

**INNOCENT CHILDREN BEHIND BARS?**



**Still**  
child  
labor

**TIME TO RAISE THE BAR:**

**THE REAL CORPORATE  
SOCIAL RESPONSIBILITY REPORT  
FOR THE HERSHEY COMPANY**

2011 Edition





Still

# TIME TO RAISE THE BAR: The Real Corporate Social Responsibility Report for the Hershey Company

*Addendum to the 2010 Report*

September 2011

[www.RaiseTheBarHershey.org](http://www.RaiseTheBarHershey.org)

*Presented by*

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## INTRODUCTION

**SEPTEMBER** 2011 marks the ten-year anniversary of when major chocolate companies, including Hershey, committed to ending child and forced labor in their cocoa supply chains<sup>1</sup>. However, hundreds of thousands of children in West Africa continue to labor on cocoa farms<sup>2</sup> that provide the key ingredient for much of the chocolate consumed in the United States and around the world.

It has also been one year since the **Raise the Bar, Hershey!** campaign released its first report evaluating Hershey's corporate social responsibility policies, *Time to Raise the Bar: The Real Corporate Social Responsibility Report for the Hershey Company*<sup>3</sup>. The report found that Hershey lagged behind its competitors in sourcing cocoa that had been independently certified to comply with international labor rights standards.

In this update, researchers from the organizations behind the **Raise the Bar, Hershey!** campaign examine recent developments since our original report was released in September 2010. A year later, this report finds that Hershey has made little to no progress toward implementing any of the recommendations in our original report.

Hershey continues to trail behind its competitors in addressing labor rights issues in its specific cocoa-sourcing policies. In the face of increasing international consensus that chocolate companies should commit to using third party certified cocoa in their chocolate products, Hershey's failure to take action again earns it the lowest rankings in the industry. As a growing movement calls on Hershey to "raise the bar," it is time for Hershey to truly take the lead in eliminating the abuse of children in its products and to begin sourcing fair trade certified cocoa.





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## EXECUTIVE SUMMARY

**IMAGES** and stories of young children forced to work long, grueling hours on cocoa farms throughout West Africa flooded the media in the US in 2001. Consumers were shocked that their favorite chocolate treats could be fueled by the abuse of innocent children. Ten years later, research indicates that hundreds of thousands of children continue to work in hazardous conditions on West African cocoa farms, particularly in Côte D'Ivoire. Hershey, America's largest and most iconic chocolate company, continues to source much of its cocoa from West Africa, but has no measures in place to prevent these labor abuses. The **Raise the Bar, Hershey!** campaign is an effort to secure Hershey's commitment to eliminate the worst forms of child labor, forced labor, and trafficking from its cocoa supply chain.

The release of *Time to Raise the Bar: The Real Corporate Social Responsibility Report for the Hershey Company* on September 13th, 2010 highlighted Hershey's failure to address instances of child labor in its supply chain. Ten years after the problem of exploitive child labor on West African cocoa farms was brought to the attention of the public in the United States and chocolate companies pledged to eliminate these abuses, Hershey has not done enough to stop child labor.

The coalition of organizations that released the report called on Hershey to:

- ◆ Take immediate action to eliminate forced and child labor from its supply chain;
- ◆ Commit to sourcing 100% fair trade certified cocoa beans by 2012 for at least one of its five top-selling chocolate bars;
- ◆ Commit to making at least one additional five top-selling bar 100% fair trade certified every two years thereafter, so that Hershey's five top-selling cocoa bars will all be 100% fair trade certified within ten years;



- ◆ Commit that the majority of Hershey's cocoa across all products will be fair trade certified by 2022.

Since the release of the report, over 50,000 consumers nationwide called on Hershey to take the above steps. There were numerous media stories regarding Hershey's failure to address child labor and increasing pressure on the company to do so. Members of the **Raise the Bar, Hershey!** campaign met with Hershey representatives to explain why the company's efforts are considered to be lagging significantly behind the other major chocolate companies.

In March 2011, a research team from the Payson Center for International Development at Tulane University, under a contract from the US Department of Labor (DOL), issued a report stating that one of the most effective ways to eliminate forced and child labor in cocoa production is through the use of product certified cocoa, like fair trade. Committing to fair trade certified cocoa would enable Hershey to ensure its suppliers undergo a rigorous review by independent monitors, who check for cases of forced and/or child labor and ensure producers earn a decent price for their cocoa.

Several large food corporations, including many of Hershey's closest competitors, made significant commitments to fair trade and other certification systems in the past decade and are

## ABOUT THE HERSHEY COMPANY<sup>4,5</sup>

**CEO:** James P. Bilbrey (Since May 2011)

**CEO Compensation 2010:** \$10,487,816  
(up from \$8million in 2009)

**Corporate Headquarters:**  
100 Crystal A Drive, Hershey, PA 17033

**Corporate Website:**  
[www.TheHersheyCompany.com](http://www.TheHersheyCompany.com)

**Top Chocolate Products:** Hershey's chocolate bars, Reese's, Hershey Kisses, Nutrageous, 5th Avenue, Almond Joy, Caramello, Heath, Kit Kat, Mounds, Mr. Goodbar, Rolo, Symphony, Take5, Whatchamacallit, York, etc.

**2009 Net Revenue:** \$5.67 billion  
(Up from \$5.3 billion in 2009)

**US Market Share:** 42.5%<sup>3</sup>

**Stock Ticker/Exchange Listing:** HSY

**Employees Worldwide:** 11,300  
(down from 13,000 in 2009)





## Company Commitments to Responsibly Certified Cocoa since September 2010

COMPANY	PROGRESS (Since Sept. 2011)
<b>Ben &amp; Jerry's</b> (Owned by Unilever)	
<b>Bon Appétit Management Co.</b> (Food Service Provider)	
<b>Barry Callebaut</b> (Distributor of cocoa)	
<b>Arnott's</b> (Cookie Company)	
<b>Green &amp; Black's</b> (Owned by Kraft)	
<b>Kraft</b>	
<b>Unilever</b> (Multinational Food Company)	
<b>Mars</b>	
<b>HERSHEY</b>	

**Color Key:** GREEN = Best practices: fair trade certified  
 • YELLOW = Baseline practices: Other systems of third party certification  
 • RED = Worst practices: no third party systems in place to prevent labor abuses.

See page 19 for more details on company commitments since Sept. 2010 and Appendix E for a complete list of company commitments to ethical sourcing. For more information about each certification system, see appendix C.

taking measurable steps to address child labor in their cocoa supply chains. The chart (to the left) captures the progress made by Hershey's competitors versus Hershey.

It is clear that Hershey remains a laggard in its industry on the important issue of child labor. Consumers, businesses, and legislators are increasingly embracing greater transparency and the reduction of labor abuses in supply chains. The most iconic chocolate company in the US—maker of Hershey's Bars, Reese's Peanut Butter Cups, and Hershey's Kisses—is the lone holdout. Hershey needs to take significant action on child labor, including immediate steps to eliminate forced, trafficked, and child labor from its supply chain and adopt fair trade certification for its major products.



# HERSHEY'S CORPORATE SOCIAL RESPONSIBILITY REPORT CARD: AREAS FOR IMPROVEMENT

ISSUE	EXPLANATION
<b>SOURCING</b>	<p>Much of Hershey's cocoa is sourced from West Africa, a region plagued by forced labor, human trafficking, and abusive child labor according to the US Department of Labor. Hershey does not have a system in place to ensure that cocoa it purchases from this region is not tainted by labor rights abuses.</p>
<b>TRANSPARENCY</b>	<p>Hershey continually refuses to identify its cocoa suppliers; therefore it is impossible to verify that its chocolate was not made under conditions of abusive child labor.</p>
<b>GREENWASHING</b>	<p>Hershey points to various charitable donations to children in the US and programs in West Africa as examples of its social responsibility, yet has no policies in place to ensure that the cocoa used in its products is not produced with forced, trafficked, or child labor.</p>
<b>CERTIFICATION</b>	<p>A reputable, independent, third party certification can ensure that a process is in place to identify and remediate labor rights abuses. For cocoa, the strongest certification system currently available is fair trade. Unlike many of its competitors, Hershey's has not adapted fair trade certification. Only one of Hershey's chocolate bars, from the Dagoba line it acquired in 2006, is fair trade certified, however, cocoa for this bar is not sourced from West Africa.</p> <p>Hershey continues to lag behind its competitors when it comes to purchasing cocoa that has been certified to meet certain labor, social, and environmental standards. Most major chocolate companies offer fair trade options now, and many smaller companies have been 100% fair trade for years.</p>





## RAISING THE BAR: DESIRED OUTCOMES FOR A FAIR HERSHEY

- ◆ **Agreement to take immediate action to eliminate forced and child labor** in violation of international human rights standards on forced, child, and trafficked labor from Hershey's cocoa supply chain through:
  - 1) tracing its supply chain to the farm level,
  - 2) sourcing from farmers who can show through independent verification that they do not use forced labor or child labor,
  - 3) asking suppliers to end such practices throughout their supply chain.
- ◆ **Commitment to sourcing 100% fair trade certified cocoa beans by 2012 for at least one of its top five selling chocolate bars** that prominently displays the Hershey name.
- ◆ Additionally, **a commitment to making at least one additional top five selling bar 100% fair trade certified every two years thereafter**, so that Hershey's **top five selling cocoa bars will all be 100% fair trade certified within ten years.**
- ◆ Finally, a commitment that the majority of **Hershey's cocoa across all products will be fair trade certified by 2022.**

Achieving these outcomes will mean that Hershey and its stockholders are no longer profiting from forced, trafficked, and child labor. Hershey will be meeting contemporary 21<sup>st</sup> century corporate standards for transparency. Today, Hershey is a laggard when it comes to corporate social responsibility concerning its core products. Committing to and accomplishing these outcomes would elevate Hershey to the ranks of exemplary leadership within the community of US corporations.



