



December 19, 2023

Mr. Chris Cooks, Chief Executive Officer
Hasbro, Inc.
1027 Newport Avenue,
Pawtucket, RI 02861

Re: Violations of Federal Law and Waste of Corporate Assets

Dear Mr. Cooks,

America First Legal Foundation (“AFL”) is a national, nonprofit organization working to protect the rule of law, due process, and equal protection for all Americans.

The purpose of this letter is to alert the Board to apparent mismanagement that threatens the waste of Hasbro, Inc.’s (the “Company”) assets and breach of the Board’s fiduciary duty to shareholders and lenders. Substantial evidence suggests that management is systematically violating federal civil rights laws. Given the Company’s acknowledgment that, “[i]f we were to violate laws or regulations applicable to our business, our business could be harmed,”¹ and given that workplace anti-discrimination mandates are an essential and mission-critical regulatory compliance risk, the Board, among its other fiduciary obligations, has a duty of oversight and must put into place a reasonable system of compliance monitoring and reporting.² Corrective action is both required and appropriate.

I. Unlawful Employment Practices

Title VII of the Civil Rights Act of 1964 prohibits the Company from discriminating against an employee or an applicant for employment because of race, color, sex, or ethnicity; to limit, segregate, or classify employees or applicants in any way that would deprive or tend to deprive any individual of employment opportunities or otherwise adversely affect his status as an employee, because of race, color, sex, or ethnicity; or to discriminate against any individual because of his race, color, sex, or ethnicity in admission to, or employment in, any program established to provide apprenticeship or other training. Yet, management openly acknowledges—even touts—its unlawful discrimination in its recruitment, hiring, and development programs.

¹ Hasbro, Inc. Annual Report 5 (Form 10-K) (Dec. 31, 2022) (available at <https://tinyurl.com/2tpjfhae>).

² See, e.g., *Marchand v. Barnhill*, 212 A.3d 805, 824 (Del. 2019); *In re Clovis Oncology, Inc. Derivative Litig.*, No. CV 2017-0222-JRS, 2019 WL 4850188, at *12 (Del. Ch. Oct. 1, 2019).

For example, the Company acknowledges the use of quotas in its most recent 10-K filing, stating that it is on track to achieve its “2025 DE&I goals for the organization, including: [i]ncreasing female representation in leadership (Director +) roles globally to 50% *** Increasing ethnically and racially diverse employee representation in the U.S. to 25%.”³ The Company further details its unlawful use of sex-based, ethnic-based, and race-based quotas in its 2021-22 “diversity, equity & inclusion report,” which explicitly states that it set unlawful hiring goals in 2017 and has actively been working to fulfill those unlawful hiring goals over the past five years. Specifically, Hasbro lists its 2017 baselines as 38% for women in leadership and 17% for racially and ethnically diverse representation in the U.S.⁴ The “diversity, equity & inclusion report” report goes on to measure progress as of 2021, noting that women in leadership increased to 43% and racially and ethnically diverse employee representation grew to 22%.⁵ These numbers are tracked alongside Hasbro’s stated goals for 2025 - 50% women in leadership globally and a 25% racially and ethnically diverse workforce in the U.S.⁶

Similarly, the Company’s “diversity, equity & inclusion report” demonstrates that management hires new employees based on race, color, and ethnicity. In 2019, “racially and ethnic diversity” new hires represented approximately 25% of all new hires; in 2020, approximately 30% of all new hires; and in 2021, approximately 35% of all new hires.⁷ The Company also states that it has established a “50% diverse slate requirement for all open positions in the U.S.” and that “diversity in this context” includes race, ethnicity, gender identity, and sexual orientation.⁸

Finally, the Company clearly indicates that its unlawful discrimination extends to internships, as it proudly proclaims that for its internship program in the summer of 2022, the individuals made up a class that “were both 50% gender and racially diverse.”⁹

II. Conclusion

The Company describes itself as “a global Branded Entertainment leader whose mission is to entertain and connect generations of fans through the wonder of storytelling and exhilaration of play” and that it has been recognized as “one of the World’s Most Ethical Companies.”¹⁰ Management’s unlawful, discriminatory

³ *Id.* at 24.

⁴ HASBRO, INC., DIVERSITY, EQUITY, AND INCLUSION REPORT 2021-2022, at 5 (Dec. 19, 2022) (<https://tinyurl.com/4arj5vx9>) (last visited Dec. 6, 2023).

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* at 14.

⁸ DIVERSITY EQUITY AND INCLUSION REPORT at 8, *supra* note 4.

⁹ *Id.*

¹⁰ *Id.* at 6.

“diversity, equity, and inclusion” hiring practices are wholly inconsistent with these representations. Management knew or should have known that racial, national origin, or sex “balancing” in hiring and developing employees is prohibited by Title VII of the Civil Rights Act of 1964.¹¹ Decades of case law have held that policies seeking to impose racial balancing or quotas in employment and/or employee development, such as those practiced by the Company, are prohibited, and expose the Company to significant legal risk. Simply put, the Company is violating state and federal civil rights laws prohibiting employment discrimination based on race, color, sex, ethnicity, or national origin and, as such, is also breaching its fiduciary duty to its shareholders.

