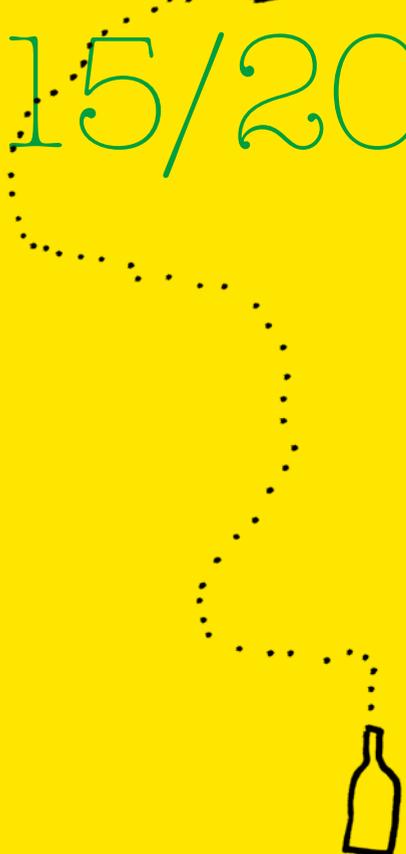




TONNY'S CHOCOLONELY®

annual report
2015/2016

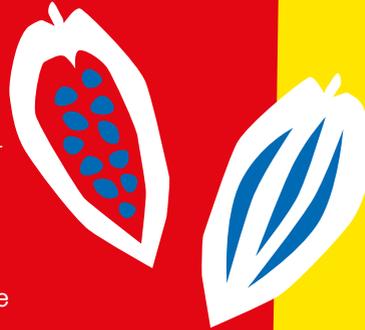


major steps

Let's kick off with an overview of Tony's milestones in 2015/2016. It's been a crazy year. We had some cheerful ups, and one serious down. But we've learned a lot from it, so it wasn't all bad.

traceable cocoa butter

Every cocoa bean in your Tony's bar is now traceable, and has been directly purchased from one of our partner cooperatives in Ghana and Ivory Coast. Traceable cocoa butter was the last ingredient missing in our recipe. And now that our cocoa butter is traceable... we can start making white chocolate again!



Tony's goes international

In order to change the chocolate industry, we have to use our passports. We travel to the countries where we can grow; to countries where the chocogiants are located to show them that they can indeed make chocolate differently. And our passports are starting to fill up with stamps. Tony's USA is now a fact, with its own Tony's office in Portland, Oregon. And our bars are now on sale in Belgium and Sweden too. Brå!

Tony, the movie

The documentary 'TONY: From Chocolate Criminal to Idealist' (directed by Benthe Forrer) has been shown in movie theaters and at festivals in more than 50 cities across the Netherlands. Team Tony's joined the theater tour to talk to viewers after the screening. Around 10,000 people have already seen the movie, and that number is going to grow, because it's playing abroad now too!



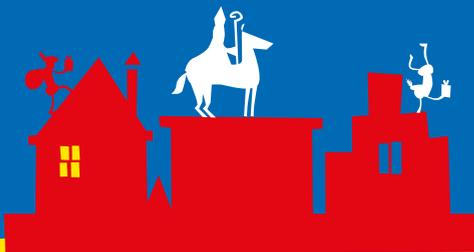
more bars, more cocoa farmers

Tony's Chocolonly is growing rapidly. This year, we sold more than 19 million bars. Whoop whoop! Growth is the motor behind our mission. As we grow, we can work with more cocoa farmers and our voice will be heard more often in the chocolate sector. Last year, we worked with five West African cooperatives in Ghana and Ivory Coast.



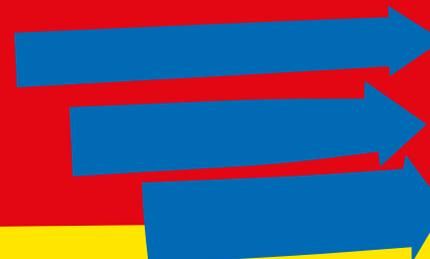
Letter bars, from A to Z

Before we forget; we've got every letter of the alphabet. It wasn't easy to make 26 chocolate molds with Tony's unique breakable chocoletters, but we did it, now we're happy. You'll probably be happy too. Because Agnes, Bor, Colette, Destiny, Ernie, Fadua, Grom, Hanna, Ines, Jan, Kaatje, Lars, Mo, Nicolaas, Onno, Piet, Quarles, Rover, Sterre, Tina, Ute, Vera, Wim, Xavier, Yasin and Zorro can now expect their own letter bar in their shoe on Saint Nicholas Day.



measuring & making impact

Tony's vision is 100% slave free chocolate. In order to achieve that goal, we are guided by our road map. But how far have we come so far, and how much impact have we made? Good question! That's why we've been working hard to clarify and measure the steps that we're taking. You can find the results in this Annual FAIR report and soon enough you will also find them on our website. That way, you can always see how much impact Tony's is making.



I do nut recall

This year, we had to recall one of our nut bars. Our milk hazelnut bar turned out to have traces of peanuts, but it wasn't printed on the wrapper. Eeeek! That was a shock! We recalled the bars, worked hard to rectify the situation, and learned a lot from the experience. We ended up reviewing our entire quality assurance process. As a result, we now have a strong quality assurance process in place, along with a full-time QA manager - AKA the 'double check'.





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HELLO.

That is mellow yellow – the color of milk nougat’ sing all of the Tony’s in chorus. And here it is, hot off the presses: the one and only yellow Annual FAIR Report. It doesn’t get more yellow than this!

A lot has happened over the past financial year, which ran from October 1st 2015 to September 30 2016. And now you can read all about it in this FAIR Report. And as always, the Annual FAIR Report makes its debut during Tony’s Fair, this year on November 24, 2016.

But let’s talk about the color first. Why yellow, for chocolate’s sake?

After the red FAIR Report (our first), the blue one and the green one (last year’s), yellow was the logical choice for the 2015/2016 edition. We’re still following the line of our Classics: milk, extra dark, milk hazelnut and now milk nougat. So we probably don’t have to tell you what next year’s color will be!

But first, enjoy reading this FAIR Report. And don’t hesitate to tell us what you think! We love hearing from you.

Team Tony’s

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WHAT A YEAR..

“After a day around a conference table with two Tony’s and four Belgians in Wieze, Belgium, my fellow Tony Frans and I got into my car. With a wide grin and full of energy, we took our seats, turned to one another and gave a high five. Yesssss!! This wasn’t what we expected. But now it seems that we’ve made it happen, and by the end of the year too! Barry Callebaut, the largest chocolate maker in the world, is willing to retool its chocolate factory to make Tony’s traceable cocoa butter. That means: many more cocoabeans and....white chocolate. Back at the office, we switched on the disco balls. But, uhhh... How are we going to do it? This wasn’t part of our original annual plan.

At Tony’s we have had a clear vision from the very beginning: 100% slave free chocolate. Not just the chocolate in our bars, but all chocolate, worldwide. We know that we can’t do it on our own, so we want to work with the rest of the industry to make 100% slave free the norm in chocolate. To achieve that goal, we have drawn up a road map, with 3 pillars. Last year, we made some steps in that direction:

The film ‘The Chocolate Case’ made an enormous contribution to the 1st pillar Tony’s creates awareness. Benthe Forrer made the film in honor of our 10th birthday, and it played in dozens of Dutch theaters, reaching thousands of people. For our 2nd pillar: Tony’s leads by example, we again exceeded our growth targets, as we grew by 66% in revenue, in numbers of bars sold and therefore in tons of cocoa beans processed. We also increased the number of West African farmers with whom we work, and our reach among people in the Netherlands and beyond. The 3rd pillar deals with inspiring the cocoa world and the chocolate industry. We made great strides in that area this year. The largest player in the chocolate industry actually made changes to their production line just for us. In June, the factory installed a separate cocoa butter tank for Tony’s own cocoa butter. A-ma-zing. This adjustment will directly help thousands of farmers in Africa.

Such a clear vision and strategy make it easier to keep on course, appreciate the progress we’ve made and raise the bar again. They come in especially handy when we have unexpected opportunities, such as the traceable cocoa butter. Over the past year, two unexpected events had a major impact.

First, there was the realization of traceable cocoa butter. We needed more than twice as many beans to make it, more than our partner cooperatives could supply. After the official approval by Barry Callebaut, we conducted several exploratory meetings with cooperatives in West Africa. Where can Tony’s have an impact? In the end, we made good agreements with three new farmers’ cooperatives in Côte d’Ivoire. So next year, we will work together with six farmers’ cooperatives in Ivory Coast and Ghana.

Unfortunately, we also had an unexpected setback last year. A lab test showed an elevated level of peanuts in some of our milk hazelnut bars. That wasn’t listed on the wrapper, so we recalled the bars, which was a major disappointment. But the incident put a lot of things in motion here at Tony’s. We turned lemons into lemonade by drawing up new purchasing contracts and implementing a new quality assurance system.



Raise the bar! Traceable cocoa butter is a fact: a tank just for Tony’s (if you can find Eva in the picture, you win a free chocolate bar).

Our challenge for the next few years is to get the industry moving in the right direction. Tony’s was founded to end slavery in the cocoa industry. Together we make 100% slave free the norm in chocolate. Our standard for cooperation between chocolate companies and farmers can be translated into five principles of cooperation. We share those principles, because together we achieve our goals faster. We want to make it easier for companies to follow our example or to benefit from our production chain. We want to create a snowball effect of smaller and larger parties to show that things can be done differently. In addition to making that easier to do, we also want to make it harder to continue with the current practice. Not only the industry, but consumers, governments, politicians, scientists and retailers all have a crucial role to play. We have drawn up specific requirements for each group. Not only in the Netherlands, but worldwide. That is why our expansion to America, for example, is so important.

This year shows that you can achieve anything as long as you have a strong team. Team Tony’s is such a team: one of a kind. I’m proud to be part of such a great team of motivated – and motivating – people. We are proud of what we have accomplished so far. Over the past year, we proved that we are able to make the best of unexpected opportunities and disappointments, in order to become a better organization. And I’m confident that we’ll do it again next year. We are mobilizing more and more parties to join our mission. But we can’t do it without your support, because only together we make chocolate 100% slave free.

Eva Gouwens, First Lady of Chocolate.

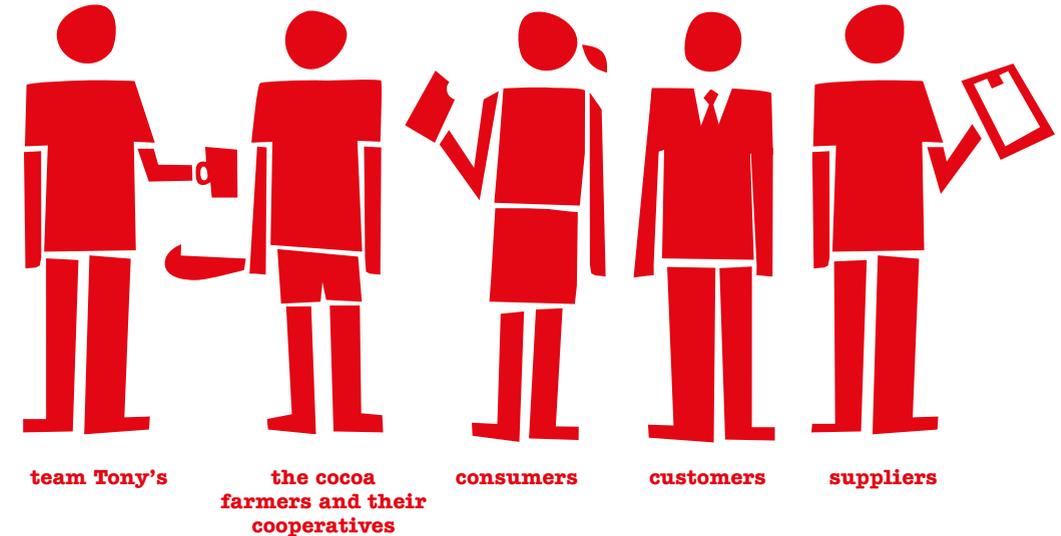
chapter one:

FAIR KICK-OFF

showing what it's all about

Over the past year, we've done a lot of stuff (and didn't do a lot of other stuff either). But what should we tell about our activities in our Annual FAIR Report? To decide on that, we listened to the people around Tony's. Or to use the fancy word: our 'stakeholders'. They are the people and organizations who are affected by what we do, or who have an influence on what we want to accomplish.

You already know that our vision is 100% slave free chocolate. Our mission is to realize that vision together, and to do that we need help. In our conversations with the people around us, our stakeholders yes!, we try to learn whether we are on the right track towards a 100% slave free chocolate. Because without hearing from all of those people, we might think we're doing just fine on our own, but we won't really get anywhere. Here they are:



We see and meet most of them on a regular basis, and our meetings are intensive, structural and constructively critical. Sometimes we visit them, and sometimes they visit us; we have office visits, work visits and field visits. They see how we make the chocolate, and we see what they do behind the scenes. And via email, telephone, snail mail, Facebook, Twitter and other communication channels, it's easy for us to stay in touch. An overview:

Team Tony's

Team Tony's is the most important, so we put ourselves first. We believe that if the best people come together to work as a team to change the chocolate world, then we will build the organization that we have in mind. Most of the team is located in Amsterdam, but some of us are also currently based in Portland, USA, because our chocolate bars are sold there too. We work to build a slave free chocolate supply chain. We come up with all kinds of wild flavors for the best-tasting chocolate. We have a lot of fun together. We obtain feedback on our work from the annual anonymous work questionnaire. We have some issues that we need to deal with, like the work load that comes from the rapid growth of the company. We are a mission-driven organization, and we cherish the sense of family that is unique to Tony's.

For Team Tony's, it is important to show the progress we have made towards our goal, our projects and our performance. The team would also like the FAIR Report to show some recognition for.. the team itself!

The cocoa farmers and cooperatives in Ivory Coast and Ghana

We have a long-term relationship with our cocoa farmers and cooperatives in Ivory Coast and Ghana, in which we have committed to collaborate for at least five years. We make regular trips to Ivory Coast and Ghana to visit the farmers and the management of the cooperatives. They tell us what they think is important and what can be improved. We also attend the annual meetings. What would they like to see in this year's Annual FAIR Report? The cocoa farmers are proud of their work for Tony's, and would appreciate it if that received more attention. They would also like more awareness for the local conditions that they have to deal with.

Consumers

Tony's fans buy our chocolate, share our story (yes, really!) and make us a success. In return, we are transparent about everything we do – and what we don't do. Even when things don't go as well as we would like. We look for dialogue and direct interaction: during Tony's Talks around the country and on Facebook, Twitter and Instagram. Over the past year, we have given several Tony's Talks to external parties. That involved going onstage two or three times a week, from conference hall to lecture hall to clubhouse.

Our website is also increasingly important in our communications. For example, last year we posted a summary of our Annual FAIR Report on the site to make it more accessible. We receive many questions, reactions and encouragements every day via telephone, e-mail, snail mail and social media. The questions deal with our chocolate bars and quality, but also with the welfare of the cocoa farmers and new developments in the industry.

Our door is always open. Over the past year alone, more than 250 chocofans came to visit us for a chocoworkshop or Tony's Talk! Their visits are as useful as they are pleasant, because we hear what consumers think about our approach to achieve a slave free supply chain.

Customers

The same applies to the sellers of our bars, our customers. We actively work with them and assist where we can. It's important to us that our customers view us as a trusted partner. If necessary we provide each other with constructive criticism. Last year, the recall of the milk hazelnut bar was a major topic of discussion, but we also talked about our plans for the future, the assortment and how to make enough impact. We look back on our collaboration and performance, and increasingly talk to our customers about how to follow our example.

Suppliers

In order to realize our vision of a 100% slave free chocolate industry, we need the cooperation of our suppliers. They produce our bars and print our wrappers, for example. So what were the issues among our suppliers over the past year? Naturally, we talked a lot about quality and improving our quality control system, and about how to implement traceable cocoa butter in our bars. Our volumes are increasing, so we have to work to improve our planning and prognosis and to make bigger agreements.

Other Stakeholders

In addition to the folks that have a direct daily impact as part of our chocolate supply chain, there are also other groups with an indirect influence on Tony's Chocology: for example our bank and the Board of Commissioners, but also other chocolate companies, politicians and government, scientists, certifiers and industry organizations. We're increasingly engaging in active conversations with these groups to hear their opinions and involve them in our mission.