## RESPONSIBLE COCOA SOURCING

**WHILE** cocoa is sourced from several regions around the world, West Africa is the largest producer, making up 70% of the world's cocoa. The West African nation of Côte D'Ivoire alone grows roughly 40% of the global supply of cocoa, with Ghana, Cameroon and Nigeria being the other major producers in the region. With more than 1.5 million small family farms across this region, thousands of communities depend on cocoa for their livelihood. Unfortunately, cocoa farmers typically live in poverty, and, as a result, rely on cheap labor to get by, making instances of forced labor and other labor abuses a sad but common occurrence.

As the worst forms of child labor, in addition to forced labor and trafficking, continue to be widespread in West Africa's cocoa sector,<sup>6</sup> it is incumbent on chocolate companies that profit from the use of cocoa to ensure that their suppliers do not use exploited labor. Recent surveys conducted by independent researchers have confirmed that hundreds of thousands of children continue to work under hazardous conditions on cocoa farms in Côte D'Ivoire and Ghana. The US Department of Labor has identified cocoa from five West African nations as potentially harvested by child and/or forced labor.<sup>7</sup> Hershey purchases much of its cocoa from this region. One of the top recommendations from the original *Time to Raise the Bar* report was that Hershey trace its cocoa supply chain and increase transparency in its sourcing. However, in the past year, Hershey failed to implement any new initiatives or make any progress in increasing transparency in the company's cocoa sourcing.

### The Republic of Côte d'Ivoire (Ivory Coast)

Produces 38%  
of the world's  
cocoa

Population:  
20.6 million

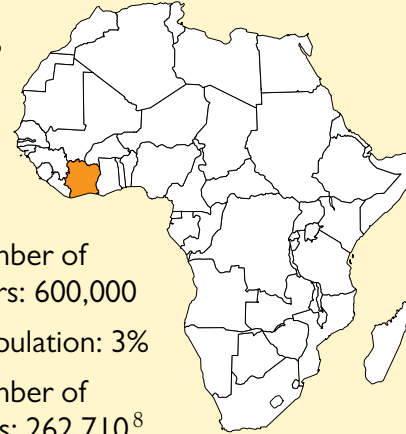
Estimated number of  
Cocoa Farmers: 600,000

Percent of Population: 3%

Estimated number of  
Child Workers: 262,710<sup>8</sup>



Listed on US DOL's list of  
goods produced by child  
and forced labor





The most critical step that a chocolate company can take to ensure that it is not using cocoa made by children is to independently certify that its cocoa complies with international labor rights standards and that a process is in place to identify and remediate any labor rights abuses that may occur among its suppliers. As part of Hershey's own 2010 CSR report, the company clarified that it does have a Supplier Code of Conduct that covers social and working conditions. In fact, the company notes that in 2010, it revised its Supplier Code to "better reflect industry best practices."<sup>9</sup> In relation to child labor, the Supplier Code states:

*"Hershey is committed to the elimination of the 'worst forms of child labor,' as defined by ILO Convention 182, from its supply chain. We expect our suppliers to support and participate in industry efforts aimed at the elimination of such practices wherever they exist in the supply chain."<sup>10</sup>*

While the company's mention of violations "wherever they exist in the supply chain" could be interpreted to apply to the cocoa sector, the company does not clarify if its Supplier Code of Conduct applies to its raw materials like cocoa. Additionally, the child labor language is constructed in a way that does not actually require suppliers to ensure in any way that child labor is not actually used, but rather just to support undefined "efforts" to address violations of ILO Convention 182. Notably, this section of the Code clearly states that suppliers are merely "expected" to, in some way, address issues of child labor, but does not actually require anything from suppliers. There are no sanctions outlined in the Code for noncompliance, except that Hershey reserves the right to "monitor, review, and verify compliance with the Code." No information is available about steps Hershey has undertaken to "monitor, review, and verify compliance" with its child labor standards in relation to its cocoa suppliers in West Africa, despite widespread reports of violations of ILO Convention 182 in this sector.

Sustainalytics, a leading sustainability research and analysis firm serving investors and financial institutions around the world, has also given Hershey low marks for its CSR policies. To avoid these abuses, and the reputational risks associated with them, Sustainalytics recommends that all companies "set specific targets for



increasing the percentage of certified cocoa procured and develop long-term commitments to increase certification”<sup>11</sup> and “improve overall transparency by disclosing procurement commitments, monitoring and auditing activities, and performance outcomes.”<sup>12</sup> Sustainalytics notes that Hershey does not have adequate policies in place to monitor its supply chain and trace its procurements, nor does it adequately report its performance. To see how Hershey ranks compared to its competitors on established CSR policies see the chart below.



Sustainalytics, a leading sustainability research and analysis firm serving investors and financial institutions around the world, prepared this table depicting various programs that major chocolate companies and cocoa importers have instituted related to ensuring sustainability in their cocoa purchasing. As evidenced by this chart, Hershey’s lags behind in almost every category.

## Leaders & Laggards



	ADM	Cadbury (Kraft)	Callebaut	Hershey Foods	Kraft	Lindt & Sprungli	Mars	Nestlé	Olam	Cargill
Policies	○	✓	✓	✗	○	✓	✓	✓	○	○
Monitoring Programs	✗	✓	✓	✗	✗	○	✗	○	✗	✗
International Initiatives	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
MSI Capacity Building	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Certified Cocoa Procurement	✓	✓	✓	✗	✓	✓	✓	✗	✗	✗
Quantitative Targets Cocoa	✗	✓	✓	✗	✓	✗	✓	✓	✗	✗
Disclosure Performance	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗

- ✗ Company does not have a policy or program on this topic
- Company has some policies or programs but fall short in some key areas
- ✓ Company has adequate policies or programs

Source: Sustainalytics, September 2010



Hershey acknowledged its lack of initiative to take even initial steps toward ensuring compliance with its standards in this area in its 2009 CSR report, where it notes that it has “not addressed” screening its significant suppliers and contractors on human rights or training employees on policies and procedures concerning aspects of human rights that are relevant to operations.<sup>13</sup> In its mid-2010 review of its CSR initiatives, the company also noted that it is not on track to “promote partnerships with cocoa-sector companies, NGOs, and governments to develop and implement agreed-to milestones to measure progress in sustainable cocoa farming by 2011,”<sup>14</sup> let alone set clear benchmarks for ensuring and verifying that its cocoa is responsibly produced.

As ample evidence exists of the ongoing use of the worst forms of child labor, forced labor, and trafficking in the primary sourcing region for Hershey’s cocoa, monitoring and verification are necessary. Additionally, independent, third party monitoring and verification of labor rights standards in the cocoa industry should be pursued, as opposed to company, first party efforts.

*Time to Raise the Bar* specifically recommended that Hershey begin to increase its use of cocoa that has been certified by independent third parties to comply with international labor rights standards, as most major chocolate companies are already doing. Since the publication of the report, Hershey has not made any new commitments to purchase certified cocoa. While several

## Ghana

Produces 21% of the world’s cocoa

Population: 24.2 million

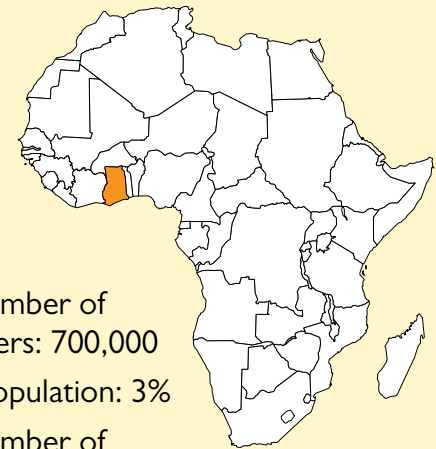
Estimated number of Cocoa Farmers: 700,000

Percent of Population: 3%

Estimated number of Child Workers: 269,320<sup>15</sup>



Listed on US DOL’s list of goods produced by child labor





products under the Dagoba brand,<sup>16</sup> a company that Hershey acquired, are fair trade certified, these products represent less than 1% of Hershey's total chocolate product offerings across its brands, and the cocoa used appears to come primarily from Latin America.

**Without any third party certification for the overwhelming majority of its products, internal policies to apply its standards to cocoa producers, nor transparency about its cocoa sources, it is likely that cocoa made under abusive conditions is used in Hershey's supply chain.**





## LIMITED CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

**SINCE** Hershey recognizes the problem of child labor in West African cocoa, it should reasonably follow that the company would take some action within its own operations to address the issue. However, Hershey's only efforts around child in West Africa continue to center around making donations to industry programs whose reach has been too narrow and whose impacts have been too limited after a decade of work.

