplification commitment was launched in February 2015, Hershey has reformulated over 500 stock keeping units (SKUs) with more familiar ingredients.<sup>7</sup> Hershey claims that four ingredients (milk, cocoa, nuts, and sugar) account for 80% of its total ingredient volume.<sup>8</sup>

## Environment

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In 2016, Hershey launched its "25 by 25" sustainability targets, which aim to reduce greenhouse gas (GHG) emissions, water use and waste by 25%, and to reduce packaging material by 25 million

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<sup>5</sup> <https://www.sec.gov/ix?doc=/Archives/edgar/data/47111/000004711120000007/a2019form10-kq4.htm> (page 1)

<sup>6</sup> [https://www.thehersheycompany.com/en\\_us/whats-inside/ingredient-conversations.html](https://www.thehersheycompany.com/en_us/whats-inside/ingredient-conversations.html)

<sup>7</sup> <https://www.candyusa.com/news/hershey-makes-progress-ingredient-transition-transparency/>

<sup>8</sup> [https://www.thehersheycompany.com/en\\_us/whats-inside/the-core-four.html](https://www.thehersheycompany.com/en_us/whats-inside/the-core-four.html)

pounds, by 2025 (against 2015 baseline levels).<sup>9</sup> Hershey has reduced the GHG intensity of its products by 13% since 2015.<sup>10</sup> Hershey has already started to make significant improvements in its retail packaging by eliminating excess cardboard used in shipping and retail displays. According to Hershey's response to the Carbon Disclosure Project Climate Change questionnaire, the company sends residual waste to local waste management authorities, which is then used to generate renewable energy. In January 2019, Hershey committed to the Science Based Targets Initiative on corporate climate action, and plans to announce its targets in January 2021.

Hershey's food-related environmental goals are focused around the sourcing of raw ingredients including eggs, sugar, and palm oil. By 2020, the company committed to using 100% cage-free eggs for all products in North America, and that 100% of sugar purchases will be from sustainable sources.<sup>11</sup>

Hershey is a significant user of palm oil, a raw ingredient used in many confectionery recipes that is driving deforestation, wildfire-driven carbon emissions, and negative impacts on local populations in Indonesia and Southeast Asia ([read more here](#)).<sup>12</sup> Hershey joined the Roundtable on Sustainable Palm Oil (RSPO) in 2011, and by the end of 2014, all of Hershey's palm oil purchases for North American operations were 100% Mass Balance RSPO-certified. Hershey claims 99.8% traceability of their palm oil back to the mill level, and in 2019 were tracking 47.4% back to the plantation level (up from just 14% in 2017), with a goal of reaching 100% by 2020.<sup>13</sup> Critics have pointed out the gaps in Hershey's supply chain transparency and have called into question the legitimacy of their claims. Hershey has stood by their statistics and refutes criticism by pointing out that fewer and fewer of their products contain palm oil as they simplify ingredients.

## Management Integrity & Ethics

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Hershey has been publishing annual Corporate Social Responsibility (CSR) reports since 2013 and has submitted annual responses to the Carbon Disclosure Project (CDP) since 2010. Hershey has

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[https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/hershey\\_sustainability\\_report\\_2019.pdf](https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/hershey_sustainability_report_2019.pdf) (page 37)

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[https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/hershey\\_sustainability\\_report\\_2019.pdf](https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/hershey_sustainability_report_2019.pdf) (page 36)

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[https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/hershey\\_sustainability\\_report\\_2019.pdf](https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/hershey_sustainability_report_2019.pdf) (page 19)

<sup>12</sup> <https://www.prentiss-smith.com/palm-oil-under-pressure/>

<sup>13</sup> [https://www.thehersheycompany.com/en\\_us/sustainability/shared-business/palm-oil-facts.html](https://www.thehersheycompany.com/en_us/sustainability/shared-business/palm-oil-facts.html)

received numerous external awards and recognition, including membership in the Dow Jones Sustainability North America Index (for 8 years) and the Dow Jones Sustainability World Index (for 7 years).<sup>14</sup> Hershey was one of only a few companies in its industry to be included in the Dow Jones Sustainability Indices. Hershey was also ranked among the “100 Best Corporate Citizens” by *Corporate Responsibility* magazine. The company ranked No. 3 on *Newsweek’s* 2016 U.S. Green Rankings, and it received a 100 percent rating as one of the “Best Places to Work for LGBT Equality” in the Human Rights Campaign Corporate Equality Index. Hershey ranked 25th on DiversityInc’s 2019 Top 50 Companies for Diversity List, including 7th for Diverse Leadership, 11th for People with Disabilities and 12th for Veterans. In 2016, Hershey launched SmartFlex, which is a set of benefits that includes parental leave, improved technology to remotely access company work systems, flexible work schedules, and flexible dress codes.