Survey

In our annual survey among our *ahem* stakeholders, everything revolves around what should be addressed in the Annual FAIR Report. We are pleased with the response from some of our suppliers and the Tony's in our team, but especially from our customers and consumers. More than 1,900 people completed the survey, offering critical, useful and fun reactions. The most common reaction: 'We want to read more about the farmers. How do they live and work?'

What do we do with the feedback?

We consider all of the reactions, recommendations and comments and use them to draft the content of the FAIR Report. In so doing, we balance the interests of our stakeholders with our own interests, and link them to the impact that we can actually have. The end result is hopefully a FAIR Report in which we report on the impact we have had over the past year, and that is also fun to read.

Materiality Matrix 2015/2016

The materiality matrix is a useful tool to show which topics are important to stakeholders and which topics are important to us. And which are therefore included in this FAIR Report. We use the matrix in accordance with the G4 criteria described in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

The matrix is made up of four quadrants. The horizontal axis displays the issues importance to Tony's, and the vertical axis shows its importance to our stakeholders. Issues at the top right are important both to us and to our stakeholders. Most of the issues are familiar to anyone who has read last year's Annual FAIR Report. The welfare of the cocoa farmers and the elimination of slavery in the industry are most important to us – and our fans agree wholeheartedly!

Some of the issues have become more important since 2014/2015 – either to us or to our stakeholders. These issues generally have to do with developments within our company, the cocoa industry or society at large.

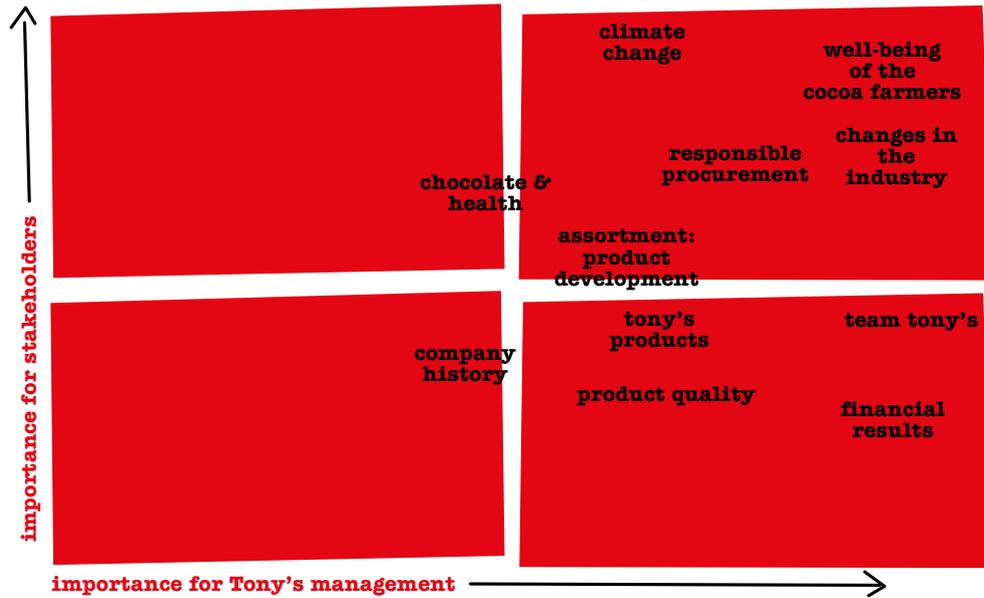
A few examples:

➔ Climate change affects us all to a certain degree, but it is increasingly challenging to the farmers in West Africa. It affects the harvest, which in turn affects the farmers' incomes. So we support local projects geared towards making arid areas in Africa productive again. Our operations create carbon emissions, so in 2015 we began offsetting part of our emissions. At the moment, we work towards a carbon-positive bar in 2018.

➔ Quality and processing complaints. This is of course partly due to the recall of the milk hazelnut bars, which we were forced to do last year. We now place even more value on our quality control system, our legal foundations and our protocols.

➔ Chocolate and health. Sugar and calories are important topics for our stakeholders.

We want to be honest: chocolate is delicious, but not healthy. Our chocolate is not better for you than other chocolates, but it is better for the cocoa farmers with whom we work. We see benefits in increasing taxes on sugar, because a sugar tax would encourage manufacturers to put less sugar in their products, as well as encouraging chocofans to buy less.



On most issues, we're on the same page with our stakeholders. The notable differences are:

➔ Team Tony's. The quality of our team is crucial for us in achieving our mission, but it's less important for our stakeholders to read about. Nevertheless, we've added them in the FAIR Report anyway.

➔ Financial results. Good financial results are important for our survival. Commercial success and a healthy financial situation help us to inspire other chocolate companies to follow our example. And international expansion is a vital element in that strategy.

➔ Our production chain. It is vital to us that we keep our promises. Most of our stakeholders will probably believe that by now, but we want to repeat it in order to serve as an example for others in the chocolate industry.

This year's FAIR Report contains quite a bit. Take the word 'stakeholders', for example. We've used it 13 times already! So let's talk about something else. The topics on the right side of the matrix are of the greatest material interest to us, so they have



**Yellow on yellow is gonna be it.
Wait and see.**

received the most attention. In this FAIR Report, you'll mainly read about our own company in the Netherlands and America. The exceptions are the welfare of the cocoa farmers, changes in the chocolate industry, and climate change. We'll talk some more about the impact that these issues have on the cocoa farmers in Ghana and Ivory Coast, and on the chocolate industry as a whole.

chapter two:

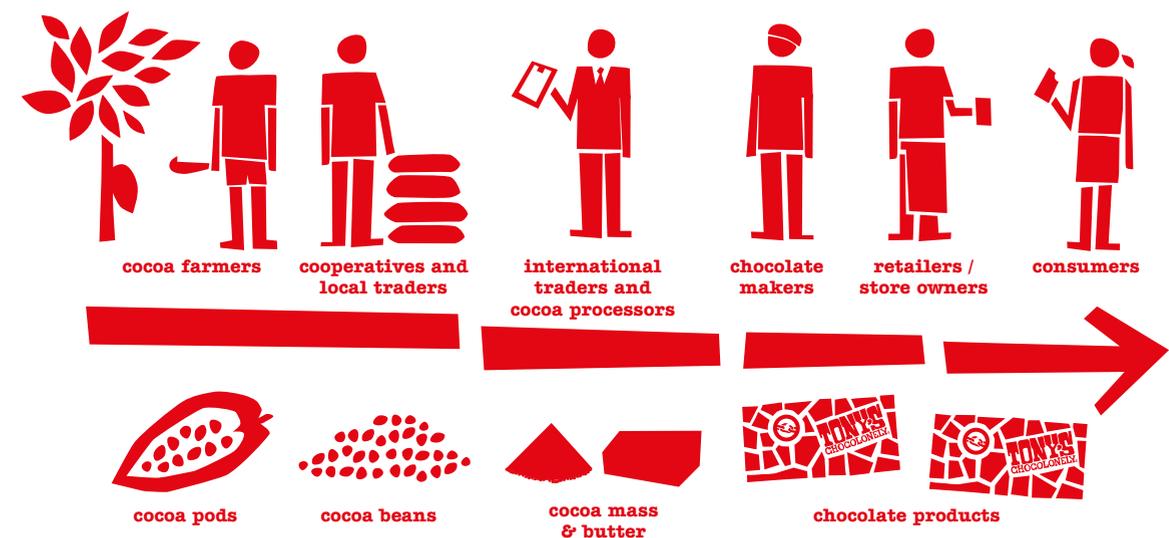
HOW IT WORKS (AND HOW IT DOESN'T)

slave free is the goal

Tony's Chocolonely was founded to end slavery in the chocolate industry. In our own supply chain, we know exactly where the cocoa beans come from. But that's not the case everywhere. Let us show you how it (doesn't) work.

Do you have any idea how the cocoa chain works? What it takes to transform a cocoa bean into a chocolate bar in a cool wrapper? Follow us through the cocoa supply chain as we explain in terms that are easy to understand:

- ➔ More than 60% of the world's cocoa comes from the West African countries Ivory Coast and Ghana.
- ➔ In those two countries alone, 2.5 million farmers grow cocoa. That adds up to around 1,000 kilos per farm per year. Cocoa farmers grow and harvest the cocoa pods and ferment and dry the cocoa beans. The farmers receive a standard price per kilo.
- ➔ Some cocoa is certified as for example 'Fairtrade', but some isn't. For certified cocoa farmers often receive a premium on top off the standard price.
- ➔ Local traders, farmers cooperatives and/or exporters transport the cocoa beans from the farms to the port and buyers.
- ➔ Cocoa traders and processors then buy the beans. Traders and processors rarely separate certified cocoa from beans that are not certified. All of the beans are just piled onto one big heap. So it wouldn't be feasible to separate certified beans from uncertified ones.
- ➔ There are just a handful of traders and processors active around the world. Western chocolate companies process the beans into cocoa mass and cocoa butter, which is used to produce couverture – liquid chocolate. More than 70% is produced by only two companies: Barry Callebaut and Cargill.
- ➔ Manufacturers process the liquid chocolate into chocolate products. Chocolate makers occasionally add tasty extras, like caramel and sea salt – we call these 'inclusions'.
- ➔ After that, the liquid chocolate is poured into molds, taken out again and packaged as a chocolate bar, letter, bonbon or Easter egg.





meet: Frieda Lommerts
from: Barbosa Fair Trade, she puts the bars in Wereldwinkel fairtrade stores.

Frieda, as our distributor from day one, you probably know what it is that makes Tony's Tony's. Tony's is open and transparent, which is an important rule of fairtrade. We can talk about anything, and there are no hidden agendas. **Do you have any tips to share with us?** Yes! Make all of the letters of the alphabet in dark and milk chocolate! And make sure that all of the ingredients are traceable, and don't make mistakes again like what happened with the milk hazelnut bar. **Yes, we've learned our lesson. Which flavor would you really like to see in the stores?** Milk with lime and poppy seed. We made that once in the chocokitchen, delicious!

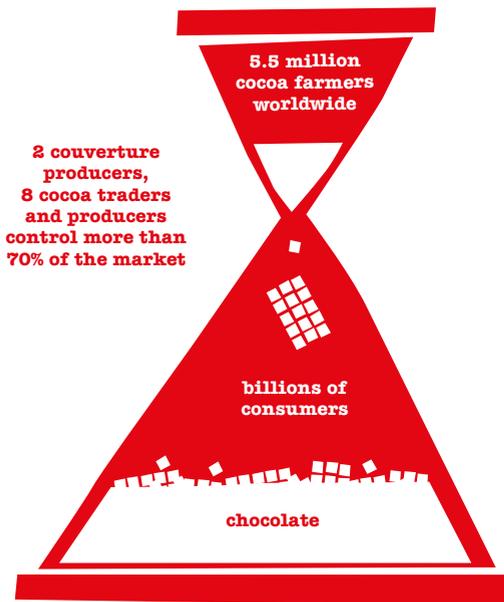


Frieda is the one second from left, at the front (the one with the flip flops).

What's wrong with this supply chain?

We think that there are some problems in the supply chain.

- ➔ The cocoa chain of chocolate is shaped like a classic hourglass. There are millions of farmers at the beginning, a few big multinationals in the middle, and billions of consumers at the end.
- ➔ We are critical of the certification of cocoa. A seal of approval seems like a positive thing. Certified cocoa shouldn't involve illegal child labor, and cocoa cultivation must be carried out in an environmentally responsible way. It is the foundation for the further development of the cocoa farmers, but it actually changes little in the supply chain as a whole.
- ➔ In the middle of the hourglass, most of the cocoa is thrown onto one big heap, whether it is certified or not. There, it is processed and sent on to the shelves for sale. If you buy certified chocolate, you can be certain that somewhere in the world the quantity of certified beans needed to make your bar was purchased. It's just not physically in your bar.
- ➔ The farmers receive a standard price per kilo of cocoa. So there is no incentive to work on things like quality and professionalism.



G4-DMA

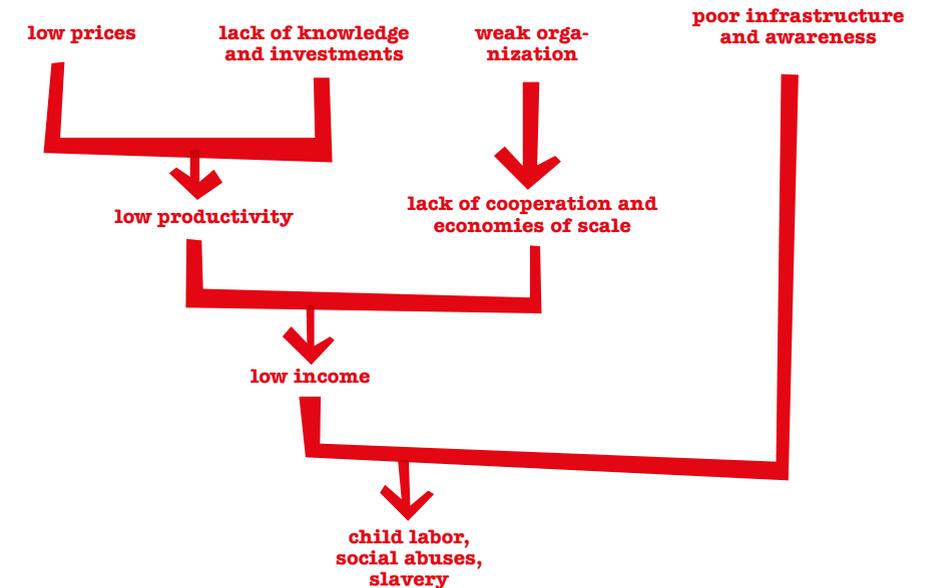
The farmer is part of a vicious circle

The farmers produce the cocoa and receive a fixed price for it, called the 'farm gate price'. Most farmers only harvest 30% to 40% of what they could potentially produce. Ironically, they don't have the right knowledge to properly cultivate cocoa and maximize the harvest. A large proportion of the cocoa trees are older, and produce fewer cocoa pods. Farmers don't have enough money to replace older trees with newer ones, or to use fertilizers. The result is soil erosion and deforestation. Moreover, cocoa plantations often become divided into smaller and smaller parcels when a farmer dies and his or her children inherit the plantation. All of these factors mean that it is simply not feasible to increase productivity.

And even if a farmer were to become more professional, he or she would still have trouble rising out of poverty. They also have to invest in fertilizers, pruning shears, knowledge and skills, new plants, etcetera. The prices for cocoa today, including the additional premiums farmers can get for certified cocoa, are simply too low.

Our premium over the past financial year amounted to 20% on top of the farm gate price. The premium was on average around \$375 per 1,000 kilograms of cocoa. That includes the Fairtrade premium of \$200.

The cocoa farmer's poverty trap



What's more, a single cocoa farmer is no match for the huge players further up the supply chain. He has a weak negotiating position compared to cocoa buyers. But if farmers organize themselves into alliances such as cooperatives, they create a stronger position for themselves and can take advantage of economies of scale. This is already happening, but these cooperatives are often not professionally run.

G4-DMA

Poverty, crises and instability all have a negative effect on the infrastructure in West African countries. After rain the roads are impassable making it difficult for farmers to travel in order to purchase raw materials or to take the cocoa to market. Thus their sales opportunities are limited and they are often dependent on others.

In short, the cocoa farmer is trapped in a vicious circle: low productivity, extreme poverty, lack of teamwork, child labor and slavery. Whutttt.. Child. Labor?!?!? Slavery?!?!?!

How big is the problem?

It's difficult to make an accurate calculation of the number of people working in the cocoa industry in West Africa. Farmers aren't required to register, for example. There is no county clerk or record keeper, and there are no ownership documents. But thanks to research by Tulane University and the US government, among others, we have some reliable estimates.

So what is the current situation? In Ghana and Ivory Coast, there are about 2.5 million cocoa farms. Around 2.26 million children work on these farms (Tulane report 2015), often on their own family's farm.

Sometimes child work is ok

If a child works with his or her parents at the plantation after school, then it's considered 'child work', which is permitted. Most children don't work full time, but rather a few hours per week, or only during the main harvest period.