The only announcement from Hershey in the last year related to its CSR efforts in cocoa growing communities came on March 10, 2011. Hershey announced that it would collaborate with the Ghana Cocoa Board (COCOBOD) and the World Cocoa Foundation (WCF) on a program designed to "use mobile technology to deliver practical information on agricultural and social programs to rural cocoa farmers and enable the farmers to ask questions and provide feedback." Hershey's goal with the program, titled CocoaLink, is to reach more than 8,000 Ghanaian cocoa farmers and community members in 15 pilot communities by 2012<sup>17</sup> (which represents about 1% of Hershey's estimate of the total number of cocoa farmers in Ghana), and the company expects to reach 100,000 Ghanaians (14% of Ghana's cocoa farmers based on Hershey's estimates) in cocoa communities by 2014.<sup>18</sup>

In the first four months of operation, CocoaLink signed up "some 1,500 farmers" to the program. If the number of new enrollments continues at this rate until 2014, participants will number less than 12,000 farmers in Ghana, or 12% of Hershey's goal and less than 2% of Ghana's total cocoa farmers (according to the company's estimates). While the information provided to farmers is primarily focused on farming techniques, child labor is included in a list of various subjects that will be included in the program. However, it is left unclear how cell phone texting will actively address the issue of child labor or will ensure that child labor



is removed from Hershey's supply chain. Hershey does not provide information regarding its financial contribution to the program.

When questioned about its cocoa sourcing policies, Hershey continues to point to other general industry programs to which it has contributed over the years, including the World Cocoa Foundation (WCF) and the International Cocoa Initiative (ICI). Hershey's own CSR report mentions a funding initiative by the Bill and Melinda Gates Foundation announced in 2009 to support the work of the WCF. Hershey's report also mentions contributing to a specific program through the WCF called ECHOES (Empowering Cocoa Households with Opportunities and Education Solutions)—which is critiqued in the original *Time to Raise the Bar* report. These initiatives cover a broad range of issues and goals, most of which do not directly include removing children or trafficked

## INDUSTRY COMMITMENT TO ETHICAL COCOA SOURCING: HERSHEY'S NAME IS MISSING

Sixty companies and non-governmental organizations have signed a joint statement outlining a high-road approach to cocoa sourcing called the "Commitment to Ethical Cocoa Sourcing: Abolishing Unfair Labor Practices and Addressing Their Root Causes." The Hershey Company is not on the list of signatories. The statement includes a commitment to "doing what we can in our respective roles to quickly reform this important industry that shapes the lives of millions of small farmers, farm workers, and thousands of rural communities around the world."

The companies that have signed the statement agree to:

- 1 Provide transparency in the cocoa supply chain to the farm level;
- 2 Commit to sourcing exclusively from farms and cooperatives which respect the core ILO labor standards, and pay a price adequate for those producers to meet these standards;
- 3 Pay farmers a fair and adequate price for the cocoa they purchase;
- 4 Implement—or maintain—as the case may be, structural practices so as to ensure farms a consistently better price;
- 5 Support the drafting and enforcement of national and international laws that prohibit human trafficking, debt bondage, and the other worst forms of child labor; and
- 6 Commit to 100% fair trade certified sourcing of cocoa or to financing the rehabilitation, reintegration, and education of children.

The full statement and the list of signatories can be seen in "Appendix D" and online at: [www.laborrights.org/stop-child-labor/cocoa-campaign/resources/10656](http://www.laborrights.org/stop-child-labor/cocoa-campaign/resources/10656).





or enslaved workers from harmful work conditions and providing these individuals with supportive services.

Additionally, extensive independent research conducted over four and one-half years by a team from Tulane University's Payson Center for International Development, under a contract from the US Department of Labor, indicates that industry-funded initiatives have had a limited impact to date. The team's final report issued in March 2011 notes that "only a very small percentage of children and their caregivers (<5%) report exposure to project activities carried out by government agencies, industry, and/or civil society organizations, including educational and vocational training activities, and remediation efforts, at any point in their lives."<sup>19</sup> The Tulane report also notes that the chocolate industry, including Hershey, failed to meet its 2008 commitment to reach 100% of cocoa-growing regions in Côte D'Ivoire and Ghana with child labor remediation activities by the end of 2010.

In order to meet the goals it set out for itself for the end of 2010, the industry would have had to reach an additional 69% of cocoa-growing communities in Ghana and 96% of cocoa-growing communities in Côte D'Ivoire with remediation activities.<sup>20</sup>

*In the last several years, major chocolate companies like Cadbury (owned by Kraft), Green & Black's (owned by Cadbury/Kraft) and Ben & Jerry's (owned by Unilever) have all made significant commitments to increase their purchases of fair trade certified cocoa.*



## GROWING CONSENSUS IN FAVOR OF CERTIFIED COCOA

**WHILE** Hershey continues to refuse to commit to using cocoa certified to comply with international labor standards, there is a growing consensus among companies, legislators and consumers in favor of certified chocolate.

Numerous studies have shown that consumers prefer ethically certified products to non-certified products. According to a study released in April 2011 by researchers at Harvard University, the Massachusetts Institute of Technology, and the London School of Economics, the fair trade label had significant positive impacts on product sales among actual consumers, who were willing to pay a premium price for the assurance that these products weren't tied to abusive labor practices.<sup>21</sup> Given that consumers are increasingly seeking sustainably produced products, and that demand for fair tradecertified™ products is relatively inelastic<sup>22</sup>, it would be in the interest of the Hershey Company to offer a fair trade certified chocolate bar now—and avoid mounting brand risk.

### U.S. Fair Trade Certified Cocoa Imports

**16M+ POUNDS  
PURCHASED SINCE 2002**

CONVENTIONAL FAIR TRADE COCOA IMPORTS  
ORGANIC FAIR TRADE COCOA IMPORTS

2002 2003 2004 2005 2006 2007 2008 2009 2010

2004-2010 volume figures represent an estimate of the volume of cocoa beans necessary to produce the fair trade certified cocoa products that were imported by U.S. business partners. 2002-2003 volumes represent the total volumes of finished cocoa products imported.<sup>23</sup>

Blue shaded area = Cumulative imports since 2002.














Burgeoning consumer demand is not the only reason that Hershey needs to make the transition to fair trade certification. The Tulane University research team's top recommendation for a company to address child labor in its cocoa supply chains is to "scale up its consumption—and publicly commit to new procurement targets—of product-certified cocoa specifically in the US market."<sup>24</sup> The report goes on to recommend that companies practice traceability and/or chain-of-custody tracking for their cocoa, which is a requirement of a product certification like fair trade. Additionally, Fair Trade USA, the certifier of fair trade products in the US, notes that the fair trade system "tackles the root cause of unsustainable practices on cocoa farms: prices received by conventional farmers for their cocoa simply aren't high enough to invest in new trees or to hire workers to help with the cocoa harvest."<sup>25</sup>

A Consultative Group to Eliminate the Use of Child Labor and Forced Labor in Imported Agricultural Products established as part of the 2008 Farm Bill and chaired by the US Department of Agriculture developed recommendations for companies to reduce the likelihood that agricultural products or commodities they source are produced with forced and child labor. The recommendations released in January 2011 include mapping agricultural supply chains; communicating standards to suppliers; monitoring supply chains; developing remediation plans for victims; and using independent, third party review when adopting these guidelines, in addition to several other critical recommendations.<sup>26</sup> As Hershey does not currently comply with these recommended guidelines, sourcing fair trade certified cocoa would greatly contribute to Hershey's ability to adopt almost all of these policies.

Hershey's competitors continue to surpass the company in committing to source cocoa that has been independently certified to comply with international labor rights standards. Nestlé and Mars have made large commitments to purchase certified cocoa, and many other industry leaders, as well as companies with which Hershey has business agreements, including Ben & Jerry's, have made significant strides in sourcing fair trade certified cocoa. To see a full list of recent company commitments to responsibly sourced cocoa, see Appendix E.



## Company Commitments to Responsibly Certified Cocoa since September 2010

COMPANY	PROGRESS (Since Sept. 2011)	EXPLANATION (FTC = fair trade certified)	DATE
<b>Ben &amp; Jerry's</b> (Owned by Unilever)		Announces new ice cream flavor, "Late Night Snack," which includes FTC cocoa. In line with B&J's earlier commitment to go 100% FTC.	March 2, 2011
<b>Bon Appétit Management Co.</b> (Food Service Provider)		Announces plan to introduce FTC baking chocolate to 400+ university & corporate cafes	February 8, 2011
<b>Barry Callebaut</b> (Distributor of cocoa)		Launches four FTC cocoa recipes	November 9, 2010
<b>Arnott's</b> (Cookie Company)		Arnott's agrees to achieve FTC for its chocolate products	October 2010
<b>Green &amp; Black's</b> (Owned by Kraft)		Achieves FTC for all bars in UK. <sup>27</sup> Some fair trade certified bars begin to sell in US, all flavors moving to FTC by end of 2011 in US.	March 11, 2011
<b>Kraft</b>		Announces that it increased purchases of Rainforest Alliance cocoa by 55% in 2010	January 25, 2011
<b>Unilever</b> (Multinational Food Company)		Commits to achieving Rainforest Alliance certification for its Magnum ice cream by 2015 and for the rest of its cocoa by 2020	November 16, 2010
<b>Mars</b>		Mars is on track to source 10% certified sustainable cocoa this year to meet goal of using 100% certified sustainable cocoa by 2020. <sup>28</sup> (Utz Certified and Rainforest Alliance systems)	June 23, 2011
<b>HERSHEY</b>		<b>No commitments made to trace cocoa supply chain or certify cocoa as responsibly produced.</b>	September 2011

**Color Key:** GREEN = Best practices: fair trade certified • YELLOW = Baseline practices: Other systems of third party certification • RED = Worst practices: no third party systems in place to prevent labor abuses.

For a complete list of company commitments to ethical sourcing systems for cocoa see appendix E. For more information about each certification system, see appendix C.