Therefore, to prevent the waste of the Company’s assets, to safeguard the Company’s brand, goodwill, and reputation, to protect the Company’s shareholders, to fulfill your fiduciary duties to the Company and its shareholders, and to ensure compliance with civil rights laws, we demand that the Company immediately take the following steps:

1. Retain an independent counsel for a full investigation of and a report on the events and circumstances behind management’s decision to explicitly focus on a clear pattern of unlawful hiring, training, and promotion practices for admittedly race-based, ethnicity-based, and sex-based purposes. To avoid the expense and disruption of court action enforcing the Company’s disclosure obligations under 7 R.I. GEN. LAWS § 7-1.2-1502(c), the Board should affirmatively and transparently disclose all of management’s contemporaneous emails and other communications on this topic to the Company’s employees and shareholders. Among other things, all communications to or from the Company’s General Counsel regarding this matter should be made available. The Company should promptly and transparently publish all studies and analytics data that it possesses demonstrating that these policies enhance the Company’s brand reputation and promote alignment between its business and the tastes and preferences of its core customers.
2. Compel the Company to: (a) immediately cease and desist from all employment practices that discriminate based on race, color, sex, or ethnicity, and/or that are designed to hire or promote individuals on the basis of race, color, sex, or ethnicity; (b) immediately cease and desist from making any statements or representations promoting or promising employment outcomes or contracts based on race, color, sex, and/or ethnicity; and (c) retain an independent counsel to conduct a compliance audit of the Company’s employment practices to ensure compliance with federal civil rights laws. Again, to avoid the expense and disruption of court action enforcing the Company’s disclosure obligations under 7 R.I. GEN. LAWS § 7-1.2-1502(c), the compliance audit and all relevant emails and other management communications should be made promptly and fully available. In anticipation of litigation, direct the Company to preserve all

¹¹ 42 U.S.C. §§ 2000e-2(a), (d).

records relevant to the issues and concerns noted above, including but not limited to paper records and electronic information, including email, electronic calendars, financial spreadsheets, PDF documents, Word documents, and all other information created and/or stored digitally. This list is intended to give examples of the types of records you should retain. It is not exhaustive.

Thank you in advance for your cooperation.

Sincerely,

/s/ Ian D. Prior
Senior Litigation Counsel
America First Legal Foundation

Cc: Richard Stoddart, Chairman of the Board of Directors
Michael Burns, Vice Chairman of the Board of Directors
Hope Cochran, Board of Directors
Lisa Gersh, Board of Directors
Elizabeth Hamren, Board of Directors
Blake Jorgensen, Board of Directors
Tracy A. Leinbach, Board of Directors
Laurel J. Richie, Board of Directors
Mary Beth West, Board of Directors
Linda K. Zecher Higgins, Board of Directors

APPENDIX

Our Commitment is Solid

Five years ago, we set public-facing priorities and goals to drive a more diverse and inclusive leadership team, workforce and culture.

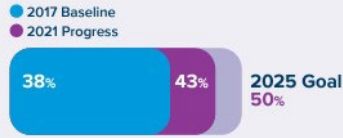
Our Priorities Include:

- 1 Fostering a culture of inclusion where all employees are welcome and empowered to be themselves and make their most significant contribution, unified in the shared joy of storytelling and play
- 2 Building a diverse workforce that reflects the consumers and communities we serve
- 3 Supporting employees in our workplace, including women, with an ongoing commitment to gender balance in leadership positions and pay equity

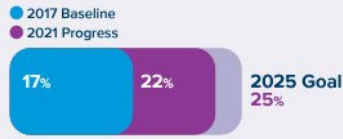
We employ many strategies to help us achieve our goals. Outlined in this report, you will see how we acquire and retain diverse talent, how we offer tools to help employees mitigate bias in the workplace and how we create products and content that are inclusive and diverse by design.

We're proud of our progress to date and continue to drive toward the following goals:

GROW WOMEN IN LEADERSHIP ROLES* GLOBALLY ACROSS ALL BUSINESS AREAS TO 50% BY 2025.



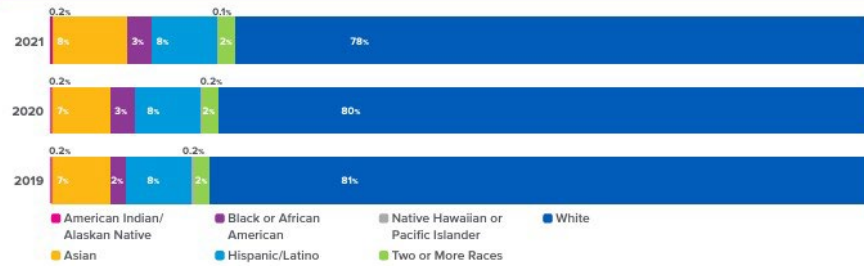
GROW RACIALLY AND ETHNICALLY DIVERSE EMPLOYEE REPRESENTATION IN THE U.S. TO 25% BY 2025.