But child labor, on the other hand...

If the work is dangerous or keeps the child from going to school, then it's considered 'child labor', which is illegal.

90% of the children in Ghana and Ivory Coast work under prohibited and dangerous circumstances. That adds up to more than 2 million children.

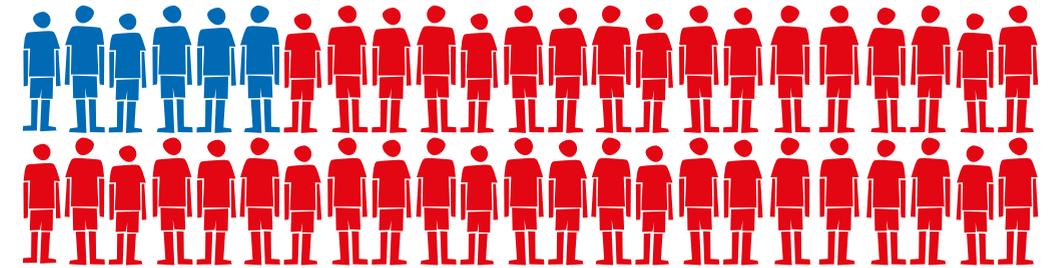
They often have to carry heavy loads, use dangerous tools (like large machetes) and are exposed to chemical pesticides. Their work prevents them from going to school, or they have to do work for which they are still too young. And it's not only children. Adults are also victims of labor abuses. Over the past few years, there have been no new reliable studies on human trafficking and slavery in the cocoa industry. But based on general studies and observations of slavery in Ghana and Ivory Coast, we estimate that there are around 90,000 victims of human trafficking, forced labor and extreme exploitation. That's equivalent to 1,600 city buses full of slaves for our chocolate! The vast majority of which are children.

What is modern slavery?

There is no international consensus about the definition of modern slavery. One calls it slavery, the other forced labor or slavery-like work. Many organizations count the worst kinds of child labor as defined by the International Labor Organization, and some only include human trafficking in their definition. But one thing everyone agrees upon is the existence of exploitation or forced labor.

We consider all forms of forced labor or exploitation to be modern slavery, including the (under no circumstances tolerable) worst forms of child labor.

2.26 million children working,
legally and illegally



more than 2 million of these children are victims of
dangerous work and illegal child labor

source: Tulane
University
2015

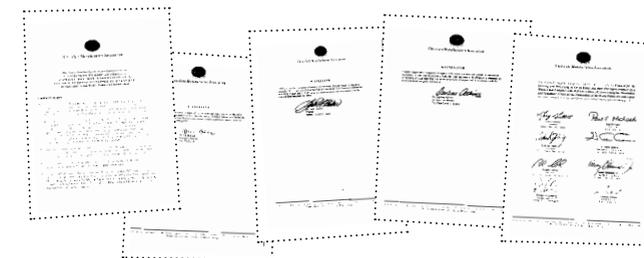


No matter which exact words we use to describe these abuses or how they're defined, they're unacceptable, illegal and must be stopped. As long as one single child is doing dangerous work or one adult is being exploited, we will continue to fight against inequality in the cocoa industry.

But as we said before, there has not been enough quantitative research into slavery in the cocoa industry.

Efforts and solutions in the cocoa industry

The cocoa industry shows hardly any progress when it comes to tackling slavery. Unfortunately, their efforts didn't have much impact. There are initiatives such as CocoaAction and the International Cocoa Initiative. The latter derives partly from the commitments made in the Harkin-Engel Protocol – which is more than 15 years old. The Harkin-Engel Protocol was signed in 2001. Its goals are far from being reached.



The Harkin-Engel Protocol was
signed in 2001. But there is
still a long way to go to achieve
the goals.

Certification of chocolate

And then there's the issue of certification. Certification of chocolate is increasing worldwide, which at first glance would seem to be a good development. There is an increasing amount of Fairtrade chocolate or chocolate with a sustainability label. Unfortunately, the extreme poverty of the cocoa farmers and slavery in the industry isn't being dealt with effectively.

Certification means that an independent party has confirmed that farmers and other companies in the supply chain work according to certain minimum requirements. These certifiers could include many different parties, and each party has its own name. You have the Fairtrade label, UTZ (pronounced ootzzz), Certified and Rainforest Alliance. If you would like to learn more about the differences between them, an overview of all of the certifications is available on our website.

From the moment our very first bar saw the light of day, we've been Fairtrade certified. Eleven years ago, Fairtrade was the only initiative that worked for a fairer supply chain and better conditions for the farmers. We remain a critical member of Fairtrade, and will continue to challenge them to improve their system and the impact it has on the farmers.

Other peoples' roles

Last but not least there is also a very important role for governments to play. In cocoa producing countries this revolves around governments monitoring/observing their own regulations and international treaties. A basic example: the government should provide adequate education, so that children can actually go to school and build a better future.

Governments in consumer countries can do much more to eradicate modern slavery. Just imagine a child in Amsterdam unloading cocoa from a ship – feathers are gonna fly. But if a child is loading that same cocoa onto a truck in Ivory Coast, there's no problem. In short, European governments must set clear requirements for businesses and enforce the consequences, to analyze the risk in the supply chain and be transparent about the conditions under which the products are manufactured.

The Global Slavery Index, a leading report on slavery, praised the Dutch government for its fight against slavery in the Netherlands. But in the same report, they get a big "unsatisfactory" when it comes to addressing slavery in international supply chains.

As we say at Tony's, don't bury your head in a mound of cocoa beans. Not as a producer, and not as a consumer. Because that gives away your power. Fortunately, there are an increasing number of educated consumers who make a conscious choice. Eventually, by working together we can sway even the biggest chocolate giants to make structural change in their operations. Maybe it sounds a bit naive or arrogant, but we are certain it can be done.



We have direct, long-term relationships with five farmer cooperatives in West Africa: ABOCFA and Suhum Union in Ghana and Kapatchiva, Ecam and Ecojad in Ivory Coast. We regularly visit the plantations and see the pride in the farmers when they taste their cocoa in our bars.

Our cocoa beans are labeled and stored separately on location before they are shipped to the port. That way, we can follow our beans all the way to the chocolate factory in Belgium.

The next step in the supply chain is Cocosource, our trader, which has the expertise and permits to export our beans to Belgium. In Ivory Coast, some of the cooperatives have their own export permits, so they can sell directly to Cocosource. In Ghana, the beans first have to be sold to a specific local trader, before our trader can buy them for us. Normally, the Ghanaian government buys all the beans and sells them on the

global market with the same quality standard. But their export system isn't quite accustomed to a small chocolate maker that wants to export its own beans. So our beans receive more attention – and they need more permits.

Once the beans have arrived safely at the port in Belgium, they are shipped on to Tony's chocolate maker: Barry Callebaut. There, cocoa butter, sugar, and other ingredients are added to the mix.

The next step is to pour the liquid chocolate into the molds. That happens at Tony's chocolatiers: Althaea and Kim's Chocolates. Our chocolate molds are just a bit different from the rest, with unequal sections of chocolate. That produces unevenly divided bars, like the chocolate industry in general.

Then: wrap it and send it to the retailers, supermarkets and cafés where you can buy Tony's. It's only a small step further to the consumer, our chocofriends and fans. Go go go, enjoy it!



We asked Dr. Rita Owusu-Amankwah, one of our partners in Ghana, to give us her critical opinion of Tony's work, especially regarding our definition of slavery. Her input helps keep us on our toes and to raise the bar ever higher

Observations on the work of Tony's

I would like to start by commending Team Tony's for the great work done in respect of maintaining good working relations with producers. However there are two observations that need to be brought to your attention.

First, the definition of slavery. In my view, your definition of slavery is very broad and overestimated. For slavery to exist, there are important indicators that should be present. These indicators are force, no freedom of movement, staying away from parents and not being allowed to access school. A lot of studies on child labour in Ghana have been conducted by the government and other research institutions such as Tulane University. Tulane has conducted about three such studies – 2008, 2011 and 2015 and none of them could emphatically give estimates of slavery in Ghana or confirm that there is massive slavery going on in Ghana. Tulane University studies revealed that school attendance for children aged between 5 and 17 years in Ghana stands at 90.9% (2008/9) and 95.9% (2013/2014) respectively. This shows that a lot of children have access to formal education. The question is, if this percentage of children can be found in school, how can they be enslaved?

Although some of the indicators might exist, it is not absolute and as massive as portrayed. Again data on Ghana revealed that over 90% of children in cocoa communities stay with at least one parent. These notwithstanding, the study reports of Tulane and others have indicated that children are involved in hazardous work. Therefore the issue in Ghana is not slavery but children performing hazardous work. Children and indeed farmers are facing a lot of challenges with the key ones being poor income, poor infrastructure and high cost of labour that have led to children

being engaged in child labour and sometimes hazardous work. To clarify the situation it would be appreciated if Tony's could conduct a study on slavery and conditions of slavery in Ghana.

Second, the reduction in the premium*. Tony's Chocolonely has been paying a good premium to farmers over the years. For instance it has been paying \$400 extra in premium per ton to ABOCFA farmers for producing organic cocoa even though it does not need organic cocoa. So instead of \$200 per ton as fair trade premium, ABOCFA farmers receive \$600 per ton. Tony's indication to reduce the premium from \$600 per ton to \$377 per ton representing 37.3% reduction is bad news and a big blow to the organic cocoa farmers. It is the plea of the farmers that if Tony's cannot increase the premium, then the old amount should be maintained. Indeed the reduction contradicts Tony's core mission and the objective to share the 'cake' fairly. The reduction will affect the farmers in many ways – reduced income with ripple effect on productivity and reduction in family welfare etc.

Rita Owusu-Amankwah is the Director of Sustainable Empowerment & Development Consult, and lives and works in Ghana.

*Footnote to provide Tony's context: the farmers of the ABOCFA Cooperative in Ghana are an exception, and since 2012 they have received a higher premium from Tony's than other farmers: \$600 instead of \$375. We are planning on equalizing the premiums within the next few years. For more information about how we calculate our premiums and the premiums paid per cooperative, see page 52.

“To clarify the situation it would be appreciated if Tony's could conduct a study on slavery and conditions of slavery in Ghana.”



chapter three:

WE ARE TONY'S

**.. and we have an important
story to tell**

We are a chocolate company that makes a profit, that has rapid revenue growth, that is a great brand and that makes amazingly delicious chocolate that will make you want to lick the wrapper. But as cool as that all seems, these are only tools to achieve our real goal: 100% slave free chocolate



**meet: Femke Lotgerink
from: Team Tony's**

What makes Tony's Tony's? We make a deliciously cheerful product that serves a larger - and more serious - goal. **Anything else?** Yes! Tony's is honest and open about everything that goes on. We are critical about our own work. That's what our team is all about. **What else should we keep an eye on?** We have to watch out that we carefully monitor the balance between commercial success and the interests of the cocoa farmers. To put it simply: the balance between commercialism and integrity. **Well said, Femke! And lastly, which chocolate bar do you think we should come up with next?** Milk Liquor Cuarenta Y Tres would be truly awesome!



When we realized that slavery still exists in the cocoa industry, we took our responsibility and started a chocolate company in order to fight for slave free chocolate. We've noticed that we can only have real impact by changing the chocolate industry from the inside. We would love to be the mosquito in the bedroom of the chocolate giants. Tiny, but hugely irritating.

Our growth in bars sold, and the fact that we have made a reasonable profit for several years now, are essential in order to achieve our mission. Our work method is organized in such a way that we're not only trying to achieve a positive impact, but that we ourselves also serve as an example for other players in the supply chain. Our ambition goes far beyond our own bars of chocolate. Real change will only come to West Africa when others follow our example. And that's why we build a scalable model, earn profit and show growth.

If that's too serious for you, don't worry, we still enjoy playing foosball, karaoke, bad jokes and throwing parties. We would love to exchange thoughts with you. Tell us what you think of our approach, and you'll learn something about our four core values - while sharing a piece of chocolate with us.

Our values are our compass and guide us when making choices. What are our values worth?

OUTSPOKEN

We don't shy away from being critical of ourselves, the chocolate industry and the world. We are open, direct and always questioning the status quo; to keep on learning and keep ourselves and others on their toes.

WILLFULL

We are truly pioneers. We believe in taking the freedom to do things differently; that's what makes us original and disruptive. We explore new routes when we believe that doing so will make the world a better and fairer place. That way, we can continue to reinvent ourselves and inspire others.

MAKES YOU SMILE

We like to look at the bright side and in the good of people, preferring a little naivety over negativity. We love what we do, we keep laughing, and we are full of energy to move chocolate mountains.

ENTREPRENEURIAL

We are a commercial organization, a company that wants to make the world a better place. Money is not our goal, simply a means to realize our vision. We have guts. We dare to reach for the stars, pushing limits and breaking barriers to get things done. We never choose the easiest way to do things, and we persevere where others would give up.

What do we hope to achieve, and what do we shout when you wake us up in the middle of the night?

our vision:

100% SLAVE FREE CHOCOLATE.

Not just our chocolate. No. All chocolate worldwide. Only when there is really no more slavery in the chocolate industry, we will have achieved our goal.

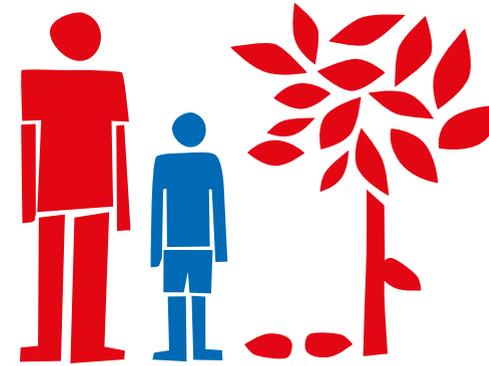
our mission:

TOGETHER WE MAKE 100% SLAVE FREE THE NORM IN CHOCOLATE.

As a chocolate company, we lead by example and activate industry, politics and consumers to bring about change. Our roadmap points the way: Tony's Chocolonely creates awareness. Tony's Chocolonely leads by example. Tony's Chocolonely inspires to act.

Tony's manifesto

Right now, slaves are working on cocoa farms in West Africa. Many of them are children. Tony's Chocolonely exists to change that.



Our vision is 100% slave free chocolate. Not just our chocolate, but all chocolate worldwide.

With incredibly tasty chocolate, we lead by example to show the world chocolate can be made differently: in taste, packaging and the way we treat cocoa farmers.



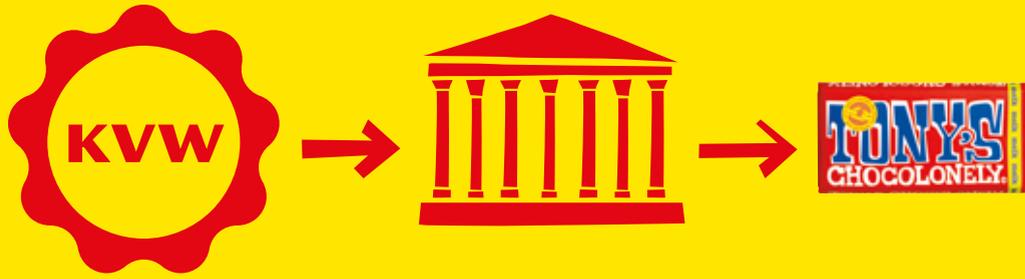
Alone we make slave free chocolate, together we make all chocolate 100% slave free. So we ask you to join in..



The more people choose slave free and share our story, the sooner 100% slave free becomes the norm in chocolate. The choice is yours. Are you in?

**CRAZY ABOUT CHOCOLATE,
SERIOUS ABOUT PEOPLE**

Tony's Chocolonely: back to the beginning



Tony's Chocolonely was founded eleven years ago by the creators of a Dutch TV program called 'Keuringsdienst van Waarde'. The program's reporters investigate the world behind the products in our shopping baskets and bring surprising things to light. One of these reporters is Dutch journalist, Teun van de Keuken. Teun was shocked when he read that slavery still existed in the cocoa industry.

In 2003, he traveled to the cocoa farms in West Africa and spoke to child slaves there. They were exploited, sometimes kidnapped from their families, they were not allowed to go to school. All of this despite a number of international chocolate companies signing the Harkin-Engel Protocol in 2001, a protocol which detailed agreements to eliminate the worst forms of child labor. Teun rings the alarm bells and called all the major chocolate companies, but no one would take his calls.