The Tulane University research team reflected in its final report that the “mixed results over the past decade of industry self-regulation” and the competitive environment under which chocolate companies operate “may make it impossible to effectively self-regulate and ultimately overcome the human rights issue of child labor at the root of their supply chain.”<sup>29</sup> Increasingly, governments are shifting toward legislative vehicles—as Senator Tom Harkin (D-IA) and Representative Eliot Engel (D-NY) had originally proposed in the United States in 2001—for ensuring that chocolate companies do not profit from labor rights exploitation. Increasingly, there is now a legal incentive to shift toward fair trade certified cocoa.

In March 2010, the Netherlands joined retailers, chocolate producers and NGOs in signing a letter of intent committing that by 2025, 100% of cocoa consumed in the Dutch market would be “guaranteed sustainable,” with interim goals set for 2012, 2015, and 2020. The Dutch government’s definition of sustainable includes “recognition of and compliance with international labor rights,” and it recognizes fair trade certification as an appropriate program to achieve these goals.<sup>30</sup>

In addition to including cocoa from five West African nations on its List of Goods Produced by Child Labor or Forced Labor<sup>31</sup>, the US Department of Labor has included cocoa from Côte D’Ivoire and Nigeria on a separate list of goods believed to be produced by abusive labor conditions required under Executive Order 13126<sup>32</sup>. According to the order, federal contractors who supply products on the list must certify that they have made a good faith effort to determine whether forced or indentured child labor was used to produce the items listed. Again, using fair trade certified cocoa for Hershey products would help ensure compliance with this regulation.

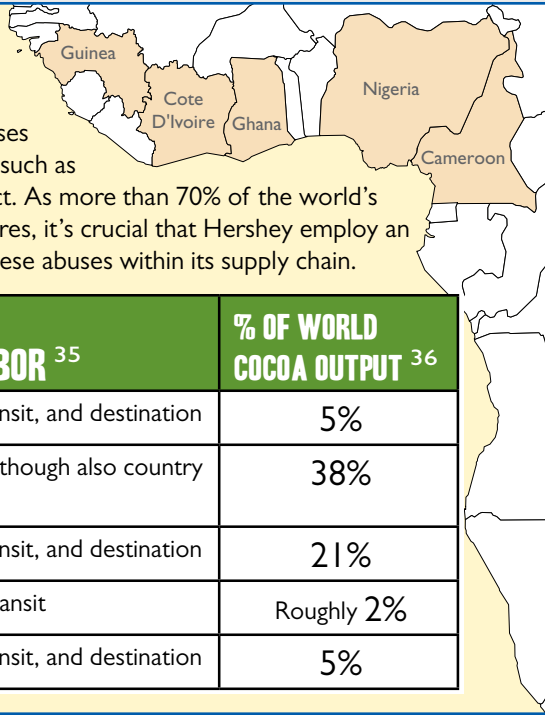
A growing movement of local activists in Europe and the US are also making their cities into Fair Trade Towns, some of which include fair trade government procurement policies. As of publication, over 20 US towns currently meet the Fair Trade Towns criteria, and roughly 40 other Fair Trade Towns campaigns are underway. An analogous Fair Trade Universities campaign, working with United Students for Fair Trade, is encouraging universities to procure fair trade products.<sup>37</sup>





## Prevalence of Labor Abuse on West African Cocoa Farms

Companies must establish reliable systems to identify and prevent labor abuses throughout their supply chains in order to comply with upcoming legislation such as Executive Order 13126 and the California Transparency in Supply Chains Act. As more than 70% of the world's cocoa comes from West Africa, and Hershey's supply tracks with world figures, it's crucial that Hershey employ an independent third party certification system, such as fair trade, to combat these abuses within its supply chain.



COUNTRY	CHILD LABOR <sup>33</sup>	FORCED LABOR <sup>34</sup>	TRAFFICKED LABOR <sup>35</sup>	% OF WORLD COCOA OUTPUT <sup>36</sup>
<b>Cameroon</b>	Yes		Country of origin, transit, and destination	5%
<b>Côte D'Ivoire</b> (Ivory Coast)	Yes	Yes	Primarily destination, though also country of origin and transit	38%
<b>Ghana</b>	Yes		Country of origin, transit, and destination	21%
<b>Guinea</b>	Yes		Primarily origin and transit	Roughly 2%
<b>Nigeria</b>	Yes	Yes	Country of origin, transit, and destination	5%

In California, the California Transparency in Supply Chains Act, passed in September 2010, requires that retail companies in the state take steps to ensure that neither their company, nor contractors, employ forced laborers or trafficked persons. The law requires companies to certify that materials in products they sell comply with laws regarding slavery and trafficking. The law also requires companies to increase transparency and adopt policies to address forced and trafficked labor in their supply chains.<sup>38</sup>

In addition to meeting consumer demand, catching up with industry peers, and complying with a growing number of legislative imperatives, shifting toward fair trade certified cocoa is an industry best practice for achieving Hershey's own stated goal of "encouraging a cocoa supply chain that provides adequate incomes to small cocoa farmers, advances efforts to promote responsible labor in cocoa-farming communities, promotes gender equity, and protects and preserves the environment."<sup>39</sup>



## ADDITIONAL CONCERNS

### JOB LOSSES & WORKER RIGHTS ABUSES IN THE UNITED STATES

Hershey continued to implement its “Project Next Century,” which seeks to increase the “competitiveness” of the company’s supply chain. As described in *Time to Raise the Bar*, the company has been undergoing a process of reorganizing its global supply chain since 2007,<sup>40</sup> often at the expense of workers in its manufacturing chain. In 2010, the company chose to shut down its manufacturing facility at 19 East Chocolate Avenue in Hershey, Pennsylvania. A portion of the workforce may be relocated to a West Hershey facility, which is being expanded and is expected to start up new production in the fourth quarter of 2011.<sup>41</sup> It is estimated that the decision to close the factory led to a loss of between 500 and 600 union jobs in the US.<sup>42</sup>

The union representing workers at the Chocolate Avenue factory agreed to the plan after a company spokesperson made public comments like: “If employees do not approve the tentative agreement, the company will be forced to quickly consider an alternative location in the United States.”<sup>43</sup> Hershey had closed down several US plants and eliminated about 1,500 jobs in the preceding years, including hundreds in Pennsylvania.<sup>44</sup> Workers expressed a belief that if they did not agree to concessions, they would lose a larger number of jobs in their community and that the company would choose to move the West Hershey factory elsewhere as opposed to expanding the facility. For example, one unionized worker told CNN: “It was either take it and lose this much, or don’t take it and lose it all. That’s what it came down to.”<sup>45</sup>





## EXPLOITATION OF STUDENT GUESTWORKERS IN US FACTORY

On August 17, 2011, hundreds of student guestworkers working at a Hershey packing plant in Pennsylvania went on strike to protest exploitive conditions. The students came to the US on J-1 visas from all over the world as part of the U.S. State Department's cultural exchange program. More than 400 students paid between \$3,000 and \$6,000 each to recruiters for what they understood would be primarily a cultural exchange.<sup>46</sup> When they arrived, they found themselves working at Hershey's packing plant in the neighboring town of Palmyra, PA, which is operated by Exel North American Logistics under a contract from Hershey. At the plant, students worked round-the-clock shifts doing backbreaking, manual labor in reportedly unsafe conditions. After automatic deductions from their paychecks, including rent for mandatory company housing alleged to be twice market rates, students netted as little as \$1/hour. This left many students unable to make back the money they had paid to participate in the program by the end of the summer. The students also reported that when they voiced concerns at work, they were subjected to intimidation and threats of deportation from company management.<sup>47</sup> The abuse has led to four federal investigations by three agencies.<sup>48</sup>

With the help of the National Guestworker Alliance, the students organized and received support from a range of human rights, community, faith-based, and labor organizations, including the local union representing Hershey workers, BCTGM Local 464. The students have demanded:

- ◆ an end to Hershey's exploitation of students on J-1 cultural exchange visas;
- ◆ the return of the \$3,000-6,000 each the students paid for false promises of a cultural exchange program; and
- ◆ that the 400 jobs they filled become living wage jobs for local workers.<sup>49</sup>

*At the plant, students worked round-the-clock shifts doing backbreaking, manual labor in reportedly unsafe conditions. After automatic deductions from their paychecks, including rent for mandatory company housing alleged to be twice market rates, students netted as little as \$1/hour.*





The use of foreign student guestworkers is another example of Hershey's efforts to outsource production to subcontractors outside of union protection. While it once offered decent work and living wages to local residents for its packing operations, Hershey's has since subcontracted the jobs out to inexpensive foreign student workers who are only employed for short periods of time, offered low pay and few protections at work, and are not protected by a union. Additionally, this case raises questions about Hershey's efforts to ensure that its Supplier Code of Conduct is fully implemented.

## THE MILTON HERSHEY SCHOOL

Milton S. Hershey, the company's founder, was known for his Quaker values and commitment to building a company that took care of its community. Mr. Hershey and his wife left their entire fortune to establish a school for underprivileged youth, and he structured his company so that the School Trust that funds the school owns 30% of the Hershey Company.<sup>50</sup> It is interesting to note that, according to the Hershey Company, "for the farm boy [Mr. Hershey] who never had much chance at education himself, providing that opportunity for others was always an important priority."<sup>51</sup> To this date, the Milton Hershey School offers superior education to children from Pennsylvania and across the United States who would otherwise not be able to afford it. Recently, however, concerns have surfaced as to whether or not the Hershey Trust is in fact spending Hershey profits in the best interest of the school. In 2006, the trustees bought a \$12 million golf course and built a \$5 million clubhouse.<sup>52</sup> They have also enjoyed increasing compensation for serving as a trustee (between \$100,000 and \$500,000) as well as free golf and spa services.<sup>53</sup> Critics believe that this money would better serve the school and its mission if it were being spent to increase enrollment. It is clear that to live up to its founder's legacy, the Hershey Company needs to prioritize the rights of children, here in the United States and overseas.



