

To be delivered via email to:

The Hershey Company; Mondelez International, Inc.; Mars, Incorporated*; Nestlé S.A.; Ferrero International SpA*; Lindt & Sprüngli AG

* While Mars, Incorporated and Ferrero International SpA are privately held companies, we have included them in this investor letter as important actors in the chocolate industry that we urge to take individual and collective action.

Investor Letter on Child Labor and Living Income in the Cocoa Sector

We, the undersigned investors representing \$8.8 trillion USD in assets under management or advisement, are writing to express our concern with the risks and costs associated with the persistence of child labor in the cocoa supply chain in Ghana and Côte d'Ivoire, which is a tragic symptom of systemic poverty in the region. Tackling child labor will require chocolate companies, working both collectively and individually, to address this root cause by ensuring cocoa farmers receive a living income, which is “the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.”¹ Living income is a human right which companies have a responsibility to respect. Without ensuring cocoa farmers receive a living income, cocoa farmers will remain in poverty and will continue to rely on child labor, as they are unable to afford hired help. Similarly, without a living income, cocoa farmers will continue to abandon cocoa farming in search of better economic opportunities. Therefore the continued existence of the West African cocoa industry is at stake.

An estimated 1.56 million children engage in child labor on cocoa farms in Ghana and Côte d'Ivoire, where 60% of cocoa is produced.² Forty-three percent of these children are engaged in hazardous activities, such as using sharp tools and facing exposure to agro-chemicals.³ Hazardous child labor on cocoa farms, which includes using machetes and repeated contact with harmful pesticides, meets the International Labor Organization's definition of the “worst forms of child labor.”⁴ Sustainable Development Goal 8.7 calls on all stakeholders to “take immediate and effective measures” to eradicate child labor in all its forms by 2025.⁵ Investors have had a longstanding engagement with chocolate companies over the past few decades, but little progress has been made.⁶ Though we recognize the chocolate industry is just one of the relevant

¹ <https://www.living-income.com/>

² <https://www.dol.gov/agencies/ilab/our-work/child-forced-labor-trafficking/child-labor-cocoa>

³ <https://www.dol.gov/agencies/ilab/our-work/child-forced-labor-trafficking/child-labor-cocoa>

⁴ https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C182

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<https://www.unodc.org/roseap/en/sustainable-development-goals.html#:~:text=Target%208.7%20%2D%20Take%20immediate%20and,labour%20in%20all%20its%20forms.>

⁶ <https://iasj.org/corporate-actions-to-address-child-labor-in-cocoa-production-case-study-the-hershey-company/>

stakeholders who must take immediate and effective action, we believe the industry can and should play a decisive role in eradicating child labor in the West African cocoa supply chain, due to its leverage and influence. So far, the chocolate industry has failed to eradicate child labor, and while small improvements have been realized, the initiatives and programs have been insufficient or ineffective.

Over twenty years ago, chocolate industry leaders signed the Harkin-Engel Protocol, a voluntary public-private commitment to end the worst forms of child labor, including forced labor, in West African cocoa production by 2005.⁷ After repeatedly amending the Protocol's timeline and goals, signatory companies and their peers have made little progress in eradicating child labor. Instead, chocolate companies have invested in initiatives and programs that have been largely ineffective at addressing systemic poverty as a driver of child labor. By failing to address systemic poverty, chocolate companies face the possibility that the West African cocoa industry will be replaced by other industries. For example, in response to low income, cocoa farmers have increasingly replaced cocoa plantations with rubber trees or have sold their cocoa farms to illegal gold mining operations.⁸⁹

Notably absent from chocolate companies' initiatives is a commitment to ensuring cocoa farmers receive a living income, which can help bring cocoa farmers out of poverty, thereby eliminating the need for child laborers. Experts have also explained that, by ensuring workers in a company's supply chain receive a living income, companies can avoid legal, reputational, and supply risks.¹⁰ There is increased expectation for companies to respect human rights throughout their value chains, including the right to an adequate standard of living.¹¹ Further, as consumers and civil society demand greater transparency and fair treatment of workers, companies' reputations can suffer for not ensuring workers receive a living income.¹² Lastly, by increasing the economic