Hershey has approximately 14,520 full-time employees and 1,620 part-time employees, with collective bargaining agreements covering approximately 34% of employees. Approximately 70% of Hershey’s manufacturing capacity is located in the US.<sup>15</sup> Hershey has been working to improve gender diversity at the company. The former CEO, J.P. Bilbrey, drove efforts to improve gender diversity of Hershey’s top management. Currently, the roles of CEO and Chief Growth Officer are held by women. As of 2019, 47.9% of Hershey’s employees globally were women. Hershey’s board is composed of 42% women and is 50% diverse. In 2019, across all US salaried groups, the company paid women \$0.99 compared to \$1.00 for men. Hershey notes that this compares to a national average of women earning \$0.82 compared to \$1.00 for men.<sup>16</sup>

Hershey is currently led by CEO, Michele Buck, who has served in the top role since March 2017. She is the first female CEO in Hershey’s 125-year history and one of only 33 women to lead a Fortune 500 company. Ms. Buck has over 25 years of experience in leadership roles within the consumer packaged goods sector. She joined Hershey in 2005 and most recently served as Chief Operating Officer. Prior to joining Hershey, she served in senior leadership positions spanning 17 years at Kraft/Nabisco and the Frito-Lay division of Pepsi. At the time that Ms. Buck took on the CEO role at Hershey, she outlined a new strategy for the company that would focus on the core U.S. market, following a failed acquisition in China by a prior management team that later resulted in the company recording impairment charges.<sup>17</sup> The move to focus on the U.S. will involve

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<sup>14</sup>

<https://www.globenewswire.com/news-release/2019/09/25/1920566/0/en/Hershey-Named-to-Dow-Jones-Sustainability-World-Index-for-Seventh-Consecutive-Year.html>

<sup>15</sup> <https://www.sec.gov/ix?doc=/Archives/edgar/data/47111/000004711120000007/a2019form10-kq4.htm>

<sup>16</sup>

[https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/hershey\\_sustainability\\_report\\_2019.pdf](https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/hershey_sustainability_report_2019.pdf) (page 48)

<sup>17</sup>

<https://www.sec.gov/ix?doc=/Archives/edgar/data/47111/000004711120000007/a2019form10-kq4.htm#s7FCB6E6399E159C09FDA9B6398E62B11>

eliminating as many as 2,700 jobs globally. Ms. Buck believes that by streamlining Hershey's organization, the company will be able to improve operating profit margins by 2 to 3 percentage points by the end of 2019.<sup>18</sup> On her first day as CEO, Ms. Buck sent out a letter to all Hershey employees calling for "transformational thinking." A key component of Hershey's new strategy is to move beyond chocolate to expand its market share in snack categories such as beef jerky, snack mixes, nuts, and pretzels. Ms. Buck notes that while consumers may be eating fewer treats such as chocolate, they are snacking more and looking for choices that are more nutrient dense. She believes that over the coming years, people will think of Hershey as a snacking company as opposed to a confection company.

Hershey's recent acquisitions indicate its focus on expanding the company's reach in the snacking category. In 2016, Hershey acquired barkTHINS (a brand of premium snacking chocolate). In 2017, Hershey acquired an all-natural jerky products brand called KRAVE. In 2018, Hershey acquired Amplify Snack Brands for \$1.6 billion. At the time of the acquisition, Amplify had approximately \$375 million in annual sales and is best known for its Skinny Pop popcorn brand and Tyrrell's hand-cooked potato chips. Also in 2018, Hershey acquired Pirate Brands, which makes Pirate's Booty and Smart Puffs. In addition to snack-related acquisitions, Hershey has launched various brand extensions into the snack category including Reese's, Hershey's, Take5, and Almond Joy snack mixes.