## RESPONSE TO CONFLICT IN COTE D'IVOIRE

In 2010 and early 2011, disputed presidential elections in Côte d'Ivoire led to international calls for cocoa traders to cut off trade with the country to curtail the tax revenues that were enabling President Laurent Gbagbo to maintain control of the country even after officially losing. Hershey suppliers continued to receive cocoa shipments during this time.

Reports from the Camden International Commodities Terminal in New Jersey noted in January 2011 that large cocoa shipments were arriving from Côte D'Ivoire to be delivered to Hershey amidst violence and turmoil occurring in their country of origin. Additionally, one article reported that two dock workers were killed while loading cocoa on ships destined for the port due to unsafe working conditions in Côte D'Ivoire.<sup>54</sup>

It's apparent that throughout the year Hershey has kept costs low by sourcing cheap cocoa, made under exploitive conditions, and shifting manufacturing jobs from unionized positions to low-paid, temporary positions. At the same time, Hershey has steadily increased its expenditures on advertising and marketing, and has also passed off costs for labor and higher commodity prices to consumers in the form of higher prices and new chocolate products with lower cocoa content, such as Hershey's Air Delight.<sup>55</sup>





## THE RAISE THE BAR, HERSHEY! CAMPAIGN

**SINCE** the **Raise the Bar, Hershey!** campaign was launched, over 50,000 consumers have taken action to support the recommendations in our report. Every day more concerned citizens are e-mailing and calling Hershey, writing on the company’s Facebook wall, and sending it “tweets,” requesting that it commit to fair trade certification. Campaign supporters young and old are putting their creative energy to use to support an end to child labor.

Thousands of faith-based organizations, schools, community groups, and concerned individuals have hosted screenings of the documentary *The Dark Side of Chocolate*, a film that reveals the ongoing use of trafficked child labor in the cocoa industry, and they have collected thousands of signatures on petitions sent to Hershey.



Kerry Kennedy speaks at the Raise the Bar, Hershey! Rally in Times Square – June 8, 2011

The **Raise the Bar, Hershey!** Brand Jamming Contest solicited scores of mock commercial videos, print advertisements, and taglines that cleverly lampooned Hershey’s own marketing messages to reveal the reality behind its chocolate products.

Hundreds of young people mailed handmade Valentines to then CEO David West, calling on him to “have a heart” for cocoa farmers and workers. Days be-







for World Day Against Child Labor, hundreds of youth from New York City joined human rights advocate Kerry Kennedy at a rally in front of the Hershey store in Times Square. Throughout the summer, chocolate lovers told Hershey that consumers “want more from their s’mores” by using fair trade certified chocolate for their treats and placing “consumer alert” cards in the s’mores displays of their local supermarkets.

As the campaign continues to rapidly build momentum, Hershey will continue to be confronted by consumers demanding stronger action from the country’s largest chocolate manufacturer. While the company has greatly increased its advertising expenditures in the last year, Hershey’s carefully cultivated brand image of happiness and children could increasingly be undermined if it continues to be associated with child labor, forced labor, and trafficking.



## CONCLUSION

**SEPTEMBER** 19, 2011 will mark the ten-year anniversary of the signing of the Harkin-Engel Protocol—an agreement signed by the country’s largest chocolate companies, including Hershey, to put an end to forced child labor on cocoa farms by 2005. Now, six years later, Hershey is still dragging its feet and hundreds of thousands of children continue to work under exploitive conditions in the cocoa fields of West Africa.

There is a growing international consensus among governments, consumers, NGO’s, and industry members in favor of independent, third party certification to prevent ongoing labor abuses in cocoa production.

While Hershey has not made significant progress in the last year to ensure that its cocoa is sourced responsibly, it can still choose to “raise the bar” for cocoa-growing communities. Our organizations continue to ask Hershey to adopt fair trade certification and implement the original recommendations outlined in last year’s *Time to Raise the Bar* report.

With a decade passed since Hershey committed to eliminating forced and child labor in its cocoa, the time is now for concrete action on behalf of the children and communities affected by its cocoa-purchasing policies.





# RAISING THE BAR: DESIRED OUTCOMES FOR A FAIR HERSHEY

We ask CEO John Bilbrey :

- ◆ To make an agreement to take immediate action to eliminate forced and child labor in violation of ILO conventions 29, 105, 138, and 182 from Hershey's cocoa supply chain through:
  - 1) Tracing its supply chain to the farm level;
  - 2) Sourcing from farmers who can show through independent verification that they do not use forced labor or child labor; and
  - 3) Asking suppliers to end such practices at the farms from which they source.
- ◆ To make a commitment to sourcing 100% fair trade certified cocoa beans by 2012 for at least one of its top five selling chocolate bars that prominently displays the Hershey name.
- ◆ To make a commitment to transitioning at least one additional five top-selling bar 100% fair trade certified every two years thereafter, so that Hershey's five top-selling cocoa bars will all be 100% fair trade certified within 10 years.
- ◆ To make a commitment that the majority of Hershey's cocoa across all products will be fair trade certified by 2022.





## APPENDICES **APPENDIX A: BREAKING THE (SUPPLY) CHAIN**

With the majority of modern slaves in agriculture and mining around the world—and forced labor prevalent in cotton, chocolate, steel, rubber, tin, tungsten, coltan, sugar, and seafood—it is impossible to get dressed, drive to work, talk on the phone, or eat a meal without touching products tainted by forced labor. Even reputable companies can profit from abuse when they do not protect their supply chain—whether at the level of raw materials, parts, or final products—from modern slavery.

Consumer spending and corporate investment in business are leverage points that can turn around a system that has for too long allowed traffickers and economies to operate with impunity. There is an increasing push for consumer transparency, certification, and more rigorous regulation.

Research suggests companies investing in fair labor practices and labeling their products accordingly improve conditions on the ground and drive up the demand for, and price of, their products.

A new paradigm of corporate accountability is emerging demanding companies cast their attentions beyond the places where their products are produced or processed—such as apparel factories and seafood processing shops—to places where the raw materials are collected, harvested, or mined.

Human trafficking is a crime and no level of corporate best practices can replace a government's responsibility to prosecute and protect victims. Still, verifiable corporate policies prohibiting the use of forced labor through the supply chain all the way down to raw materials are a critical prevention tool.

### **Key principles in setting supply chain standards:**

- Statements of corporate policy must incorporate truly independent verification.
- While remediation is important, when labor abuses rise to the level of a human trafficking offense, authorities should be notified.
- Governments must redefine norms and set standards to create a space for companies to take the lead on combating modern slavery.
- Lending institutions should consider establishing whether a company has a forced labor supply chain policy as a factor for determining that company's credit rating.



There is no way to effectively monitor a supply chain without tracing it all the way back to raw materials. Such research will lead to an understanding of supply and demand factors used to encourage greater protections of the workers whose labor contributes to downstream profits.

Modern slavery exists in diverse areas, including manufacturing, harvesting of raw materials, marketing commercial sexual activity (often aimed at the business traveler) and violent acts against workers. To that end, companies should adopt policies that commit to:

- taking accountability for all labor in the supply chain, starting with the raw materials, with a pledge to monitor compliance, remediate noncompliance, and verify those actions by an independent third party;
- honoring the role and voice of the worker as the best check on abuse;
- publicly disclosing mechanisms for providing independent, unannounced, and thorough audits;
- providing effective whistleblower and complaint procedures;
- providing clear guidelines for security procedures throughout the supply chains to ensure that security forces are not used to intimidate, hold, or abuse workers;
- regularly updating shareholders and stakeholders on creation, maintenance, and implementation of related policies;
- guaranteeing all workers mobility by strictly forbidding any confiscation of official documents;
- committing to providing restitution for victims and other forms of remediation;
- complying with trafficking-related local laws and international standards for confronting human trafficking and protecting victims; and,
- holding employees accountable for any violation or exploitative conduct contributing to trafficking in persons.

**Source:** US Department of State, “**2010 Trafficking in Persons Report**”:  
[www.state.gov/g/tip/rls/tiprpt/2010/142750.htm](http://www.state.gov/g/tip/rls/tiprpt/2010/142750.htm)





## APPENDICES APPENDIX B: HARKIN-ENGEL PROTOCOL TIMELINE

In 2001, Senator Harkin and Representative Engel proposed legislation that would have set aside \$250,000 for the Food and Drug Administration to develop “slave-free” labeling requirements on cocoa products. The chocolate industry (including major companies like Hershey) stopped the bill by agreeing to voluntarily adopt certain portions of the bill as an industry “protocol,” commonly known as the Harkin Engel Protocol.<sup>56</sup> This was a voluntary, non-binding document that set out time-bound steps to eliminate the worst forms of child labor and forced labor from all cocoa farms worldwide by July 2005.

The “protocol” set forth an action plan with specific commitments for stakeholders. In particular, the industry (including Hershey) agreed to undertake the following steps: establish a “joint” international foundation, and develop and implement standards of public certification that cocoa has been grown without the worst forms of child labor.

After failing to meet the Protocol’s 2005 deadline, the industry agreed to certify 50 percent of the cocoa-growing areas of Côte d’Ivoire and Ghana by July 1, 2008. This deadline was also missed.