So Teun stepped up and took action himself. He ate a couple of chocolate bars and then turned himself in to the authorities as a chocolate criminal. By eating chocolate he was complicit in slavery. But the public prosecutor wouldn't prosecute him. Teun didn't give up and went looking for witnesses; victims of his chocolate consumption.

He found four boys who were working as slaves on a cocoa plantation in Ivory Coast. They provided evidence against Teun and the 2,000 other chocolate consumers who had since joined Teun in his campaign.

On November 29 2005, still awaiting the judge's decision, Teun decided to lead by example, so he produced 5,000 Fairtrade chocolate bars. That's when Tony's Chocolonely was born. Milk chocolate in alarming red wrappers to bring attention to Teun's (Tony's) lonely battle for slave free chocolate (Chocolonely). The bars were an instant hit. More than 13,000 bars were ordered!

Eventually, the court in Amsterdam decided Teun couldn't be prosecuted on legal grounds. But by then, Tony's Chocolonely's struggle had gained momentum and couldn't be stopped. A chocolate company founded to end slavery in the chocolate industry. With just one goal: 100% slave free chocolate.

How is Tony's managed?

Over the past year, Tony's Chocolonely has grown dramatically in size and revenue, and we aim to continue growing. But that places greater demands on – you guessed it – the management of the company. In 2016, we reached a major milestone: we appointed a Board of Commissioners.

The commissioners advise and audit Tony's board and the management team. We are extremely proud of our commissioners, and would like to introduce them to you:

Erik Cornelissen. Area of expertise: financial/legal issues.

Peer Swinkels. Area of expertise: sales, marketing & new business.

Willemijn Verloop. Area of expertise: social impact.

For their efforts, the members of the Board of Commissioners each receive € 15,000 per year.

And there's more news regarding the management of Tony's. In addition to Chief Chocolate Officer Henk Jan Beltman, we now have Eva Gouwens our First Lady of Chocolate and Freek Wessels our Beancounter, as also the statutory director of Tony's Factory B.V. We have expanded the statutory directors in order to make the authorizations within our organization less dependent on one single person, and to guarantee that we sufficiently coordinate our decision-making activities. Like Henk Jan, Eva and Freek are legally authorized to represent the organization.

Besides Eva and Freek, Tony's management team consists of Chococoloco Pascal van Ham, Bean-to-Bartender Frans Pannekoek and Frits 'The Choconator' Snel. The team is charged with leading the company's day-to-day operations, and is responsible for the development and realization of long-term strategic objectives in our roadmap. Let's raise the bar!

Focus! Focus!

In our annual, internal work quest-cheer-naire we ask specifically what we do well, and where there is room for improvement. The scores for our office and the management team have improved enormously, but the latter remains a point of concern due to the rapid development of the company. That's why we have set up coaching program for our MT.

The scores for cooperation and atmosphere sank slightly, but remain high. The rapid growth of the company, the team and the work load mean we have to pay more attention to the way we work together. Our company culture becomes even important. In her Master's thesis, our Sophie studied how Tony's can strengthen its culture, considering the recent growth the company has experienced. And when our longest-serving Tony, Marieke, made an internal career switch, she formed the 'Livin' the Brand' team, which is responsible for Tony's culture and core values – both internal and external.

And of course, we still do a lot with and for Team Tony's. One of the highlights of the past year was a visit to our cocoa farmers in Ghana and Ivory Coast. The trip wasn't just for fun. Prior to the trip every Tony had to think about what he or she wanted to learn or discover during the visit. For example, Sweet Talk Kirsten interviewed a number of farmers about Tony's premium prices. And Chocotof Eva W. deepdived into what happens with the cocoa beans before they get to the local storage facility – and

why. Those were all experiences that came in handy here in the Netherlands, for example when we tell our story and when we develop new flavors. It was an amazing and cool way to celebrate our 10th anniversary.

We also organized the best Chocademy ever (according to the Tony's); our internal training with lots of inspiration and fun. It was a good year, but with so many new Tony's running around, we will need to find a new approach. Until now, we've had one common program, but as the team has grown we notice that there are many different needs. We also observed a mismatch between a team that thinks there should be more room for personal development, and a training budget that runs a surplus every year. So we'll have to take care of that!

Human resources, serious business

As the team has grown, we have to pay more attention to human resources. Under the leadership of our People Champion Carline, we have improved the application process so that we can be more serious for and about people. The same applies to mentoring and showing new Tony's the way around our company.

And finally, together with the financial advisors from Deloitte, we have determined how the salaries of our American Tony's relates to those of the Dutch team. Except for the index to inflation, the Dutch salary structure is unchanged in relation to last year. Just so you know!

12, 20, 12+20

For years, our home base has been located on the Polonceaukade in Amsterdam. Years ago, we moved from number 12 to number 20, because number 12 had become too cramped for our growing team. But the new home had its own limitations, so we needed even more space. And we found it at... surprise surprise - number 12. Home sweet home! And so close by! We still have lunch together at number 20, and we've ordered a supply of Tony's raincoats for our Tony's at number 12. That way, they won't have to worry about the Dutch rain on their way to lunch.

And did you know that all of the Tony's workplaces are all mixed up together like hazelnuts in a chocolate bar? We aren't neatly divided into cubicles assigned by department - no way! We want all of our areas of expertise to be able to learn from one another. Our semi-annual Office Bingo is a great tradition to help achieve that, by assigning each Tony a different workplace every six months. Shake it up!

More stuff you need to know about Team Tony's

The counter has reached 40 Tony's (September 2016).

There are 17 male Tony's and 23 female Tony's.

In the management team, there are 3 gentlemen and 2 ladies.

36 of us work at Tony's home base in Amsterdam, and 4 work in Tony's office in Portland, Oregon (hi Peter, Meredith, Maudi and Heather!).

2 Tony's left our team this year. But we welcomed 15 new Tony's to the team!

2 Tony's moved on to new positions inside the company, and 5 Tony's moved up within their own position. A well-earned pat on the back for you all!

This is Team Tony's (september 2016):



chapter four:

OUR ROAD MAP

towards 100% slave free chocolate

In 2015 and 2016, we took some major and minor steps forward, but we still haven't reached our goal: 100% slave free chocolate.

On Tony's roadmap you find our long term goals and our specific activities per year. On the following pages, you can read more about it and we'll tell you exactly how far we have come

The roadmap shows what we have done over the last 12 months in order to bring a slave free cocoa industry a step closer.

Tony's creates awareness

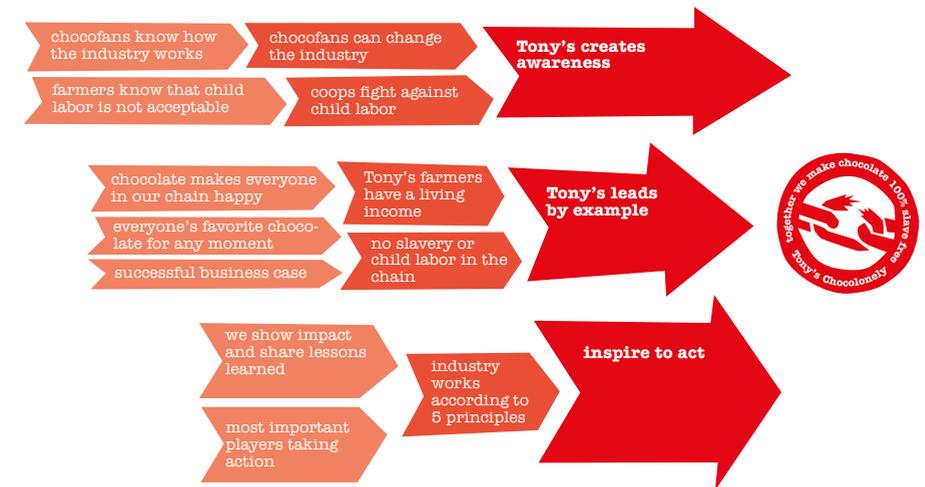
We want to make all chocolate lovers aware of inequality in the cocoa sector. If the retailers and consumers demand and actively ask for fair chocolate, chocolate makers become responsible for making it happen.

Tony's leads by example

We lead by example and prove that it is possible to make chocolate differently. We invest in long-term relationships with cocoa farmers, make fairer price agreements and train cocoa farmers to improve their crop yields and their organizations. We make chocolate with traceable cocoa.

Inspiring others to act

We inspire others to take action, and we are actively looking for partners to follow our model. We are increasing the pressure on the industry through dialogue with politicians, NGOs and science.



We will take a close look at our roadmap

We made some strategic changes to our roadmap in the past year. We aim to set clearer and more concise long-term goals and to communicate on our progress more frequently than once a year. Tony's vision remains unchanged, as do our three pillars. So what exactly has changed? We distinguish between our activities, the results we achieve with these activities, and the effect we are hoping this will have. This makes it easier for us to set and measure goals. Come again?

Let us give you an example: we give talks – known as “Tony's Talks” – on a variety of occasions about the issues in the cocoa industry and about our company (activities). We do this with the objective of raising awareness about these abuses and problems. We measure the success of these efforts by investigating to what extent Dutch people are aware of these issues (results). We then hope these people make other choices when it comes to grocery shopping or increase pressure on the industry (effect), but this happens to be an aspect over which we have no control.

Over the past year, we have conducted ‘test runs’ of the revised road map, and the experience has taught us quite a bit. We set fewer KPIs for each of our pillars for the coming year, but they are measurable KPIs. We will post these 12 KPIs on our website in an easily readable format, and will update them on a regular basis. Starting in 2018, we will receive external assurance for the main KPIs, similar to the auditor who reviews our financial results. The goals and performance areas shown in the roadmap are identical to our long-term business plan.

What did Avance think of it?

“It was a successful year for Tony’s Chocolonely. The commercial growth continued in the Netherlands and abroad. More and more cocoa farmers benefitted from Tony’s growth: the number of cooperatives with whom Tony’s has a long-term partnership has doubled due to the demand for Tony’s chocolate.

Over the past year again steps were taken toward achieving Tony’s ambitious goal: 100% slave free chocolate.

This year, Tony’s achieved 79.3% of the goals stated in the road map, and several important milestones have been reached.

Chocolatemaker Barry Callebaut agreed to produce cocoa butter from traceable cocoa beans. So the first traceable cocoa butter is in production. The rest of the cocoa in Tony’s chocolate was already 100% traceable this year.

Guidelines have been drawn up to make the other ingredients in Tony’s bars - the so-called ‘inclusions’ - more sustainable. The carbon emissions caused by the production of Tony’s cocoa and packaging materials were compensated. This is the first step towards full compensation of all of Tony’s carbon emissions.

Many Tony’s consumers were reached this year with Tony’s message thanks to the film TONY / The Chocolate Case. Increasingly accurate consumer surveys allowed Tony’s to better monitor what

consumers know about Tony’s message. Besides success there was also disappointment.

Unfortunately, this year some new cases of child labor were found. A study that Tony’s commissioned in the areas where cocoa is purchased showed that slavery and child labor are persistent problems, and that awareness campaigns can result in a taboo on talking about child labor.

Another recurrent problem is that the farmers in most of Tony’s cooperatives do not produce enough to supply sufficient income. Tony’s adjusted its premium calculations in 2016, but the assumptions do not appear to be always realistic.

Inspiring other parties in the industry also remains a challenge. The goals for this area were achieved, but that doesn’t mean that the industry is really following Tony’s example. In order to realize that objective, Tony’s will have to formulate even more ambitious targets for itself.

But challenges don’t discourage Tony’s Chocolonely: the plans to meet these challenges are in place and will be measured even more aggressively in 2017!”

avance-
the impact engineers

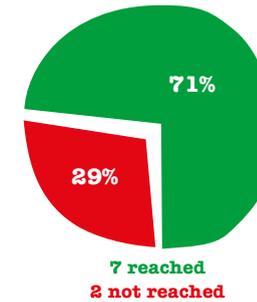
How’s it going?

Are we still on track?

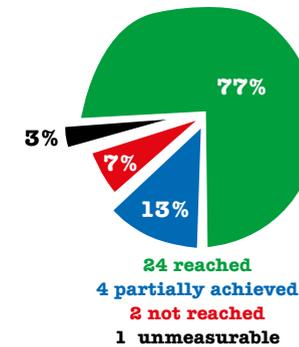
We again had the impact engineers of Avance, measure our social impact in 2016. Their experts assist us in measuring and maximizing it.



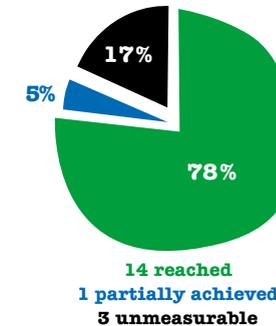
Tony’s creates awareness (9 goals)



Tony’s leads by example (31 goals)



inspire to act (18 goals)



A detailed overview of our roadmap, with all our goals and results can be found at the back of the report. Warning: contains very small print.

meet: Augustin Planty
from: Ocean, our partner in Ivory Coast, who buys beans from Scoopacdi and Ecam and offers them to our international trader Cocosource.

What makes Tony’s Tony’s? You deliver what you promise! Of course, the taste of chocolate, branding and packaging are also important factors. And the sustainability of the goods is also a big part in this success. **What do you like about Tony’s?** Tony’s is very transparent in the business, especially regarding social responsibility. In order to create stability and growth, we need long-term relationships. The knowledge of the field is also a very important good point for Tony’s. And last but not the least, the friendly way Tony’s works is really motivating. **Thanks, Augustin!** **And lastly, which chocolate bar do you think we should come up with next?** Dark chocolate with cashew nuts could be really awesome!!



chapter five:

TONY'S GREATS AWARENESS

know why you eat us

If your mission is to make 100% slave free the norm in chocolate, then chocofans need to know the facts about slavery, exploitation and child labor at the cocoa plantations in West Africa. More and more consumers, companies and events are consciously choosing Tony's Choclonely. We think that's freaking awesome! Together, we can increase pressure on the chocolate chain in order to realize real change.



meet: Gaetana
Chocofan in heart and soul

What makes Tony's Tony's? The chocolate is appealing to a variety of senses. The bright colors are attractive, and the message is good. The trend of being more and more aware of ethical products suits Tony's.

What do you think is cool? The contact with Tony's is authentic, fast and friendly. What you do well is involving the consumer in the mission of slave free chocolate. **Is there anything we could do better?** Come to festivals. They're great places to reach a young, often progressive public. **And lastly, which chocolate bar do you think we should come up with next?** Pfew! That's a tough one... I'd go for a bar with honey and grapes.



Not nearly enough people know the facts about slavery, exploitation and child labor at the cocoa plantations in West Africa. So we tell chocofans about it in all sorts of ways, as well as how they can join us.

Our chocolate tells our story in its purest form. The bars are our most important tool for telling our story. They help us reach the greatest number of chocofans; last year we sold 19,417,320 bars in all sizes!

We use every square centimeter of our wrapper (yes, even the inside) to tell about who we are, what we do and what you can do. And yes, people still ask us what's the deal with the unequally divided pieces. It's soooooo unhandy. Couldn't you do it normal-like? Nope. Our chocolate bars are unequally divided to illustrate the inequality in the chocolate industry.

You'll hear from us.. and we'll hear from you

We aim to inform, inspire and motivate chocofans. There's a good chance that you've come across us over the past year.

We love to **see** you at parties and events, such as our annual FAIR and the launch parties for new bars. But we would also love to visit you and give a Tony's Talk.

As sociable as we are, **we stay in contact** via our social media channels, where we show and tell serious information about our chocolate. Fans share their experiences with us and with others, and in doing so contribute to building our brand. And we answer, re-post and re-tweet.

We work hard to **get publicity** in the media with our chocolate, our story, our Chief Chocolate Officer Henk Jan, or... our plans for a chocolate theme park. You **see us** and **hear from us** via our **partnerships** in the **stores** where you can buy our bars.

We consciously choose to focus more on the serious story behind Tony's in all of our activities involving chocofans. We have five rules of thumb when telling our story:

1. Our mission is our only goal. Everything else is just a means to that end.
2. Our values (outspoken, entrepreneurial, willfull and makes you smile) are leading in everything we do.
3. We don't pay for advertising. We believe in direct relationships, with the cocoa farmers and with our chocofans.
4. We want to inspire chocofans to join us.
5. We are always open and honest, even if we don't have something nice to say.