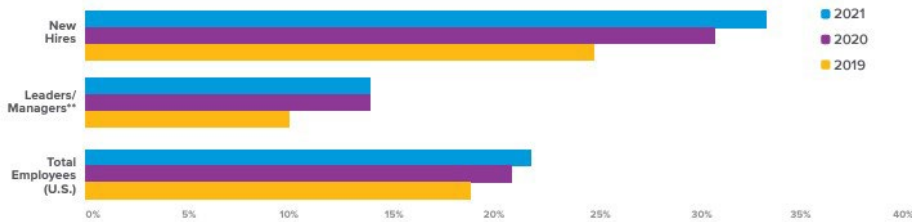
We are on track to meet our 2025 objectives, but the work is ongoing. We have established a cross-functional team led by our Senior Vice President of Diversity, Equity and Inclusion and Multicultural Strategy to identify the next phase of goal-setting for 2030. As part of this effort, we are exploring additional KPIs such as gender identity, sexual orientation and regionally-specific demographics.

* Leaders are defined as director level and above.

Employees by Racial and Ethnic Diversity (U.S.)



Racial and Ethnic Diversity in Our Workforce (U.S.)*



* This data represents U.S. employees in the following ethnic groups: American Indian/Alaskan Native, Asian, Black or African American, Hispanic/Latino, Native Hawaiian or Pacific Islander and Two or More Races.

** Leaders are defined as director level and above.

	2018	2019	2020	2021	2022
Diversity, Equity and Inclusion					
Women in Our Workforce (Global)					
> Female Employees	55%	55%	54%	55%	53%
> Female Leaders/Managers ³⁴	41%	42%	43%	46%	45%
> Female Executive Leadership	–	–	2 (18%)	3 (30%)	4 (44%)
> U.S. Female Employees	55%	53%	52%	52%	50%
> U.S. Female Leaders/Managers ³⁴	41%	42%	41%	43%	44%
Racial and Ethnic Diversity in Our Workforce (U.S.)					
> Racially/Ethnically Diverse Employees	18%	19%	21%	22%	22%
> Racially/Ethnically Diverse Leaders/Managers	10%	10%	14%	14%	15%
> Racially/Ethnically Diverse New Hires	26%	25%	31%	34%	31%
Employees by Ethnic Group (U.S.)					
> American Indian/Alaskan	0.2%	0.2%	0.2%	0.2%	0.2%
> Asian	7%	7%	7%	8%	8%
> Black or African American	2%	2%	3%	3%	3%
> Hispanic/Latino	8%	8%	8%	8%	8%
> Native Hawaiian or Pacific Islander	0.2%	0.2%	0.2%	0.1%	0%
> Two or More Races	1%	2%	2%	2%	3%
> White	82%	81%	80%	78%	78%
Diversity by Employment Type (Global)³⁵					
Total Number Non-Contingent Employees	–	–	6,402	6,239	6,300
> % Total Non-Contingent Employees – Female	–	–	54%	54%	52%
> % Total Non-Contingent Employees – Minority (U.S. only)	–	–	21%	22%	22%

We pride ourselves on our inclusive culture where current and prospective employees see Hasbro as a great place to work. For the past several years, Hasbro has been recognized as one of America's top corporations for LGBTQ+ workplace equality by earning a high score on the Human Rights Campaign (HRC) Corporate Equality Index Survey. The HRC is America's largest civil rights organization working to achieve LGBTQ+ equality. The HRC Corporate Equality Index (CEI) is the national benchmark for LGBTQ+-related policies and practices in America's top corporations. Hasbro is a five-time perfect score recipient of 100 points on the HRC Index. We have received continuous recognition for our sexual orientation and gender identity workforce protections across all operations and our inclusive benefits and culture.

expansive. By implementing these and other strategies, we have seen an increase in hiring rates of racially and ethnically diverse employees from 25% in 2017 to 34% in 2021 in the U.S. For our internship program, we are proud to report that the talented group of individuals who joined team Hasbro in the summer 2022 were both 50% gender and racially diverse.

eOne and Black Young Professionals Network Partnership

In 2022, the team at eOne joined BYP (Black Young Professionals Network), an organization that empowers Black professionals around the world to connect with each other and global corporations. Founded in 2016 and based in the UK, the BYP Network was created to harness the power of the Black community. We are thrilled to support the incredible work the BYP Network does to (1) present Black professionals with the best career opportunities, (2) improve Black role model visibility and (3) work with a network of corporations to reduce bias in their hiring processes. One of the key drivers for joining the BYP Network was to strengthen eOne's position as an inclusive organization that champions Black talent and works proactively to address issues of underrepresentation within our industry.