### **On September 19, 2001, the Harkin-Engel Protocol was signed calling on companies to:**

1. Issue a public statement of need for and terms of an action plan;
2. The formation of multi-sectoral advisory groups;
3. Sign a joint statement on child labor to be witnesses at the UN’s International Labor Organization (ILO);
4. Develop a binding memorandum of cooperation among major stakeholders to establish a joint program of action to enforce the internationally recognized and mutually agreed-upon standards to eliminate the worst forms of child labor in the growing and processing of cocoa beans and their derivative products and to establish independent means of monitoring and public reporting on compliance with those standards;
5. Establish a joint foundation to oversee and sustain efforts to eliminate the worst forms of child labor in the growing and processing of cocoa beans and their derivative products; and



6. Develop and implement credible, mutually acceptable, voluntary, industry-wide standards of public certification, consistent with applicable federal law, that cocoa beans and their derivative products have been grown and/or processed without any of the worst forms of child labor by July 1, 2005.

**July 1, 2005:** Industry fails to complete the certification program for cocoa, but agrees to develop a certification program that will cover 50 percent of the cocoa-growing areas of Côte d'Ivoire and Ghana by July 1, 2008.

**July 1, 2008:** Industry commits to working with the governments of Côte d'Ivoire and Ghana to have a sector-wide independently verified certification process fully in place across each country's cocoa-growing sector by the end of 2010.

**September 2010:** The US Department of Labor announces a new Framework of Action to Support the Implementation of the Harkin-Engel Protocol which aims to reduce the worst forms of child labor in Côte D'Ivoire and Ghana by 70% by the year 2020. The entire framework can be read online here:

<http://responsiblecocoa.com/wp-content/uploads/2010/09/Cocoa-Framework-of-Action-9-12-10-Final.pdf>





## APPENDICES APPENDIX C:

# OVERVIEW OF COCOA PRODUCT CERTIFICATION INITIATIVES

There are several different certification programs in the West African cocoa sector including Rainforest Alliance, Organic, UTZ Certified, and fair trade certification. While all of these certification programs have similarities, there are also important differences.

## RAINFOREST ALLIANCE

Rainforest Alliance (RA) is a nonprofit organization based in New York City that “works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices, and consumer behavior.”<sup>57</sup> RA’s agriculture certification system is administered by the Sustainable Agriculture Network (SAN), a coalition of conservation groups from Latin America. No organizations representing workers or with an expertise in labor rights nor organizations based in Africa are members of SAN.<sup>58</sup> RA is currently certifying cocoa farms in Brazil, Colombia, Costa Rica, Côte d’Ivoire, Dominican Republic, Ecuador, Ghana, and Peru.

RA standards prohibit the use of forced labor, child labor, and discrimination. However, the protection of the right to organize on RA-certified farms is not a critical criteria. RA certifies small farmers who can be organized into groups, but RA does not specify conditions for the democratic organization of the federations, associations, or cooperatives that it certifies. Living wages are not guaranteed as part of certification, although workers are expected to be paid equal to or greater than the regional average or the legal minimum wage. RA does not require buyers to pay a specific minimum floor price for cocoa beans. RA reasons that by producing higher quality and sustainable cocoa beans, farmers should be able to earn a higher price for their beans over time. RA does administer a label on products containing RA-certified ingredients. However, only 30 percent of the primary ingredient needs to be certified in order to earn an RA label. So, a chocolate bar bearing the RA label may contain 30 percent RA certified cocoa while the remainder could be produced by forced, child, or trafficked labor.



# ORGANIC

The National Organic Program is managed by the US Department of Agriculture and was established through the Organic Foods Production Act of 1990. The program is designed to “integrate cultural, biological, and mechanical practices that foster cycling of resources, promote ecological balance, and conserve biodiversity.”<sup>59</sup> The program is overseen by the National Organic Standards Board (NOSB). None of the Board members have expertise in labor issues.

Organic certification does not include labor rights standards. The program does not address wages, prices to producers, or management of cooperatives. The benefits of the program are that it requires 100 percent of the ingredients of a product to be certified organic in order to earn a label. Organic certification also includes a grievance procedure and whistleblower protections.

# UTZ CERTIFIED

UTZ Certified is an organization based in Amsterdam that was founded in 1997 by Guatemalan coffee producers and the Ahold Coffee Company to certify coffee. UTZ launched a cocoa program in 2007. The first two cocoa cooperatives participating in UTZ were certified in 2009. Currently, certified cooperatives are operating in Costa Rica, Côte d’Ivoire, Dominican Republic, Ecuador, Ghana, and Peru. Annual inspection is conducted by approved independent third-party certification bodies.<sup>60</sup> No organizations with a specific expertise in labor rights are included on the Board of Directors.

UTZ certification prohibits forced labor, child labor, and discrimination and protects the right to organize and bargain collectively. UTZ requires cooperatives to separate and appropriately label UTZ Certified cocoa beans to ensure transparency. UTZ standards do include some criteria related to transparent management in a cooperative as well as a grievance procedure. Paying the legal minimum wage is required only after the first year of certification. In terms of pricing, UTZ states that premiums are paid to farmers for their certified products, but the price is solely based on negotiations between the buyers and farmers. The UTZ label began to appear on chocolate products in Germany in the Summer of 2011. At the moment, there are yet to be any chocolate products in stores with the UTZ label in the United States.





## FAIR TRADE CERTIFIED





Fair trade certification is administered in the United States by Fair Trade USA, a nonprofit organization based in California that is the national affiliate of Fairtrade Labelling Organizations International (FLO). FLO's Board includes representatives of producer organizations. FLO is the only fair trade certification body working in the West African cocoa sector.

FLO standards prohibit forced labor, child labor, and discrimination and protect freedom of association and collective bargaining rights. Additional guidelines specifically for remediating child labor include a child protection policy and procedures document. FLO has also established an internal child labor task force and requires producer organizations to set up internal systems to identify and eliminate child labor. FLO standards require that workers receive the minimum wage or prevailing local wage and encourage certified farms to aspire to a living wage. Certified farmers are guaranteed a fair trade floor price for their cocoa beans as well as a social premium. This price is an international standard minimum set by FLO at US\$1,750 per metric ton, or US\$1,950 per metric ton if the cocoa is also certified organic. If the world price (New York Board of Trade price) rises above US\$1,600 per metric ton, the fair trade price is equal to the world price. The fair trade social premium is a set amount of money paid above and beyond the floor price that is paid to producers for community development projects. With cocoa, the social premium amounts to \$150 USD per ton, or \$200 per organic ton.<sup>61</sup> Fair trade producers are required to form democratic cooperatives that administer the social premium based on a democratic process. A grievance procedure is in place for workers and nongovernmental organizations to report violations. In order to use the fair trade label, 100 percent of the primary ingredient must be certified.

## IMO — FAIR FOR LIFE

Fair For Life Fair Trade Certification is a third-party certification program administered by the Institute for Marketecology (IMO). Fair For Life certification protects human rights at any stage of production and ensures that workers in hired labor situations enjoy good and fair working conditions and that smallholder farmers receive a fair payment for their products. The Fair For Life label applies to a variety of products including cocoa, fresh fruit, coffee, and essential oils, however, at the moment there are no cocoa farmers in West Africa who use the Fair For Life certification for cocoa.



COMPANY	CERTIFICATION USED & LABEL TO LOOK FOR	ABOUT
Arnott's, Ben & Jerry's, Bon Appetite, Cadbury (overseas only), Green & Black's, and Nestlé (UK only), as well as smaller chocolate companies including Divine, Alter Eco, etc.	Fair trade certified 	Fair trade prohibits forced labor, child labor, and discrimination, and protects freedom of association and collective bargaining rights. If child labor should surface, remediation guidelines are in place. Certified farmers are guaranteed a fair trade floor price for their cocoa beans as well as a social premium. Fair trade producers are required to form democratic cooperatives that administer the social premium based on a democratic process. In order to use the fair trade label, 100% of the primary ingredient must be certified.
Blommer Chocolate Company, Kraft Foods, Mars and Unilever	Rainforest Alliance (RA) 	RA standards prohibit the use of forced labor, child labor, and discrimination. However, the protection of the right to organize on RA-certified farms is not a critical criteria. RA does not require buyers to pay a specific minimum floor price for cocoa beans. RA reasons that by producing higher quality and sustainable cocoa beans, farmers should be able to earn a higher price for their beans over time. <b>Only 30% of the primary ingredient needs to be certified in order to earn an RA label.</b> So, a chocolate bar bearing the RA label may contain 30% RA-certified cocoa while the remainder could be produced by forced, child, or trafficked labor.
Many small chocolate companies use organic in tandem with fair trade certified	Organic 	Organic certification does not include labor rights standards. The program does not address wages, prices to producers, or management of cooperatives. Organic does require that 100% of the ingredients of a product be certified organic in order to earn a label. Organic certification also includes a grievance procedure and whistleblower protections.
Ahold, Arla Foods, Barry Callebaut, Cargill, Chocolat Frey, ECOM, Ludwig Schokolade GMBH & Co. KG, Mars, and Nestlé	UTZ 	UTZ Certified was founded by Guatemalan coffee producers and the Ahold Coffee Company in 1997; however, no organizations with a specific expertise in labor rights are included on the Board of Directors. UTZ launched a cocoa program in 2007. UTZ certification prohibits forced labor, child labor, and discrimination and protects the right to organize and bargain collectively. In terms of pricing, UTZ states that premiums are paid to farmers for their certified products, but the price is solely based on negotiations between the buyers and farmers. Paying the legal minimum wage is required only after the first year of certification
<b>Hershey*</b>	<b>NONE</b>	<b>No certification system in place</b>

**Key:** Green shading for best practices, yellow/orange for problematic practices, red for worst practices.

\* In 2006, Hershey acquired Dagoba Chocolate, which carries fair trade and Organic certified chocolates. However, Hershey has made no effort on its own to produce a fair trade or organic chocolate product.