Tony's brand monitor: preliminary results and interpretations

In spring 2015, for the first time we measured awareness of the cocoa problem and what Tony's Chocolonely stands for. Now we do that twice a year as part of Tony's brand monitor. In our last Annual FAIR Report, we shared the preliminary results and we set some goals based on them. And as you can expect from Tony's, they are pretty ambitious.

Three measurements later, we now have more insight into the results, and we can set even better (realistic! But still ambitious!) goals. The last measurement was in June 2016. So the results deal with the first half of the last financial year.

"Slavery exists on cocoa farms"

	June 2015	June 2016
Tony's buyers	41% have heard it often 78% have heard it one or more times	41% have heard it often 79% have heard it one or more times
Non-Tony's buyers	23% have heard it often- 62% have heard it one or more times	19% have heard it often 53% have heard it one or more times

➔ By June 2016, 41% of Tony's buyers had 'often heard' that slavery exists at the plantations, so we will not reach our goal of 50% by the December 2016 survey. Bummerrrr.

Important insight numero uno:

We see that we haven't increased awareness of the problem and understanding of our mission over the past year by as much as we would have liked. Over the past year, we have communicated much more about the abuses in the chocolate industry via the movie 'Tony', social media, PR and serious campaigns in stores. Our buyers are multiplying so rapidly that it is becoming a challenge to maintain the awareness level and to keep it growing. We will face that challenge head-on next year.

Important insight numero dos:

In addition to the group of Tony's buyers who have heard about the issue 'often' (41%), another 38% had heard about it at least once. In other words, 79% have heard about it one or more times. Both figures are worth following up on.

Important insight numero tres:

The awareness of Tony's Chocolonely and our mission is increasing, and the willingness to join us is increasing as well:

- ➔ The (assisted) awareness of the brand Tony's rose from 53% (in 2015) to 57% (in 2016).
- ➔ The (spontaneous) awareness of our mission 'slave free': 9% (in 2015) to 16% (in 2016).
- ➔ Chocofans buy our product to support our mission: from 38% (in 2015) to 45% (in 2016).

Conclusion: it's moving in the right direction, but there is still a lot of work to do! And we're going to do it. Let's raise the bar!

Stars of stage and screen

As we have paid more attention to free publicity to tell Tony's serious story, this year more articles about our chocolate and our mission have appeared in Dutch newspapers, magazines and online media. 469 articles, to be exact. During the same period in the last financial year, that number was only 263. That's an increase of 78%! Now that we have become more active in the Netherlands and abroad, next year we will keep better track of international publications as well. Because we naturally want to know what people are writing about us.

Last year, we were also invited to give Tony's Talks at many wonderful meetings, activities and conferences. Our Chief Chocolate Officer Henk Jan, First Lady of Chocolate Eva and Chocologo Pascal tirelessly climb up onto podia throughout the country. Sometimes in front of a crowd of 100 men and women, and others in front of an audience of 2,000. But every time, they meet the same level of enthusiasm, both in the auditorium and on Twitter. Share our chocolate, share our story. It works! And due to popular demand, we have recently recruited a new podium Tony: Ynzo, the Chocovangelist. He'll be giving a lot more Tony's Talks. We aim to reach at least 200 people with a Tony's Talk. We don't ask for money, but we do ask the organizers to purchase two bars in our webshop for everyone in attendance. One to eat themselves, and one to give away. Because that's the message: share our chocolate, and share our message.

We have also experienced major growth in our social media reach. Our Sweet Talk Kirsten cranked up our social media strategy, increasing our followers on Facebook from 38,000 to 73,000, and on Instragram from 6,000 to 25,000. BAM! Our complete social circle (including Twitter and LinkedIn) now includes more than 120,000 friends. But no matter how nice that growth is, we do not have direct contact with all of our social friends. That's due to changes in the social channels, so our social posts only reach a limited section of our circle of friends. As a result, we have to ask ourselves how we can best maintain a direct relationship.

More and more consumers, companies and events are consciously choosing Tony's Chocolonely. We think that's freaking awesome! Together, we can increase pressure on the chocolate chain in order to realize real change. It's all about mobilizing chocofans, the industry and politicians.

And now for some serious fun! Good deeds in 2015 and 2016:

➔ In November, we celebrated our 10th AnniFAIRsary with around 3,000 of our best friends in the Gashouder in Amsterdam. The movie had its gala premiere. We also presented our new button: 'Together we make chocolate 100% slave free'. Our First Lady of Chocolate presented the Annual FAIR Report, and our founder Teun van de Keuken gave us his honest opinion. Ryan Gellart from Patagonia reflected on our mission from the perspective of the textile industry, and we heard from Minister for Foreign Trade and Development Cooperation, Lilianne Ploumen. A delegation of the farmers from West Africa was also there, making a big impression. And later in the evening, we blew the roof off the place, with Tony's Food Fair and spectacular performances by Akwasi, Typhoon and Gallowstreet. Yeah!



There's Eva, Our First Lady of Chocolate.



beautiful photos made by Reinier RVDA

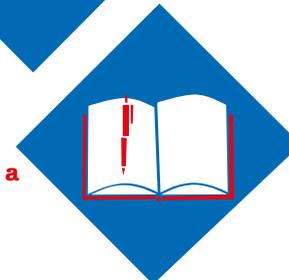
➔ And because of our birthday, we had a wish list. The list was available on our website and on Facebook. Naturally, everyone was free to do with it what they wanted. But guess what, there were loads of presents! Awesome.

Tony's running shirts are selling like chocolate chip hotcakes; 189 have been ordered already.

300 chocofans shared our story.

50 new cocoa plants were for the farmers.

3,600 Euros have been donated to a scholarship fund for the farmers.



➔ We are insanely proud of the movie TONY. From Chocolate Criminal to Idealist' by director

Benthe Forrer. It had its wide spread release in Dutch movie theaters in spring of 2016. Team Tony's traveled along with the theater tour to talk to the viewers after the show. After the premiere in 't Ketelhuis, the movie had more than 300 viewings in around 50 theaters and several festivals. In total, around 10,000 people watched the movie in the theater, at festivals (including the Dutch Film Festival!) at school, at work, at Dutch embassies and now at home via video-on-demand. The movie will also be shown at several foreign film festivals, such as the Raindance festival in London.

The movie is expected to attract a lot of free publicity, with articles and reviews in all of the national media. Hey ho!! The trailer has already received 85,000 views via social media.

And the American news site Huffington Post featured a great article about the movie TONY. Plus, there will be plenty of coverage in blogs, movie media and the Dutch TV host Pauw has invited Teun van de Keuken to talk about the movie. And if you still haven't had a chance to see 'Tony' after all of that, it will be broadcasted on Dutch television in 2017.

Here are just a few of the reviews:

★★★★ "A case study of the clash between idealism and reality"
Het Parool

★★★★ Cinemagazine

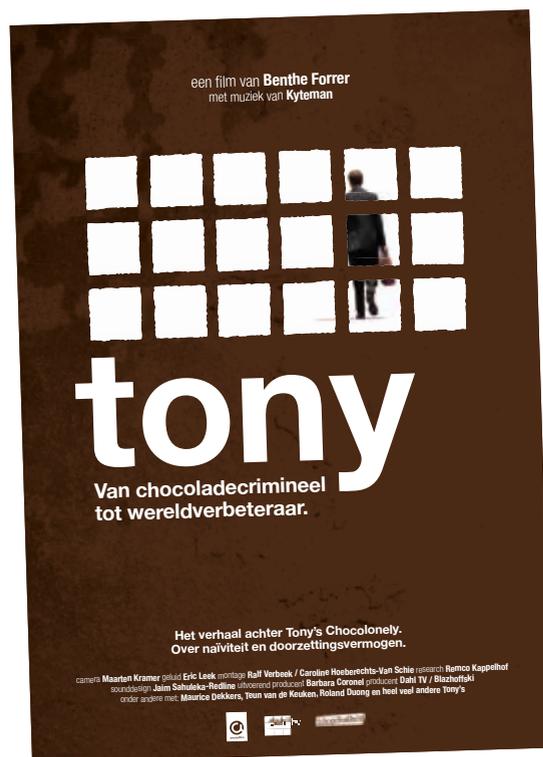
★★★★ "Cheerful and idealistic"
De Volkskrant

★★★★ "Part youth novel, part guerilla journalism" NRC Handelsblad

★★★★ "Great oneliners and absurdistic situations" Filmtotaal

★★★★ De Telegraaf

★★★★ De Filmkrant



Everything revolves around chocolate in the chocolate theme park

Yeee Hawwww!! Loop-the-loop through Tony's chocolate factory in Amsterdam Noord; it's gonna happen! Some day, siempre.. The newspapers were full of the story early this year. And it fits completely in our strategy of awareness. It's all about how you present it. As simple as that!

Let's be honest: it's everyone's dream to be able to make your own chocolate bars in your own factory. The Tony's Factory would be especially for the bars that our chocofriends Althea and Kim's can't make for us; bars with peanuts, with raisins or with different types of chocolate in a single bar.

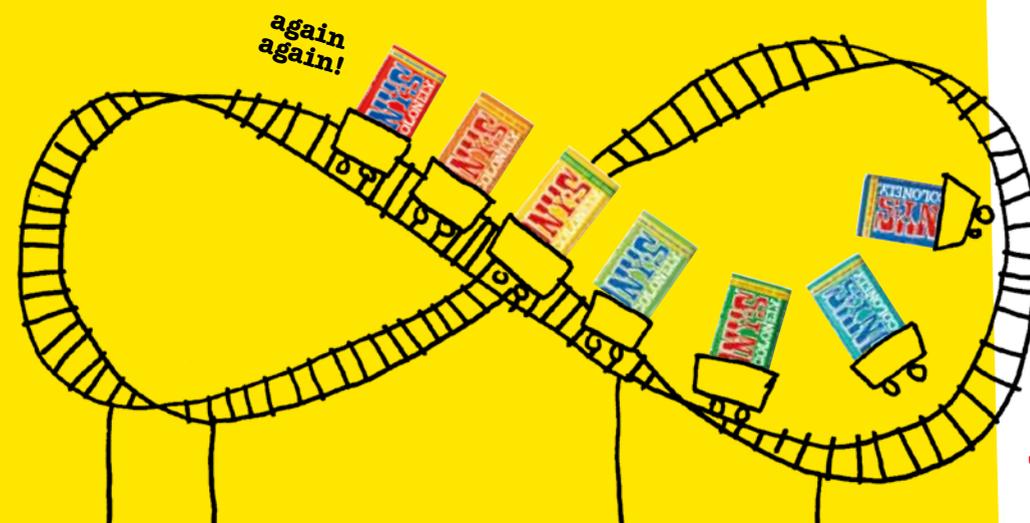
Companies can – and should – make the world a better place; that's what we want to show. And how cool would it be to welcome 500,000 chocofans to our factory every year!

We want to be as transparent as possible about the production of our chocolate, by showing all of the steps in the production process and by letting the visitors taste the product every step along the way. We want to show the abuses in the cocoa industry in all of their unpleasant detail, as well as the responsibility that everyone in the chain bears, including the consumers.

And of course, Tony's factory wouldn't be complete without a roller coaster! Visitors will eventually end up in the Tony's Chocolonely chocolate shop, where they can satisfy all of their chocolate cravings. Crazy about chocolate, serious about people.

So what is the status of our dream? At the moment, we're looking for a location, preferably in an existing property in Amsterdam. Tony's Chocolonely has strong ties to Amsterdam, in part because the city has long been the world's largest port of transshipment for cocoa, and because masses of tourists visit the capital each year.

So chocofans, get ready to be immersed in chocolate all day long – it doesn't get better than this!





← A serious activity: for every two Limited Editions sold at WAAR or the Wereldwinkel, we donate an extra cocoa plant to the farmers at our partner cooperatives Kapatchiva in Ivory Coast and ABOCFA in Ghana. The extra plant means extra income for the farmers in a few years. And it was a huge success, thanks to the campaign, the farmers received 11,078 extra cocoa plants, which will eventually grow into trees. We're happy, chocofans are happy, and farmers are happy!

↓ We want consumers to know how life is for the farmers in West Africa. We want chocofans to experience it for themselves, so we gave away a reporter trip. The winner gets to go to Ivory Coast and Ghana to take a look at the cocoa plantations with her own eyes. More than 100 Jumbo supermarkets displays with Tony's bars and postcards with information about the contest. Winner Sietske can't believe her luck, and in February 2017 she comes with us to Ivory Coast and Ghana. There, she will visit the cocoa plantations and the project 'It takes a village to protect a child' by Max Havelaar and Tony's Chocolonely. This project and the campaign were made possible in part with support of the Dutch Postcode Lottery.

The campaign's reach and participants completely blew away our expectations. The Facebook post was viewed by 726,962 people (wow!), we had 9,045 clicks on the website and 629 chocofans participated. However, we were a bit disappointed by the number of participating supermarkets: 108 (we had hoped for 200).

Sietske's winning submission:

Actually, the machete is really too heavy for her left hand. Actually, she should be running after her friends, laughing and playing. Scribbling squiggly lines in her notebook that are supposed to be her first letters. But they don't sell chocolate with 'actually'. So 6 year-old Azizi does exactly what's expected of her. Teeth clenched, eyes half closed and hacking away at the cocoa pods with all her might. Chop! Her hands overflowing with cocoa beans, covered in their soft, white downy layer. They're at least as soft as Azizi's dreams of the future. Finishing school, becoming an actress. A bitter escape from the daily grind? It takes a village to protect a child, it takes courage to go beyond that. To tell true stories that deserve to be heard. To bring far-away abuses up close. I did that for Oxfam Novib and will soon do so again for NatGeo Traveler. I am proud to take my love of writing and photography with me to Ivory Coast for Tony's.



↑ Barry Callebaut processes all of our cocoa beans into 100% sustainable and traceable cocoa mass and now also our cocoa butter. Barry has even made changes to its factory and processes to do so. We now have our own cocoa butter tank, full of traceable cocoa butter. Our joint press release about realizing traceable cocoa butter was well-received, resulting in around 50 articles in print and online media, with attention to our approach and the problems in the cocoa industry, not just for our chocolate. Whoop whoop!



← Now that we have managed to make the cocoa beans for the cocoa butter traceable, we can start making white chocolate again. The crazy Limited Editions in September will tell the story. With traceable cocoa butter, Tony's recipe for slave free cocoa is complete, and it's time to share it. So the recipe will be printed on the inside of the wrappers of the Limited Editions, along with our five principles for cooperation. We call on our chocofans to share it via social media as #slavefreerecipe.

➔ Tony's goes USA! Together with KLM, we'll be sending our bars off in style, drawing attention to ourselves at Schiphol and across the ocean. The send-off video was viewed around 90,000 times via social media. Bon voyage!

➔ The temperature is rising. We see ice cream shops all over the country making fantastic ice cream with our orange bar. Caramel sea salt, Ice Ice Baby! We see plenty of posts on blogs, Instagram and Facebook, and even magazines print suggestions for the tastiest combinations.



Create your own wrapper!

Since 2012, Tony's fans have used the wrapper creator in our webshop to go crazy designing their own individual Tony's wrappers. The coolest designs were made with decorations, wild fonts, figures and even photos. This year, we started printing the insides of each personalized wrapper with our story and mission. Whether you order 1 bar or 100. For larger orders, we have an Illustrator template that designers can use to go stark raving mad with their designs.

How does it work then?