Shortly prior to Ms. Buck becoming CEO of Hershey, the company rejected an unsolicited takeover offer from Mondelez International that would have created the world's largest confectioner and valued Hershey's shares at around \$107 (in cash and stock). The Hershey Trust, one of Pennsylvania's largest charities, controls approximately 81% of Hershey's voting rights and has historically sought to keep the company independent. The *Wall Street Journal* reported at the time that Hershey said the starting point for negotiations would need to be \$125 per share and that the Hershey Trust would need a reconstitution before a deal could be made.<sup>19</sup>

The most prominent issues facing the chocolate industry are the challenges of sustainably and ethically sourcing cocoa. West Africa produces approximately 70% of the world's cocoa beans, with the Ivory Coast (38%) and Ghana (21%) ranking as the top two producing countries. A lot of attention has been brought to cocoa farming practices in West Africa since it was revealed by The Bureau of International Labor Affairs of the U.S. Department of Labor that 2.12 million child laborers worked in cocoa production in the 2013/2014 season. It is estimated that almost 96% of those children engage in hazardous work.<sup>20</sup> Hazardous work includes, but is not limited to, burning and clearing fields, spraying pesticides, using sharp tools, and carrying heavy loads. In addition to

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<sup>18</sup> <https://www.wsj.com/articles/hershey-to-reduce-workforce-by-15-1488321572>

<sup>19</sup> <https://www.wsj.com/articles/snack-maker-mondelez-drops-pursuit-of-hershey-1472503081>

<sup>20</sup> <https://www.aspph.org/tulane-releases-report-on-child-labor-in-west-african-cocoa-production/>

child labor, it is reported that some of those children are also working under conditions of forced labor as children from Benin, Burkina Faso, Guinea, Mali, Nigeria, and Togo have been found on cocoa farms in the Ivory Coast after being sold as slaves or indentured servants.

As more consumers have become aware of the conditions under which their chocolate may be produced, there has been a rise in demand for transparency. The first reports of child labor in the cocoa industry made the news cycle in 2001, at which point the Harkin-Engel Protocol was created. Harkin-Engel brought together the members of the Chocolate Manufacturers Association of the United States of America, now known as the National Confectioners Association, to agree to eliminate the worst forms of child labor in the Ivory Coast by 2005.<sup>21</sup> The Harkin-Engel protocol was voluntary and self-regulating, which resulted in the deadline being pushed to 2008, then 2010, and most recently to 2020. During that time period, Hershey's, Nestle, and Mars have all launched their own programs to address sustainable and ethical cocoa in an attempt to fulfill the Harkin-Engel Protocol and appease consumer demands for ethically sourced cocoa.

Many lawsuits have been brought against Hershey in relation to sourcing transparency and child labor. Hershey is not alone, as Mars and Nestle have also had lawsuits brought against them, alleging that their packaging should contain child labor logos so as to not mislead. The case involving misleading consumers was dismissed by a judge in California, but an almost identical lawsuit has been brought against Hershey beginning April 2018, this time in Massachusetts. Hershey, along with other major chocolate companies, has not made major changes as a direct result of these legal battles; impact has come instead from the negative attention the lawsuits garner and the reactions of consumer advocates.

Hershey announced the goal of 100% certified chocolate by 2020 in October of 2012, along with a \$10 million dollar pledge aimed at improving West African cocoa farming. In 2014, Hershey folded that pledge into its new "Learn to Grow" program that promoted better planting methods and fertilizer incentives. The focus shifted from the initial pledge of improving West African farming conditions to simply improving cocoa yield and quality with the Learn to Grow program. At the end of 2016, Hershey announced reaching 60% certification in their chocolate sourcing. In April of 2018, Hershey rolled out its latest program "Cocoa for Good," which is a holistic approach to remedying the most pressing issues facing cocoa farming communities such as poor nutrition, at-risk youth, poverty, and vulnerable ecosystems, supported by a \$500 million pledge by 2030.<sup>22</sup> Hershey reached its goal of 100% certified and sustainable cocoa in January 2020.

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<sup>21</sup> [https://en.wikipedia.org/wiki/Harkin%E2%80%93Engel\\_Protocol](https://en.wikipedia.org/wiki/Harkin%E2%80%93Engel_Protocol)

<sup>22</sup> [https://www.thehersheycompany.com/en\\_us/sustainability/shared-business/cocoa-supply-chain-traceability.html](https://www.thehersheycompany.com/en_us/sustainability/shared-business/cocoa-supply-chain-traceability.html)

By comparison, Mars was the first of the major US chocolate companies to declare a 100% certified sustainable chocolate goal, which was announced in April of 2009 with the target year set for 2020. In 2016, Mars assessed completion at 50%. To support the 2020 goal, Mars rolled out the “Sustainable in a Generation Plan” in 2017, which is a comprehensive model aimed at improving the livelihoods of West African Cocoa farmers and making cocoa farming a practice that can be sustained for many generations to come. This program is backed by a \$1 billion pledge from Mars, with goals as far out as 2050.<sup>23</sup>