⁷ <https://www.cocoainitiative.org/knowledge-hub/resources/harkin-engel-protocol>

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<https://static1.squarespace.com/static/5810dda3e3df28ce37b58357/t/6515a2e3206855235dcb3c5a/1695916782152/Here+Will+Be+No+More+Cocoa+Here+-+Final+English.pdf>

⁹ Low farmer income has also been linked to increased deforestation, with Ghana and Côte d'Ivoire losing 65% and 90% respectively of forest cover over the past thirty years. <https://www.nature.com/articles/s43016-023-00751-8>; <https://www.mightyearth.org/wp-content/uploads/Open-letter-about-Racial-Injustice-in-the-Cocoa-Sector-1.pdf>

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<https://sustainablefoodlab.org/wp-content/uploads/2020/06/Guiding-Steps-Toward-a-Living-Income-in-Supply-Chains.pdf>

¹¹

<https://align-tool.com/action-process/1/1.2-the-business-case#:~:text=In%20the%20case%20of%20living,quantity%20and%20quality%20of%20supply.>

¹²

<https://align-tool.com/action-process/1/1.2-the-business-case#:~:text=In%20the%20case%20of%20living,quantity%20and%20quality%20of%20supply.>

security and resilience of workers in their supply chains, companies can help ensure there is a stable, quality supply of raw materials both now and in the future.¹³

Cocoa farmers are often paid far below the World Bank’s poverty threshold of \$2.15 per day.¹⁴ Through their purchasing practices, chocolate companies have the ability to raise cocoa farmer income to reach a living income. Instead, these companies have perpetuated poverty in the region by paying as little as possible for their cocoa supply. Exploitative purchasing practices by chocolate companies keep local communities in poverty and are criticized as being rooted in racial injustice.¹⁵ Price interventions by companies can play a “key role in shifting value to farmers and enabling higher incomes.”¹⁶ Raising the farmgate price (the price the cocoa farmers actually receive), through premiums, for example, can significantly help cocoa farmers reach a living income.¹⁷ Additionally, coupling higher farmgate prices with long-term purchasing contracts can provide greater security and resiliency to cocoa farmers.¹⁸

Chocolate companies have repeatedly deflected investors’ requests for them to ensure cocoa farmers receive a higher farmgate price, by stating that the governments of Ghana and Côte d’Ivoire are responsible for setting the price for cocoa. While these countries do set the price, chocolate companies are free to pay sustainability premiums on top of the government-set price, which are received directly by cocoa farmers. Instead of paying a higher price to cocoa farmers, which has been shown to be an effective strategy, chocolate companies have turned to implementing development initiatives that have proven largely unsuccessful in addressing systemic poverty as a driving force of child labor.

In light of the aforementioned, we believe chocolate companies can and should take swift action, both individually and collectively, to tackle this persistent problem by ensuring cocoa farmers receive a living income. We urge chocolate manufacturers to expeditiously undertake the following actions to eradicate child labor from the cocoa supply chain by ensuring cocoa farmers receive a living income:

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<https://align-tool.com/action-process/1/1.2-the-business-case#:~:text=ln%20the%20case%20of%20living,quantity%20and%20quality%20of%20supply>

¹⁴ <https://static1.squarespace.com/static/5810dda3e3df28ce37b58357/t/6515a2e3206855235dcb3c5a/1695916782152/There+Will+Be+No+More+Cocoa+Here+-+Final+English.pdf>

¹⁵ <https://cocoabarometer.org/wp-content/uploads/2022/12/Cocoa-Barometer-2022.pdf>;

<https://www.mightyearth.org/wp-content/uploads/Open-letter-about-Racial-Injustice-in-the-Cocoa-Sector-1.pdf>

¹⁶ https://webassets.oxfamamerica.org/media/documents/Business-briefing-Issue-1-V3.pdf?_gl=1*1ei0guo*_ga*MTI5NTI4MjAzNi4xNjM4Mzg5OTk3*_ga_R58YETD6XK*MTYzODM4OTk5Ny4xLjEuMTYzODM5MDAwNC41Mw