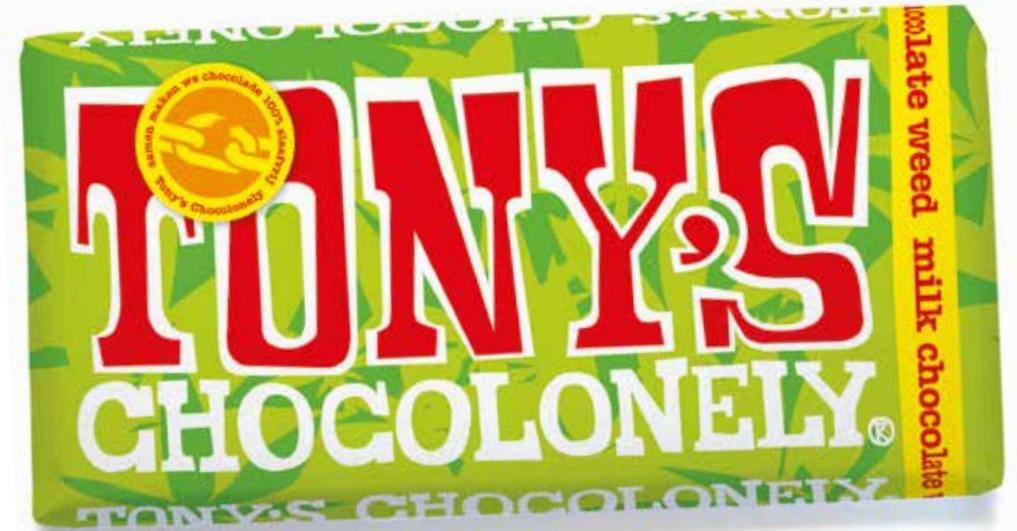
Every day, we receive around 595 different designs. Printing company

Wihabo in North Brabant examines the wrappers, prints them and presses the fold lines. In a special Tony's facility, the wrappers are then wrapped around our bars by hand. By hand? Yes! Our expert wrappers Luis and Simone and their team do it with love and devotion. This year, they wrapped 217,107 Tony's bars. Bam!

The wrapper machine is just so cool

Last year, we worked with Wihabo to find ways to personalize even more Tony's bars in the future. The company even invested in a new wrapping machine, which will be able to personalize 3,000 bars in a single hour. Not bad hé!

➔ Tony's space bar took off like a rocket. We announced it on Facebook: 'Extremely limited and exclusive availability: milk chocolate with crumbs of organic Dutch marijuana. Pass the bar!' The post reached more than 1 million people, 10,000 people gave it a thumb's up, the reactions went through the roof and the orders stormed in... on April 1! Ha ha! April fool's!



➔ The idea had been in the closet at Tony's for some time, but it's finally come out: the gay bar. Available for a limited time during EuroPride 2016, in your favorite flavor caramel. For two weeks in the summer, Amsterdam was the Gay Capital of Europe. The chocolate bar in the rainbow wrapper was available in our webshop and in several stores in Amsterdam. Somewhere over the rainbow!



Writer Jeroen Siebelink believes that Tony's Choclonely hasn't been able to tell people the real bigger story. We asked him to share his critical note with us. That way, we can keep ourselves sharp and set the bar ever higher.

Tony's communication problem

We think we just about know the Tony's Choclonely message by now. It's a message that's creamy and sweet like milk chocolate (and they are even doing a pretty good job in Africa). However, there is another, deeper truth to Tony's: a side that remains somewhat obscure, not dissimilar to a raw cocoa bean. It's an impetuous corporate history, the legend of a handful of original thinkers and mavericks who are turning the world upside down, and it's a story with which few people are familiar.

In order to appear authentic and transparent, companies are spending large amounts of money on content marketing and storytelling, and Tony's does not want any part of that. We believe it's more important to ensure that our work means something and has substance. If this is the case, the story will simply tell itself. This philosophy has certainly paid off a great deal. Without a single euro spent on paid media, our revenue increased from one million to nearly 30 million euros in six years' time. We print comic strips inside the chocolate wrappers, through the unequal distribution of the bar, based on the latest flavors and playful campaigns, the Tonys write their stories every day. However, this is not enough. These are lightweight stories, while the real message does not get a look in. Even today, few people are aware that Tony's is in the process of transforming a billion-dollar industry and is helping to rid the world of slavery.

Sure, Tony's followers are familiar with all those funny posts on social media, like the Wietreep and the Gaybar. These mini-stories may attract lots of likes and shares, but the historical message this summer that Tony's had acquired its own silo from competitor Barry Callebaut (the leading producer of couverture

chocolate) was ignored by the media. A special tank with traceable cocoa butter, used to make all bars fully traceable and causing white chocolate to be included in the product range again? Will an ideal become reality after so many years of setbacks? Do giants such as Mondelez, Mars and Nestlé, who also purchase from Callebaut couverture, get left in the dust? I like to raise the subject of this missed opportunity at publicity whenever I'm at Tony's. What happens is that you get these deep sighs. They will tell you that they tried, but that the serious posts just don't get read; the message is simply too complex and that people don't seem to be interested. People will buy the chocolate bars, but they prefer to leave the great transition to the manufacturers of the chocolate bar. Tony's has been able to circumvent this communication issue so far. People told us to sell as many chocolate bars as possible, so they will definitely learn about the big story one day. But so far, sales success has not yet created greater awareness, and our major competitors have yet to follow our example. I believe this is because the big message is not being told. The story of the Tonys and their search, with exciting anecdotes of plantations, and delicious recipes from the kitchen, the personal adventures of the Tonys with which the audience can identify, a serial for the whole family, with new developments every day to which people are looking forward because they like to witness history in the making. Tell it like it is.

Jeroen Siebelink is a Dutch writer and the author of *Het Wereldschokkende en Onweerstaanbaar Lekkere Verhaal van Tony's Choclonely* ('The Groundbreaking and Extremely Delicious Story of Tony's Choclonely'), which will be published in 2017.

"Sales success has not yet created greater awareness. And our major competitors have yet to follow our example. I believe this is because the big message is not being told."



beautiful photo by Mark Uyl

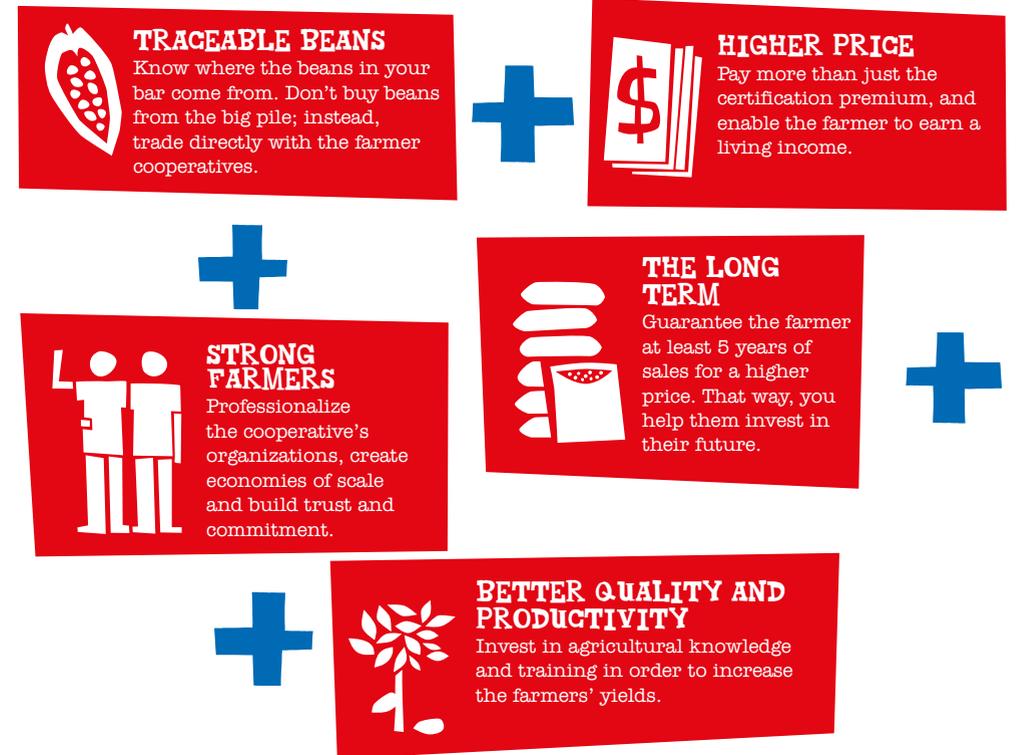
chapter six:

TONY'S LEADS BY EXAMPLE

it's time to share

We have proven that it is possible to make commercially successful slave free chocolate. In this chapter, we will share our approach from bean to bar, along with our five principles for cooperation. Sharing is caring, don't cha know. And our cocoa farmers will tell what Tony's does for them, and you can read how we limit our impact on the environment.

Four years ago, we embarked on our adventure of direct relationships with farmers collectives in West Africa: ABOCFA in Ghana and Kapatchiva and ECAM in Ivory Coast. We can see and measure that much of what we do works. It's an approach which is expressed in the five principles of cooperation:



It all starts with traceability

 All cocoa beans used to make our cocoa mass – and therefore our cocoa butter – are beans that we buy directly from our partner cooperatives Kapatchiva, Ecojad and ECAM in Ivory Coast and ABOCFA and Suhum Union in Ghana. That makes us completely unique in the industry. No other chocolate brand in the supermarket knows exactly where, how and by whom their cocoa is produced – especially if it comes from West Africa. And as crazy as it may seem, the same applies to the vast majority of certified and sustainable cocoa.

The volume supplied by our partners has increased since the very beginning. Last year it was more than 2,050,000 kilos! That's a reeeeeeeaaaally big mound of cocoa. An important factor has been better planning and good forecasting of how many beans we need. Thanks to Tony's Bean Tracker, we get the most up-to-date supply data from Ghana and Côte 'Ivoire every two weeks. We also see how many beans there are in transit on the boat or processed in Belgium. We know exactly which farmers have supplied which volumes for every shipping container full of beans for Tony's.

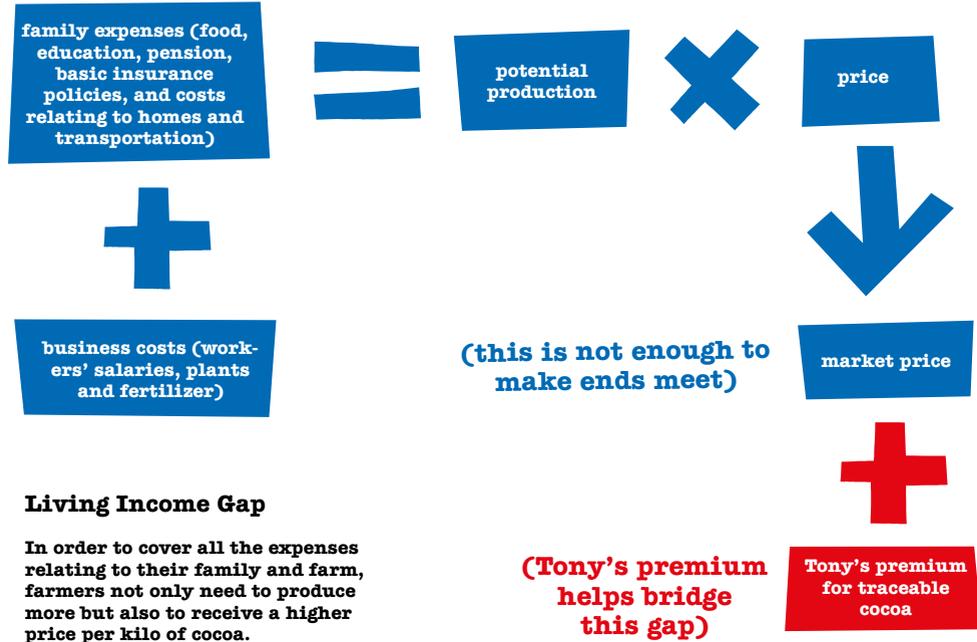
We don't know exactly of every bar which farmer delivered the beans for this bar and we don't need to. That would just magnify the difference between us and the rest of the industry, which would make it more difficult for them to follow our example.

Second principle = higher prices



We pay an extra premium for our cocoa, because if we didn't, our farmers would never escape from poverty based on the standard price. We think it is important that the cocoa farmers can earn a living income. That's the net income for the whole household, sufficient to provide every member of an average household with a respectable standard of living.

Tony's has developed the following model for this purpose:



The premium over the past financial year amounted to 20% on top of the farm gate price. The premium was on average around \$375 per 1,000 kilograms of cocoa. That includes the Fairtrade premium of 200 US dollars. With the help of True Price, we have calculated that an extra \$175 was needed above the Fairtrade premium to be able to earn a living income.

Does that lift the farmer out of poverty? No. It's not just the price that needs to increase, but also the farmer's production. But this really only works if everyone assumes their fair share of responsibility. For example, we estimate that diligent farmers can produce 800 kilos of cocoa per hectare, while professional cooperatives create economies of scale and ensure support from farmers. You can read more about it on page 58.

How do our contributions help raise these farmers' incomes above the poverty level?

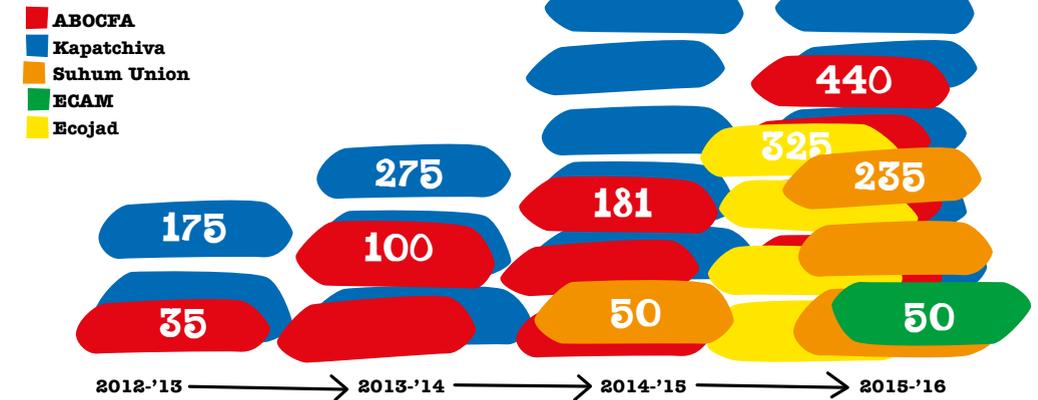
The premium paid by Tony's is used to increase revenues, both by making cash contributions and by investing in increasing output (i.e. training and growing new trees) as well as to reduce overall costs, for example by buying fertilizers in bulk or making education or health care better, cheaper and more accessible. Last year our

premium per ton didn't change (graph 2). However, the premium for ABOCFA will decrease in late 2017, because we want to equalize them with the rest of the cooperatives we work with.

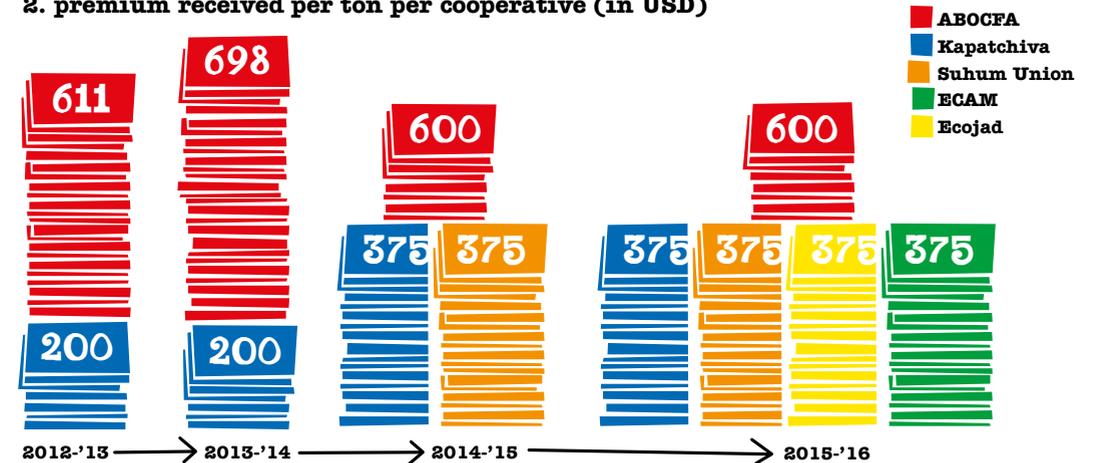
This exception arised, because ABOCFA is also certified as organic. The last few years we also paid the organic premium, although we do not need organic beans. After 5 years we want to stop this and align them with the rest.

Since we buy more and more beans from the cooperatives (in graph 1), all cooperatives receive more and more in premiums (see graph 1 and 3). Along with higher premiums for the cooperative, we think it is important that the farmers' benefits increase as well, so we pay extra attention to that (graph 4). The cooperatives tell us which part of the premium has gone directly to the farmer (both in cash and in increased productivity), and which part is spent on projects at the cooperative level.