## APPENDICES **APPENDIX D: COMMITMENT TO ETHICAL COCOA SOURCING**

### **Abolishing Unfair Labor Practices and Addressing Their Root Causes**

We, the undersigned, represent chocolate companies, social justice organizations, faith-based groups, labor unions, citizens, consumers, investors, and retailers. Together, we wish to bring attention to the profound social and economic problems that persist in the global cocoa and chocolate industries.

We recognize that in the global supply chain, workers on cocoa farms are sometimes subject to unacceptable forms of exploitation, including debt bondage, trafficking, and the worst forms of child labor, and that the standard models for trade and cocoa pricing have left cocoa farmers impoverished and economically vulnerable year after year.

We acknowledge that all of us within the nations who import and consume nearly all of the world's cocoa production have a particular responsibility to use our economic, social, and moral power to address these problems. Further, we commit ourselves to doing what we can in our respective roles to quickly reform this important industry that shapes the lives of millions of small farmers, farm workers, and thousands of rural communities around the world.

Specifically, for those of us who are direct commercial participants in the cocoa supply chain—from the level of the farm to the consumer—we commit ourselves to abide by the steps articulated below or to work with other commercial signatories who do so.

Other signatories, such as interested nonprofit or faith-based organizations, pledge our support of these measures and will work to increase their adoption within the cocoa and chocolate industry.

- I. Provide transparency in the cocoa supply chain to farm level. We will provide our customers with detailed information about the origins of our cocoa beans and will support the establishment of systems that can map in any given growing season all the farms, production sites, and cooperatives from which we may have sourced cocoa beans. Additionally, we will publish and make publicly available full information on any payments made to government entities in cocoa-producing countries.



2. Commit to sourcing exclusively from farms and cooperatives which respect the core ILO labor standards, and pay a price adequate for those producers to meet these standards. We will have our products certified by a third-party auditor that is independent from our companies to ensure that core labor standards are upheld by our producers and within our supply chains.
3. Pay farmers a fair and adequate price for the cocoa we purchase. “Fair and adequate” is defined as a price that exceeds the costs of production and that allows farmers to meet the basic human needs of their families and workers, including adequate nutrition, shelter, medical care, and primary education.
4. Implement—or maintain, as the case may be—the following structural practices so as to ensure farmers a consistently better price: simplifying our supply chain, working with cooperatives, encouraging cooperatization, providing more market information to farmers, and committing to long-term trade relationships with cocoa producers.
5. Support the drafting and enforcement of national and international laws that prohibit human trafficking, debt bondage, and the other worst forms of child labor (in accordance with ILO Convention 182).
6. Commit to 100% fair trade certified sourcing of cocoa or to financing the rehabilitation, reintegration, and education of children who have been exploited by the worst forms of child labor (in accordance with ILO Convention 182) on cocoa farms, both in the growing countries and labor exporting countries, through direct support to local and international development organizations with an expertise in child rights.



## ENDORSERS

Africa Action

Africa Faith & Justice Network

African Immigrant & Refugee Foundation

Americans for Informed Democracy

Amherst Fair Trade Partnership

Association of Concerned Africa Scholars

Bay Area Fair Trade Coalition

Casa Maria Catholic Worker

Choco-Revo

Cool Hemp Company, Inc.

Daily Acts

Dean's Beans Organic Coffee Company

Druide

Earth Rights Institute



## ENDORSERS (continued)

- Equal Exchange
- Équiterre
- Ethical Bean Coffee
- Ethix Ventures Inc.
- Fair Trade LA
- Fair Trade Manitoba
- Fair Trade Resource Network
- Fair Trade Towns
- Federation of Southern Cooperatives –  
Rural Training and Research Center
- Food & Water Watch
- Foreign Policy in Focus
- The General Board of Global Ministries -  
The United Methodist Church
- Global Exchange
- Global Witness
- Grassroots International
- Green America (Formerly Co-op America)
- Human Rights Action Service
- Intercommunity Peace & Justice Center
- International Labor Rights Forum
- Ithaca Fine Chocolates
- Jeannette Rankin Peace Center
- Just Us! Coffee Roasters
- Kopali Organics
- La Siembra Cooperative
- Labor-Religion Coalition of New York State
- Latin Organics Inc.
- The Marquis Project
- Missionaries of Africa
- MomentuM
- Organic Consumers Association
- Oxfam-Québec Fair Trade
- Providence Coffee
- RESULTS Canada
- Robert F. Kennedy Memorial Center  
for Human Rights
- Riptides
- Stop the Traffik
- Sweet Earth Organic Chocolates
- Ten Thousand Villages/Dix Mille Villages,  
Pointe Claire
- Ten Thousand Villages, Vancouver East and West End
- TransFair Canada
- Unitarian Universalist Service Committee
- United Students for Fair Trade
- Washington Fair Trade Coalition
- Washington DC Fair Trade Coalition
- World Neighbors



## APPENDIX E: NEW COMPANY COMMITMENTS TO ETHICAL SOURCING

## FAIR TRADE

- Ben & Jerry's announces new ice cream flavor, "Late Night Snack," which includes fair trade certified cocoa (Announced: March 2, 2011).
  - Ben & Jerry's press release: <http://www.businesswire.com/news/benjerry/20110302007012/en>
- Bon Appétit Management Company announces its plan to introduce fair trade certified Cordillera baking chocolate to 400-plus university, corporate and specialty cafes nationwide starting on Valentine's Day (Announced: February 8, 2011).
  - BAMCO press release: <http://3blmedia.com/theCSRfeed/Bon-App%C3%A9tit-Management-Company-Introduces-Fair-Trade-Certified%E2%84%A2-Cordillera-Baking-Chocola>
- Barry Callebaut launches four fair trade certified cocoa recipes (Announced: November 9, 2010).
  - Barry Callebaut press release: <http://www.barry-callebaut.com/56?group=,year=,lang=en,keyword=,page=3,release=6292,read=en>
- Arnott's agrees to achieve Fair Trade Certification for its chocolate products (Announced: October 2010).
  - World Vision Australia press release: [http://www.worldvision.com.au/media/pressreleases/10-10-29/arnott%E2%80%99s\\_takes\\_welcome\\_steps\\_to\\_ensure\\_tim\\_tams\\_are\\_free\\_from\\_child\\_labour.aspx](http://www.worldvision.com.au/media/pressreleases/10-10-29/arnott%E2%80%99s_takes_welcome_steps_to_ensure_tim_tams_are_free_from_child_labour.aspx)
- Ben & Jerry's announces its commitment to go fully Fair Trade for all possibly ingredients by the end of 2013 (Announced February 18, 2010).
  - Press Release: [http://www.businesswire.com/portal/site/benjerry/permalink/?ndmViewId=news\\_view&newsId=20100218006252&newsLang=en](http://www.businesswire.com/portal/site/benjerry/permalink/?ndmViewId=news_view&newsId=20100218006252&newsLang=en)
- Green & Black's announces that it will move its entire chocolate range globally to fair trade certified cocoa by the end of 2010 (Announced: January 27, 2010).
  - Press Release: [http://transfairusa.org/content/about/ppr/ppr\\_100127.php](http://transfairusa.org/content/about/ppr/ppr_100127.php)





- Nestlé UK commits to achieving Fairtrade certification for Kit Kat bars in the UK and Ireland beginning in January 2010 (Announced: December 7, 2009).
  - Nestlé press release: [http://www.nestle.com/MediaCenter/NewsandFeatures/AllNewsFeatures/KitKat\\_Fairtrade\\_UK\\_Ireland.htm](http://www.nestle.com/MediaCenter/NewsandFeatures/AllNewsFeatures/KitKat_Fairtrade_UK_Ireland.htm)
  - Fairtrade Foundation press release: [http://www.fairtrade.org.uk/press\\_office/press\\_releases\\_and\\_statements/december\\_2009/kit\\_kat\\_gives\\_cocoa\\_farmers\\_in\\_cte\\_divoire\\_a\\_break.aspx](http://www.fairtrade.org.uk/press_office/press_releases_and_statements/december_2009/kit_kat_gives_cocoa_farmers_in_cte_divoire_a_break.aspx)
  - ILRF, Global Exchange, Green America and Oasis USA press release: <http://www.laborrights.org/stop-child-forced-labor/cocoa-campaign/news/12232>
- Cadbury commits to achieving Fairtrade certification for Cadbury Dairy Milk bar in UK and Ireland by the end of Summer 2009 (Announced: March 4, 2009). Cadbury then commits to certifying Cadbury Dairy Milk Fairtrade in Canada, Australia and New Zealand by early 2010 (Announced: August 25, 2009).
  - Cadbury press releases: <http://www.cadbury.com/media/press/Pages/cdmfairtrade.aspx> and <http://www.cadbury.com/media/press/Pages/ftcdmanzcan.aspx>
  - ILRF and Global Exchange press release: <http://www.laborrights.org/stop-child-labor/cocoa-campaign/news/11837>