¹⁷ <https://cocoabarometer.org/wp-content/uploads/2022/12/Cocoa-Barometer-2022.pdf>

¹⁸

https://webassets.oxfamamerica.org/media/documents/Business-briefing-Issue-1-V3.pdf?_gl=1*1ei0guo*_ga*MTI5NTI4MjAzNi4xNjM4Mzg5OTk3*_ga_R58YETD6XK*MTYzODM4OTk5Ny4xLjEuMTYzODM5MDAwNC41Mw

Investor Advocates for Social Justice



- 1. Ensure all cocoa farmers in your supply chain receive a living income by the end of 2025**
 - a. Publish time-bound action plan, which entails ensuring full visibility of your cocoa volume to the farm level
 - b. Incorporate a gender equity approach
- 2. Improve cocoa farmer resilience and security through long-term contracts that reduce the risks to cocoa farmers**
 - a. Publish time-bound action plan that ensures 50% of cocoa farmers in your supply chain by 2025 and 100% by 2030 receive long-term contracts
 - b. Incorporate a gender equity approach
- 3. Publish information on the progress towards achieving the former**

With less than a year to go before the SDG 2025 goal to eradicate child labor, companies in the chocolate industry must take urgent and effective action to address this pressing issue. While it is likely too late to meet this goal by 2025, chocolate companies must take immediate and effective action to ensure cocoa farmers receive a living income in order to make any meaningful progress on eradicating child labor in the near future.

Sincerely,
Investor Advocates for Social Justice (IASJ)

And signed by the following investor groups:

American Baptist Home Mission Society
Platform Living Wage Financials (PLWF)
Sustainable Advisors Alliance, LLC
Seva Foundation
Corporate Responsibility office - Province of Saint Joseph of the Capuchin Order
Robert F. Kennedy Human Rights
Anima SGR
Sisters of Charity of Saint Elizabeth
Trillium Asset Management
Dominican Sisters of Peace
Dominican Sisters of Sparkill
Dana Investment Advisors
Ursuline Convent of the Sacred Heart
Tulipshare
Investor Advocates for Social Justice (IASJ)
Future Group

Investor Advocates for Social Justice



Natural Investments
School Sisters of Notre Dame Collective Investment Fund
The Folksam Group
Sisters of St. Francis of Philadelphia
PEHKA
SOC Investment Group
Unitarian Universalist Association
Dominican Sisters ~ Grand Rapids
Lady Lawyer Foundation
Chicory Wealth
Region VI Coalition for Responsible Investment
Sisters of the Humility of Mary
Figure 8 Investment Strategies
CCLA Investment Management
Sisters of St. Joseph of Springfield
Felician Sisters of North America
Ethos Foundation
School Sisters of Notre Dame, Central Pacific Province
JLens
Zürcher Kantonalbank Asset Management
Sisters of the Precious Blood
Maryknoll Sisters
Friends Fiduciary Corporation
Sisters of St. Joseph of Peace
Northwest Coalition for Responsible Investment
Sustainable Advisors Alliance, LLC
Sisters of St. Francis, Oldenburg
Adasina Social Capital
Advance ESG
Congregation of Sisters of St. Agnes
Brightlight Group
Ecofi
LBP AM
Everence and the Praxis Mutual Funds
Parnassus Investments
Crossmark Global Investments
Corporate Responsibility office - Province of Saint Joseph of the Capuchin Order
Boston Common Asset Management

Investor Advocates for Social Justice



Social Justice Committee of the UU Congregation at Shelter Rock
Forma Futura Invest AG
Christian Brothers Investment Services, Inc.
Etica SGR
Adrian Dominican Sisters, Portfolio Advisory Board
Congregation of St. Joseph
Daughters of Charity, Province of St. Louise
Mercy Investment Services, Inc.
Mercy Investment
Sisters of St. Dominic of Blauvelt, N.Y.
PBU - Pædagogernes Pension
Fondo Pensione Cometa
Domini Impact Investments, LLC
Plan de Pensiones Empleados de Telefónica
Swisscanto by Zürcher Kantonalbank