1. MT beans purchased per cooperative per year



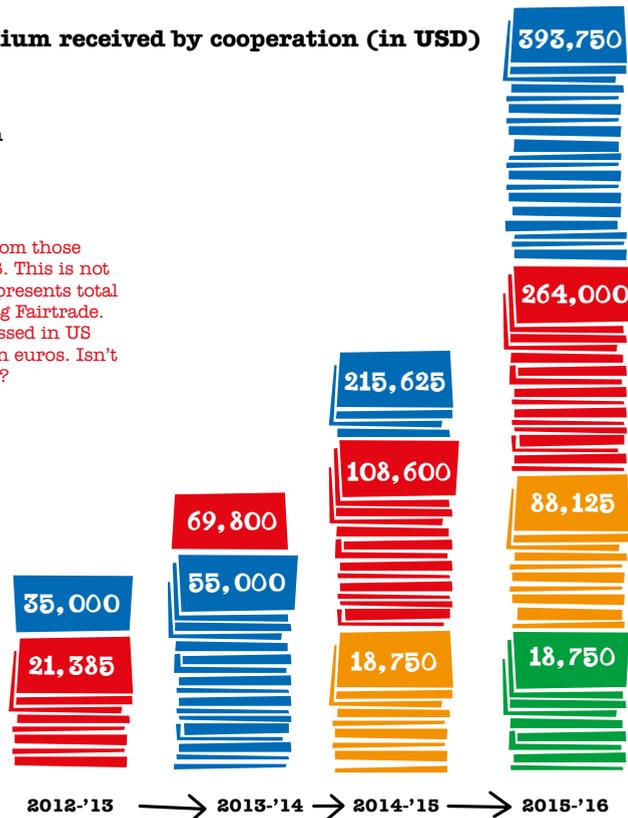
2. premium received per ton per cooperative (in USD)



3. total premium received by cooperation (in USD)

- ABOCFA
- Kapatchiva
- Suhum Union
- ECAM
- Ecojad

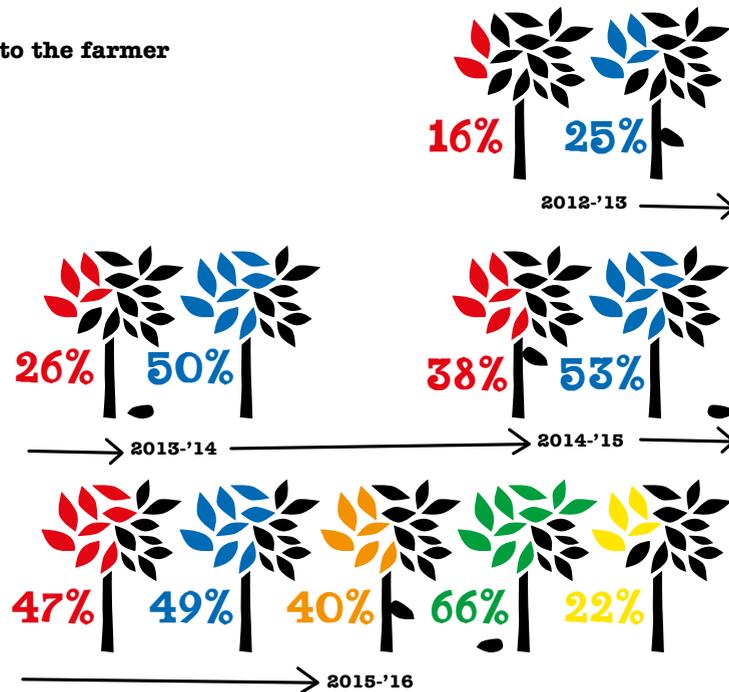
The totals differ from those listed in Chapter 8. This is not an error, but it represents total premium including Fairtrade. Plus, this is expressed in US dollars rather than euros. Isn't that good to know?



4. % of premium allocated to the farmer

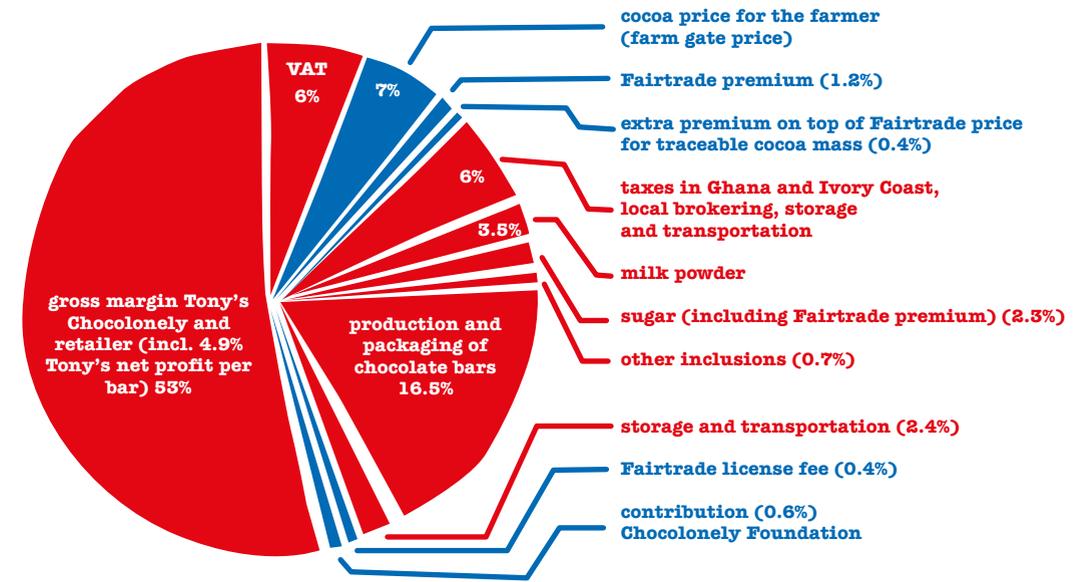
(i.e. both in cash and by investing in increasing output!)

- ABOCFA
- Kapatchiva
- Suhum Union
- ECAM
- Ecojad



What is the price breakdown of a bar of chocolate?

Do you know the price breakdown of a chocolate bar? You can see that in this delicious pie:



■ is paid to the farmer or projects that benefit the cocoa farmer

- ➔ Currently over 9.6% of the retail price of our bars benefits the cocoa farmer. We do that through direct payments, and also with support of the farmer cooperatives and through projects by the Choclonely Foundation.
- ➔ Other costs we have for the cocoa beans benefit local and international traders, taxes and cover overheads as transport and storage.
- ➔ We spend around 16.5% of the price on processing cocoa beans, sugar, milk powder and inclusions into the most delicious-tasting chocolate bars around. About 53% of the total price is split between Tony's Chocolonely and the reseller.
- ➔ In the pie above, our gross margins have been added to theirs. This is because we cannot look into price breakdowns and profit margins of our customers like we can our own. Makes sense, doesn't it? We spend money on developing new flavors, taxes, and investments to conquer new markets.
- ➔ Last year, 3% of the consumer price of our bars went to net profit for Tony's Chocolonely.

We'll use the average retail price of a bar sold in the Netherlands and we'll average the percentages of all bars and flavors of Tony's sold in this financial year, milk and dark varieties combined.



meet: Marc Quirijnen
from: Chocolate maker Kim's Chocolates

What makes Tony's Tony's? Your drive and your passion. Your specific goal, eliminating child slavery, appeals to a lot of people. Your creativity is boundless and endless, and of course, most importantly: you have a great product made by the top Belgian specialists. **Marc, stop! You're making us blush! Which chocolate bar do you think we should come up with next?** The sour prune bar: milk chocolate with delicious dried sweet-and-sour prunes.



The third principle: strong farmers



We invest in strengthening our partner cooperatives, help to professionalize their organization, create economies of scale, and foster commitment and trust.

This is because we know that strong cooperatives provide numerous benefits to farmers: there is strength in numbers, for example when trying to find new international markets, while farmers can also purchase agricultural resources together. Farmers who do not belong to a cooperative tend to struggle the most. Our philosophy is that farmers should recognize the added value of cooperation. This value exists, and we certainly acknowledge it: the cooperatives we work with have grown by an average of 10% in the past year, some even as high as 20%.

We are proud of the commitment of the farmers we work with, as evidenced once again by the huge turnout at the annual members' meetings in both Ghana and Ivory Coast. Full house! Ghana saw the third democratic board elections in 2016. Naturally there was also a Tony's delegate present; so we can get to know the farmers and we see that our contribution is put to good use.

We should add that farmers' associations are only as strong as their members, particularly the board members. The latter are elected by the farmers, who unfortunately do not always make the best choices. These tend to be basic cocoa farmers, most of whom only have an elementary school or high-school education, which means they lack knowledge on finance. This is another area where the advantage of our direct trade relationship is obvious: We know the cooperatives we work with and help where needed with knowledge or support. We do this, for example, by putting cooperatives in touch with trainers or NGOs who can help them, and by raising funds for these programs. In Ghana, the

local consultancy firm SED has defined the roles of manager and president of the cooperative and separated the two, which has significantly improved efficiency and the decision-making process. Other information is also recorded with the assistance of third parties, including large-scale projects such as an IT business plan or a democratic decision-making process.

Third-party support

Other organizations, including Progreso, also recognize the value of this approach. Progreso is an international fund dedicated to improving the living conditions of small-scale sustainable cocoa farmers. We are very pleased with the support they provide to one of our partner cooperatives, ABOCFA. Progreso provides them with long-term support in management, finance, and access to the cocoa market, and will continue to do so in the future.

Over the past year, Tony's and CocoaSource teamed up to provide trade finance where necessary. This means that funds are available in advance, thereby giving cooperatives the opportunity to purchase cocoa beans right at the start of the season. High five!

Best Young Farmer Awards

Another one of our initiatives involves encouraging cocoa farmers and helping them to make a genuine effort to improve their growing practices. By providing extra attention and support, we want to encourage young farmers to adopt professional practices, so that in the future they really can earn a decent living by growing the cocoa for our bars. We do this, of course, in our own unique Tony's style, for example through Tony's Best Farmer Awards. In 2016, we once again attended the presentation of these awards, which we sponsor ourselves. In addition to the award the farmers won farm tools! And of course we had a chocolate bar for every participant! We will continue to sponsor the Awards in the coming years, for talented farmers and their budding younger counterparts. Many farmers are, in fact, a bit older and the younger generation is often not interested in taking over the farm.

The fourth principle: the long term



We work with farmers for a minimum of five years. When cocoa farmers know they can sell their harvest for Tony's premium, they can make investments that go further than next week. Or next month. Or even next year. For example, they can purchase new cocoa plants to improve their harvest or invest in agricultural tools or training.

Their long-term relationship with Tony's has created a growing awareness of child labor, paving the way for new projects dedicated to specific issues such as child labor or farmers' rights. One example of such a project is 'It takes a village to protect a child', organized in conjunction with Max Havelaar and supported by the Dutch Postcode Lottery, in which we participate as a partner. This project was launched in 2015. Our partner farmers cooperative in Ivory Coast participates in this program. That's a direct effect of our long-term relationship. Ultimately, the right conditions in the community are necessary before you can even talk about the elimination of child labor or slavery.

We build similar long-term relationships with our chocolate producers. Thanks to the efforts of Belgian producer Barry Callebaut, we now have the resources to produce

white chocolate again. Our chocolate bars are lovingly made by our unequalled Belgian-based chocolate makers Althaea de Laet and Kim's Chocolates, both of whom are consummate professionals in every way. Kim's Chocolates also happens to operate one of the greenest production facilities of its kind anywhere in Europe.

Our intention is to eventually build long-term relationships with all our suppliers. We go for preferred suppliers who are driven by a passion to make all chocolate slave free.

The fifth and last principle: improving quality and productivity together



One advantage of Tony's premium is that it tends to improve cocoa farmers' productivity, and this tends to occur at breakneck speed. Currently cocoa farmers produce only 30% to 50% of what they can, and miss out on revenues. On top of that, the quality of some beans isn't up to standards and fails to meet export requirements. Tony's premium and other resources encourage farmers to improve their growing practices, and as they find that their work is more lucrative, they also become more motivated. They also have the option to invest in agricultural tools, for example by improving their fertilizing practices and pruning their plants in time. This enables them to improve the quality of their product and potentially double their output. By planting new seedlings and further professionalization the yield and quality of the beans can be improved even more. While this can potentially take off on a large scale, we are realistic enough to know this doesn't happen overnight, which is why we work with these farmers for a minimum of five years.

In short, through good cooperation, basic training, motivation and by investing extra time in the farm, a harvest of at least 800 kilos per hectare is feasible, compared to only 350-550 kilos today. We learned in the past year that 800 kilos is possible, but it is a long-term process. For example, around 20% of farmers in Ivory Coast currently supply 800 kilos per hectare over a period of several years. One of the main challenges for Tony's over the next period is to acquire more knowledge first: how do we ensure growth in output by working with the right partners?

The Tony's Chocolonely-model for a slave free chocolate harvest is therefore based on five interrelated principles of cooperation. We believe all chocolate companies should respect these five principles (which are associated with each other) in their relationships with cocoa farmers (and naturally, this also applies to suppliers of other ingredients).

This is our Green Page

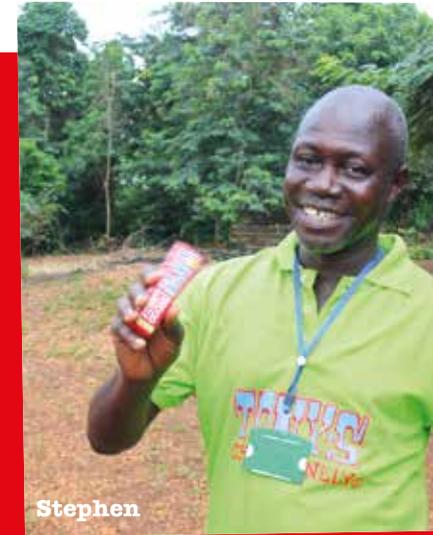
At Tony's, we feel it is important to reduce our impact on the environment as much as possible. We view climate change as the main theme, not least because this directly affects the well-being of cocoa farmers. You also see this reflected in the purchasing policy we have put in place.

Climate Change in West Africa

The changing climate directly affects West African cocoa-growing areas. Drought or extreme heat has damaged the harvest, resulting in below-par cocoa beans. This, in turn, has an effect on the price and on the farmers' living conditions, and this situation is expected to only exacerbate in the future. This is certainly a reason for us to take measures there, too. In the past year, we began offsetting the carbon equivalent of our cocoa, sugar and packaging materials through an innovative partnership with Amsterdam-based nonprofit Justdiggit.

Tony's visit to cocoa farmers in Ghana and Ivory Coast

In July, Team Tony's visited the cocoa plantations in Ghana and Ivory Coast. We were deeply impressed by this visit, not least because of how warmly we were received. Our Sweet Talk Kirsten interviewed these farmers and Miss Mash Meredith shot the pictures:



Stephen

Has your life changed since you started supplying cocoa to Tony's?

Tony's pays an additional premium and provides us with basic training; their efforts have a visible impact. I was not aware of child labor; it's actually ingrained in the culture here. These training courses have made us aware of the proper procedures to follow – and which practices to avoid.

Do you like chocolate?

I am proud of this chocolate bar, which was made with my very own cocoa!

Sarah



What has Tony's done for you personally?

I have learned how to use fertilizer. I would help out on the cocoa plantations when I was a kid. Tony's has helped raise awareness of child labour and how to fight it.

How do you feel about the Young Farmer Awards?

It's an incentive for young farmers to get involved in cocoa farming, as there aren't too many jobs around here.

What do you think of Tony's chocolate?

I love it – any chance you could start selling it here?

What does Tony's do?

Tony's supports ABOCFA by providing loans. This means my family and I are able to send our children to school.

How do you feel about the Young Farmer Awards?

I have nothing but good things to say about it, as my children will be taking over the plantation in the future, and this is a real boost for them.



Mary



Dickson

To what extent do you notice the impact of Tony's support?

We use the premiums we receive from them to pay my hospital bills and medication.

Anything else?

My entire family gets to benefit, and all three of my children are now enrolled in school. The children help out after school, but only if they want to. The focus is on education and school.

How do you feel about the Young Farmer Awards?