Certified sustainable cocoa, and the processes under which certification takes place, have been contentious issues within the overall cocoa debate. There are three major certification companies in the United States: The Rainforest Alliance, UTZ, and Fair Trade Certified. All of the major chocolate companies do business with one or more of these prominent agencies. The benefits of certification come in the form of improved traceability of the supply chain, creating cooperatives for farmers, and encouraging a higher degree of farm management and practices. Critics of certification programs assert that the creation of cooperatives actually negatively affects the small-scale farmer. The registration fees for cooperatives may be unaffordable to many farmers, and if they do join cooperatives, they rarely get paid the higher price that cooperatives negotiate; instead, money often stays with the management of the cooperative. Additionally, after initial acceptance into a certified cooperative, compliance audits happen less than annually, which critics point to as far too long to ensure labor standards are being upheld.<sup>24</sup> Still, most critics of certification acknowledge that while the system is imperfect, it is far better to have one than not.

While the chocolate industry as a whole has been tasked with making changes to their cocoa sourcing and transparency, Hershey, as the largest chocolate manufacturer in the United States, seems to have had more trouble than most earning its way into the good graces of stakeholders. In 2014 and 2015, shareholders sued Hershey for refusing to turn over information and statistics about where its cocoa was sourced.<sup>25</sup> Hershey officials denied purchasing any cocoa directly from the Ivory Coast or Ghana, despite 70% of the world's cocoa being produced there, and instead claimed to be purchasing cocoa-derived products provided by multinational companies. Since the lawsuit, Hershey has completely changed their stance, and in 2017 launched open sourcing maps for a select few products on their website that were also included in their CSR reports. Hershey has had a slew of negative media attention over the past 10 years involving issues of child labor and sustainably sourcing cocoa, but of late seems to be changing from somewhat of a laggard in

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<sup>23</sup> <https://gateway.mars.com/m/45f64dd4411a8c82/original/Mars-Sustainability-Report-English.pdf>

<sup>24</sup> <https://www.washingtonpost.com/business/2019/10/23/chocolate-companies-say-their-cocoa-is-certified-some-far-ms-use-child-labor-thousands-are-protected-forests/>

<sup>25</sup> <https://www.hbsslaw.com/cases/hershey-chocolate-slave-labor/pressrelease/hershey-chocolate-slave-labor-consumers-file-suit-against-nestle-hersheys-and-mars-for-alleged-child-labor-used-in-chocolate-production>

the industry to a leader, as it embarks upon programs on par with what Mars and Nestle have started and shifts from denying business connections with West Africa to embracing the potential partnerships Hershey can cultivate in the region through its “Cocoa for Good” program and \$500 million pledge.

Most recently, in May 2020, Hershey announced a meaningful expansion of its “Cocoa for Good” program by committing to 100% direct-sourced cocoa in high-risk areas by 2025, which would include all of its suppliers in Ivory Coast and Ghana. Hershey claims that “this expanded commitment will make Hershey’s cocoa from these countries traceable from the farm to the first point of purchase, giving Hershey a clear line of sight into where all of its cocoa from West Africa is grown and how it is produced - providing more transparency for consumers and all stakeholders.”<sup>26</sup> Hershey claims that it is expanding its Child Labor Monitoring and Remediation System (CLMRS) to assess over 125,000 children and provide any necessary remediation, such as providing birth certificates so that children can stay in school (many families lack the appropriate documentation needed for their children to continue into secondary school). In 2019, the CLMRS monitored 68,988 children (double the number in 2018) and found that 6.7% of the monitored children were doing inappropriate work (such as carrying heavy loads or coming into contact with chemicals) on family farms.<sup>27</sup> Hershey claims that these violations are in the process of remediation, and that the CLMRS program identified no cases of forced child labor. The program also aims to invest in farmer training programs, so that farmers can improve the efficiency of their farms and help address poverty. In Hershey’s 2019 CSR Report, the CEO noted that “we continue to make good progress within our Cocoa for Good Strategy, but we know there is a long way to go to resolve some of the most pressing issues facing cocoa-growing communities, including child labor.”

We include this level of detail to reinforce our hope that Hershey has truly turned a corner in terms of its commitment to sustainability in all forms. That said, we will continue monitoring the company to see that it follows through on its commitments.

Hershey is not currently involved in any material legal disputes.

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<sup>26</sup> [https://www.thehersheycompany.com/content/corporate\\_SSF/en\\_us/news-detail.html?14741](https://www.thehersheycompany.com/content/corporate_SSF/en_us/news-detail.html?14741)

<sup>27</sup> [https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/hershey\\_sustainability\\_report\\_2019.pdf](https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/hershey_sustainability_report_2019.pdf) (page 27)

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