## RAINFOREST ALLIANCE

- Mars New Zealand announces that MARS Bars will be fair trade certified in New Zealand by June 2011 (Announced February 28, 2011).
  - Mars New Zealand press release: <http://www.scoop.co.nz/stories/BU1102/S00692/mars-bar-goes-green-on-cocoa.htm>
- Kraft Foods Inc. announces that it increased its purchases of Rainforest Alliance cocoa by 55% throughout 2010 (Announced: January 25, 2011).
  - Dow Jones article: [http://www.tradingmarkets.com/news/stock-alert/kft\\_dj-kraft-foods-boosted-its-purchases-of-certified-commodities-in-10-1444330.html](http://www.tradingmarkets.com/news/stock-alert/kft_dj-kraft-foods-boosted-its-purchases-of-certified-commodities-in-10-1444330.html)
- Unilever commits to achieving Rainforest Alliance certification for its Magnum ice cream by 2015 and for the rest of its cocoa by 2020 (Announced: November 16, 2010).
  - Unilever statement: <http://www.sustainable-living.unilever.com/the-plan/sustainable-sourcing/cocoa/>



- Kraft Foods commits to use cocoa beans only from Rainforest Alliance certified farms across its entire Côte d'Or and Marabou lines by the end of 2012 (Announced: Oct. 30, 2009).
  - Rainforest Alliance press release: [http://www.rainforest-alliance.org/news.cfm?id=kraft\\_cocoa](http://www.rainforest-alliance.org/news.cfm?id=kraft_cocoa)
  - Kraft press release: <http://phx.corporate-ir.net/phoenix.zhtml?c=129070&p=irol-newsArticle&ID=1348441>
- Blommer Chocolate Company will offer a line of Rainforest Alliance Certified cocoa and ingredient chocolate products starting in 2010 (Announced: June 25, 2009).
  - Rainforest Alliance press release: [http://www.rainforest-alliance.org/news.cfm?id=blommer\\_cocoa](http://www.rainforest-alliance.org/news.cfm?id=blommer_cocoa)
- Mars, Incorporated aims to certify the Galaxy chocolate bar in the UK with Rainforest Alliance by early 2010. Mars also commits to getting its entire cocoa supply certified by 2020 (Announced: April 8, 2009).
  - Rainforest Alliance press release: [http://www.rainforest-alliance.org/news.cfm?id=mars\\_partnership](http://www.rainforest-alliance.org/news.cfm?id=mars_partnership)
  - Mars, Inc. press release: <http://www.mars.com/global/News+and+media/Global+Press+Releases/Mars+commits+to+global+certification.htm>
  - ILRF and Organic Consumers Association press release: <http://www.laborrights.org/stop-child-labor/cocoa-campaign/news/11854>

## UTZ CERTIFIED

- Mars Chocolate Germany announces that the entire range of Balisto chocolate in Germany will be UTZ Certified starting in the summer of 2011 (Announced: January 28, 2011).
  - UTZ press release: <http://www.utzcertified.org/index.php?pagelD=104&showItem=590&filterCat=B>
- Arla Foods Netherlands introduces UTZ Certified cocoa for its chocolate pudding Friesche Vlag in the Netherlands (Announced: December 8, 2010).
  - UTZ press release: <http://www.utzcertified.org/index.php?pagelD=104&offset=5>





- Nestlé Australia announces that it will certify its Australian Kit Kats through UTZ (Announced: November 1, 2010). Kit Kats begin to use the UTZ logo by December 2010.
  - UTZ press release: <http://www.utzcertified.org/index.php?pageID=145&showItem=576&filterCat=A,B,C,D>
- First product made using UTZ Certified cocoa from Cargill, a chocolate Easter egg from the company Baronie, is made available in Dutch supermarkets (Announced: March 15, 2010).
  - Related article: <http://www.foodingredientsfirst.com/news/Cargill-Produces-First-Sustainable-UTZ-Certified-Chocolate.html>
- Barry Callebaut joins UTZ Certified cocoa program (Announced: October 28, 2009).
  - UTZ Certified press release: <http://www.utzcertified.org/index.php?pageID=104&switchlanguage=EN>
- Nestlé, Heinz, Mars, Cargill, Ahold, ECOM, Chocolat Frey and Ludwig Schokolade GMBH & Co. KG all joined the UTZ Certified cocoa program previous to 2009. In 2009, the first two cocoa cooperatives, both in Ivory Coast, received UTZ certification (Announced: September 9, 2009).
  - UTZ Certified 2008 press release: <http://www.utzcertified.org/index.php?pageID=104&showItem=257&filterCat=B&offset=5>
  - UTZ Certified 2009 press release: <http://www.utzcertified.org/index.php?pageID=104&showItem=413&filterCat=B>
  - Cargill press release on first cooperative certification: <http://cargill.com/news-center/news-releases/2009/NA3019789.jsp>
  - Mars, Inc. on purchase of first UTZ certified beans: <http://www.mars.com/global/News+and+media/Global+Press+Releases/MARS+INCORPORATED+achieves+milestone.htm>



## OTHER

- Cadbury (owned by Kraft Foods Inc.) announces that 20% of profits from fair trade certified Cadbury Dairy Milk products sold during Fairtrade Fortnight (February 28 through March 13) will be donated to fund solar power projects in Ghanaian cocoa producing communities (Announced: January 28, 2011).
  - Cadbury press release: [http://www.google.com/url?sa=t&source=web&cd=3&ved=0CCoQFjAC&url=http%3A%2F%2Fwww.kraftfoodscompany.com%2Fsitecollectiondocuments%2Fpress\\_releases%2FFairtrade%2520Fortnight%2520CDM%2520activity%2520national%2520press%2520release%2520FINAL.doc&rct=j&q=Cadbury%20Dairy%20Milk%20to%20donate%2020%25%20of%20sales%20to%20Fairtrade&ei=nU-wTbfiGYebtwejiuHyCw&usg=AFQjCNHNCCF2lyq9Lt\\_2JPsQ4fL4-PmV3dA](http://www.google.com/url?sa=t&source=web&cd=3&ved=0CCoQFjAC&url=http%3A%2F%2Fwww.kraftfoodscompany.com%2Fsitecollectiondocuments%2Fpress_releases%2FFairtrade%2520Fortnight%2520CDM%2520activity%2520national%2520press%2520release%2520FINAL.doc&rct=j&q=Cadbury%20Dairy%20Milk%20to%20donate%2020%25%20of%20sales%20to%20Fairtrade&ei=nU-wTbfiGYebtwejiuHyCw&usg=AFQjCNHNCCF2lyq9Lt_2JPsQ4fL4-PmV3dA)
- Nestlé announces new “Cocoa Plan” (Announced: October 2009)
  - Nestlé press release: [http://www.nestle.com/MediaCenter/NewsandFeatures/AllNewsFeatures/Nestle\\_launches\\_The\\_Cocoa\\_Plan\\_sustainability\\_initiative.htm](http://www.nestle.com/MediaCenter/NewsandFeatures/AllNewsFeatures/Nestle_launches_The_Cocoa_Plan_sustainability_initiative.htm)
  - Nestlé Cocoa Plan website: <http://www.thecocoaplan.com>





# ENDNOTES

## INTRODUCTION

- 1 The Harkin Engel protocol, signed by major cocoa industry players, set forth an action plan to eliminate the worst forms of child labor and forced labor from cocoa farms worldwide by 2005. For a full timeline for the protocol see Appendix B.
- 2 Payson Center for International Development. "Third Annual Report: Oversight of Public and Private Initiatives to Eliminate the Worst Forms of Child Labor in the Cocoa Sector in Côte D'Ivoire and Ghana." October 2009. Accessed July 27, 2011. Available online <http://www.childlabor-payson.org/Third%20Annual%20Report.pdf>.
- 3 Global Exchange, Green America, International Labor Rights Forum, and Oasis USA. "Time to Raise the Bar: The Real Corporate Social Responsibility Report for the Hershey Company." September 2010. Accessed July 27, 2011. Available online <http://laborrights.org/stop-child-forced-labor/cocoa-campaign/resources/12395>.

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## RESPONSIBLE COCOA SOURCING

- 6 Payson Center 2009.
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- 9 The Hershey Company. "Corporate Social Responsibility Report 2009." September 2010. Accessed July 27, 2011. P. 19. Available online <http://www.thehersheycompany.com/assets/pdfs/hersheycompany/Hershey2009CSRReport.pdf>.
- 10 The Hershey Company. "Supplier Code of Conduct." Accessed July 27, 2011. Available online <http://www.thehersheycompany.com/assets/pdfs/hersheycompany/Supplier-Code-of-Conduct-Requirements-2010.pdf>.
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Available online <http://www.thehersheycompany.com/assets/pdfs/hersheycompany/scorecard2010.pdf>.

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Available online <http://www.childlabor-payson.org/Third%20Annual%20Report.pdf>.

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Available online <http://www.childlabor-payson.org/Tulane%20Final%20Report.pdf>.

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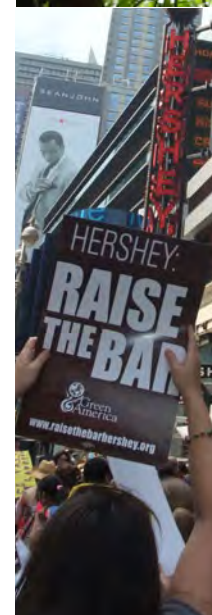
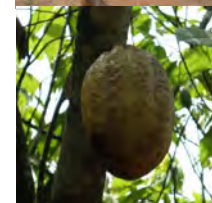
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## APPENDIX B: HARKIN ENGEL PROTOCOL TIMELINE

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**THE RAISE THE BAR, HERSHEY! CAMPAIGN** is a coalition of organizations and individuals whose goal is to encourage The Hershey Company to end child labor on the cocoa farms it sources from by switching to fair trade cocoa. [www.RaiseTheBarHershey.org](http://www.RaiseTheBarHershey.org)

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