It's proved to be a wonderful thing, as it's an incentive for young people.

We provide financial support for their projects, which are dedicated to introducing 'green' practices in Africa, starting with the eastern part of the continent. Justdiggit restores areas in the tropics by holding rainwater in ditches, thereby enabling a regrowth of vegetation. This, in turn, results in more rainfall, improved biodiversity, and a stronger ecosystem that is not as vulnerable to climate change.

An important step for the future is further developing the partnership with Justdiggit. They currently operate primarily in East Africa, where we are learning valuable lessons about the practice of restoring degraded agricultural land. Our intention is to eventually put Justdiggit to work in West Africa, because the quality of the ecosystems there directly affects the lives of cocoa farmers in Ghana and Ivory Coast.

Tony's Footprint

We are working towards a situation where consuming a bar of Tony's chocolate will help improve our environmental footprint. This means that someone who enjoys one of our chocolate bars also helps improve the living environment of cocoa farmers.

We are currently exploring the parts of our supply chain where we might be able to reduce carbon emissions. For this purpose, we have joined the Natural Captains, a pioneering program in which companies work with environmental and research organizations in facing the challenge of improving the sustainability of their supply chain.

At the end of 2015, we teamed up with True Price to calculate Tony's footprint. This involved an analysis of the entire supply chain, from cocoa production to milk powder to the transport to the shops – yes, even including the greenhouse gases produced by cows. This led to the conclusion that average carbon emissions for each bar of chocolate amount to 402 grams for each bar sold, with milk powder accounting for the bulk of the emissions (more than 70%). This is one area where we can still save costs. We will use the conclusions and recommendations from the Captains program to reduce this pressure in the coming years, and to offset our carbon emissions in areas where we cannot.

Together with Justdiggit, we will continue to expand our carbon offset and include our growth in the process. Our intention was to offset only cocoa and packaging in the past year and we will add sugar and production in the coming year and plan to include milk as well in 2018.



As it happened, things turned out somewhat differently, since we also offset carbon emissions of sugar and production in the past year. We offset a total of 2,222 tons of carbon in the past year in conjunction with Justdiggit, and while this is certainly a commendable result, we are no means there yet, because we actually aim to reduce our carbon emissions.

Purchasing Policy (excluding cocoa)

Our cocoa is sourced from West Africa, while we purchase other raw materials, inclusions and packaging materials from local partners, preferably based in Europe. We aim to use raw materials that are as sustainable as possible, with a minimum transportation distance and a limited amount of carbon emissions. Unfortunately, however, this is not always possible, as these materials must still satisfy our social

Independent research into child labor and slavery within Tony's supply chain

Last year, a team of independent experts on child labor and cocoa again investigated child labor and slavery in Tony's cocoa supply chain. Trained farmers, assisted by a team of experts, conducted interviews at Kapatchiva and ABOCFA. In addition, they visited all the cocoa farmers supported by the trained external inspectors. We achieve this with the help of people like Think Data's Brenda Bijen. This information was analyzed with help of a digital data collection system. In addition Fairtrade representatives inspected as all our partner cooperatives as well. We will conduct similar research at all new partner cooperatives in the coming years.

So what did we find?

We can say with almost complete certainty that there is no forced labor within Tony's partner cooperatives. But we do know for certain that especially in Ivory Coast (in the area where we collaborate with farmers) there are still many indications that slavery and forced labor are present. Though it is emphatically not found in our partner cooperatives.

Unfortunately, there may still be cases of child labor in our supply chain.

Our own research revealed at least 6 farms where children worked with their families under conditions that are not permitted. In some of these cases children couldn't attend school because of the death or illness of a parent. These children work on the farm out of sheer necessity. Other cases are from lack of knowledge. The farmers didn't know that the work their child was doing is considered dangerous.

What do we do if we suspect child labor? Together with the community and the cooperative, we set out to find a solution. For example, farmers may receive extra training about work safety, with a focus on how children can help out on the farm safely outside of school hours. We also support local schools in the area, so children have better access to education. We do this together with the Chocolonely Foundation, through which we support numerous projects.



and quality requirements and the costs. We documented these requirements and considerations in the past year in Tony's sourcing policy. That's our guide to making good decisions.

We use recycled paper or cardboard in all our packaging, including boxes, wrappers and displays. For our wrappers, we use FSC paper. In other packaging materials, including gift tins, we always aim to find the most sustainable possible alternative available. It should be noted that all our packaging materials are sourced from European countries, preferably from the Netherlands, Belgium or Germany. This applies both to end materials and to the raw materials used in their production.

While the ink we currently use in our printed matter is not especially environmentally friendly, we will explore opportunities in the future to further improve this, for example by using biodegradable ink.

Waste Less

Needless to say, we aim to reduce waste as much as possible: it is not in keeping with Tony's philosophy to throw out raw materials, inclusions or unused packaging materials.

It is only when quality is compromised that the only option is to discard the raw material. In some cases, we might want to change a particular recipe. For inclusions – the ingredients that add flavor to our products – it is difficult to reduce waste. We order an additional 3% for when usage in the production facility turns out higher than estimated. In addition, we also deal with small orders which we attempt to negotiate in keeping with our needs.

We donate chocolate bars that can no longer be sold commercially when they are at least two weeks removed from the sell-by date, and we destroy them if there is really no other option available.

We always try to use everything. We only throw out products if this is really not possible with small leftovers and we can't sell or donate it to a third party.



We recall nut-hing

This year, we had to recall one of our nut bars. Our milk hazelnut bar turned out to have traces of peanuts, but it wasn't printed on the wrapper. It was time to sit around the table and see how we might make things better. How could we make sure it wouldn't happen again?

We ended up reviewing and analyzing all our quality assurance processes and checked where we might be able to make improvements. Some serious business with some serious results: an excellent quality assurance system plus a recall plan. Yeah, baby!

We'd like to explain a little to you about the world of food safety. The HACCP is a hygiene code that allows you to identify risk and describe how to avoid it. We took all the necessary measures, and our chocolate kitchen is now fully HACCP-compliant!

We have also agreed on what the Ultimate Chocolate Bar (AKA the 'UCB') should look like. It goes without saying that it needs to be great-tasting and look fantastic.. but there is more.. Like the way we always print allergens and nutritional values on our packaging (sure, it's complicated stuff, but we're on the ball now) and which bars and ingredients we will have examined in a lab, when, and using what standards and criteria. We have also officially documented who should do a final check of the wrappers before they are printed, and who should be present in our production facilities during the production process (and when they should be there). All essential issues.

We also improved our complaints procedure in the past year, ensuring even better service to consumers contacting us with complaints. Sure, we always took complaints seriously, but you can always do better, right? Of course, we also took a long hard look at our sourcing processes: we asked our suppliers all kinds of questions to ensure high-quality products. This means we can always tell you the exact origin of all the ingredients used in our bars, and how they're made.

In other words: we did what we had to do!



To what extent is Tony's model applicable on a large scale? We asked Lucas Simons to take a critical look at it, as this will keep us on our toes and we can continue to learn and raise the bar even higher.

Is Tony's Chocolonely more than just a good example?

How can you write anything critical about Tony's Chocolonely? After all, they are the perfect company. They make fabulous-tasting chocolate bars, are successful and lucrative, have a strong set of values they communicate consistently, and they have adopted the ambitious mission of making their chocolate slave free. They are, essentially, the Don Quixote of the chocolate industry. What isn't great about this company?

On its website, Tony's Chocolonely says it intends to achieve its mission by selling as many 'fairly' sourced chocolate bars as possible. They also state they want to be an inspiration to other companies and are hoping to instigate a movement. And it's really that part that makes me slightly critical, as I believe this model, this way of thinking, is somewhat limited. Even if you're successful, only a handful of cocoa cooperatives in West Africa will be better off; it's not structural, nor is it scalable. I really wish it were as simple as all that.

The hard reality is that individual companies do not have the power to change a failing system – nor, while we're at it, can NGOs, certification schemes and development cooperation. All these well-intentioned projects can be compared to planting trees in the desert. Unless you're willing to nurture them and give them water and care every day, they will die. And even if they do remain alive, you're still up against the harsh desert conditions.

In order to achieve real, permanent change, you first need to understand why the system is failing, what the desert is creating. It is only when you do something about that, that you can change the system and make the mission of slave free chocolate a reality. What it

essentially boils down to is that, if systems fail, three forces come together to create the perfect storm. First, markets compete with each other and reward the same unsustainable behaviour; and second, a failing context where the conditions for sustainable and profitable production are lacking; and third, there are no real alternatives for farmers to build an existence elsewhere.

These forces are clearly visible in the cocoa industry, and they have a destructive effect. Market players are competing on the lowest price (the proverbial "race to the bottom") and not really on quality. The conditions for establishing a profitable and sustainable farm are barely present (and in some cases, they are lacking altogether). There are hardly any alternatives available for farmers, causing the most desperate and least enterprising ones to remain behind and being even more willing to produce at low prices. The outcome of this system is child labor and slave labor, poverty, environmental damage, malnutrition, and all the other negatives we want to avoid happening on a large scale. There is no chocolate bar, certification program or training program that is likely to change this in any fundamental way – which is the reason three decades of development cooperation have barely made a dent.

I think we all know this deep down, but we are so eager to do good and simply don't have any alternative solutions to offer. Also, doing something seems better than doing nothing. But this is really where we are fooling ourselves. I would personally love it if Tony's Chocolonely made an effort to make people aware of this more systemic message in addition to producing some of the most sustainable premium chocolate bars around.

Until then, I'd like to wish Tony's Chocolonely all the success in the world, as their Fairtrade, great-tasting chocolate really does make life better.

The founder and CEO of the companies NewForesight and SCOPEinsight, Lucas Simons is also the former director of UTZ Certified and the author of 'Changing the Food Game'.



"In order to achieve real, permanent change, you first need to understand why the system is failing; it is only once you can do that, that you can change the system and stay true to your mission of producing slave free chocolate."

WHERE DO ALL THE GOODIES COME FROM?



cranberries
from Canada

pecans from the United States

almonds from the United States: Fairtrade dispensation*

cardemom from Guatemala

salt from Bonaire & Australia

passion fruit from Peru

soy lecithin: non-GMO

orange from Brazil, Spain, Mexico, USA, South Africa and Greece

discodip from France, New Zealand, China, Indonesia and Malaysia

coriander from Marocco

milk powder from EU, Iceland, Norway, Switzerland and New Zealand

cola pearls and biscuits, gingerbread, yogurt, meringue (free-range) and crumble from Europe

marzipan from the Netherlands and Romania

raspberry from Eastern Europe

sugar, mainly from EU, world: Fairtrade mass balance

nougat from Belgium: Fairtrade

carrot from the Netherlands

rhubarb from Poland

"Fair milch" from Germany

freeze-dried cherry from Poland, Serbia, Turkey, Bulgaria, Hungary, Macedonia and China

carbonated sugar and ginger from China

carrageenans, caramel and popcorn from France

rosemary from Turkey: Fairtrade dispensation

cloves from Sri Lanka (generally), Madagascar, India, and Indonesia

lemon from Spain, Argentina, Brazil and Italy

broken anise seeds from Turkey, Syria, Greece and Spain

ginger from India

hazelnuts from Spain

cocoa from Ivory Coast and Ghana: Fairtrade

coffee from Ethiopia and Columbia: Fairtrade

coconut from Sri Lanka: Organic

cinnamon and nutmeg from Indonesia

cinnamon and cardamom from Sri Lanka: organic and Fairtrade

cane sugar from Mauritius: Fairtrade

*We use these almonds until we have found a better-quality product bearing the Fairtrade label.

chapter seven:

INSPIRE TO ACT

a long run

The likelihood we achieve 100% market share worldwide is small.

Much more important is our goal: 100% slave free chocolate.

And it will go much faster when other players in the cocoa industry take responsibility and follow our example. But how do we get this industry moving? To that question we unfortunately don't have 1 definite answer yet.



meet: Wim Debedts
from: Belgian-based chocolate manufacturer Barry Callebaut

What makes Tony's Tony's? I would say it's your authentic and honest approach. Anything else? Tony's has inspired Barry Callebaut to take further steps towards making our cocoa sustainable. Chocolate lovers will be hearing more about this in the future.

Do you have any tips to share with us? Yes: I think you should bring forward the launch date for Tony's in Belgium, at the request of my wife, ha ha. **We'll see what we can do, Wim!**

Any particular chocolate bar you would like to sink your teeth into?

A thinner tablet of milk chocolate provides a slightly different sort of taste experience.



With nothing but a successful business case to show for ourselves, we're not going to convince any of our fellow chocolate makers to change. Not to mention that a slave free chocolate world, with a decent quality of life for everyone, is the responsibility of more than just the industry. So in the past year, we spoke with a number of parties and took additional measures: political, scientific, customer-related and supplier-related, involving NGOs, and so on. Another important factor is our international expansion. While it can take a great deal of effort to get larger players involved, we believe that, once we get the ball rolling, there will be no stopping, so we will soldier on. You can read more about the measures we have taken below.

Crossing the border

The Netherlands is a beautiful country, but not the only or the largest chocolate-producing nation in the world. If we want the big chocolate giants to follow our example, it is important for them to notice us, so we've got to be successful in other countries. We do this by becoming a relevant player in those other countries and sharing our message and mission there as well. The step towards international expansion fits perfectly into our roadmap. Tempting as it may be to fly off around the world, we make deliberate choices.

Before we start exporting to a new market, we first submit that market to thorough analysis. Besides the local chocolate market, the price level and consumer behavior, the fact whether we can influence other chocolate companies in those markets indicates a golden opportunity. Based on those conditions, export markets are classified as gold, silver or bronze.

	 gold (strategic market)	 silver (volume generator)	 bronze (essential opportunities)
for example	Netherlands United States United Kingdom	Scandinavia Belgium Germany	Austria Italy United Arab Emirates
supports Tony's mission	necessary	important	interesting opportunities
generates long-term value growth	very important	very important	interesting opportunities
business model	local Tony's office	long-term relationship with distributor active marketing and distribution strategy committed support from Tony's	long-term relationship with importer/account management in Amsterdam distribution strategy by importer/account minor support from Tony's

The United States is the home market to three of the five largest players. Together they control more than 35% of the global chocolate market! It's an ideal market to make impact; and we do that by being a relevant player there, creating a local Tony's organization, and actually inspire other chocolate companies to take responsibility in the supply chain. We also expect to generate substantial sales in Golden markets and reach a large number of farmers in the process. We also regard the United Kingdom as a gold market, although we haven't actually launched there yet.

In silver markets, we work with a local distributor to increase awareness and leverage commercial opportunities. These are markets with chocolate lovers and conscious consumers, but which are smaller than the gold market. Think of the Scandinavian countries, Belgium and Germany. Bronze markets offer specific opportunities that we serve from the Netherlands.

If we decide to go for something, we really go all the way! To make people aware of Tony's history and mission, we organize a press launch in each new market (i.e., country), along with Tony's talks, and we screen the film The Chocolate Case in a closed setting. Apart from that, we also communicate our mission on our wrappers, and you can't miss us on displays and other materials. We are represented at trade fairs and exhibitions and in each country we use a mix of English and the local language on Facebook – there is a different social media agenda for each individual country.

Fairtrade certification happens to be a crucial part of our strategy for international expansion, and it gives us credibility as a new and unknown brand. In countries such as the USA and Belgium, chocolate brands and consumers are not as advanced when it comes to Fairtrade.

Land of Opportunity?

In October 2015, we finally launched for real in the United States of America, the land of opportunity, specifically in Portland, Oregon, also known as PDX. We decided to launch close to a community of liberal and socially and environmentally aware Americans, and there's no shortage of those in PDX. Our bars are available at fellow BCorp, the popular New Seasons Market grocery chain.

So how's business? Well, we're told that chocolate fans love us! The fact that we make chocolate to make the entire supply chain 100% slave free really appeals to people – that is, if they're aware of that fact. They also rave about the quality and taste of our bars, the flavors, and the colorful wrappers. This means we are competing directly with Hershey's, one of the biggest chocolate brands in the US market, as well as with niche chocolate producers such as Theo Chocolate and Chocolove. Part of our success is that we are relatively inexpensive: 6 ounces (= 170 grams) costs just \$4.99 (!) – the equivalent of roughly € 4.50. This is a very reasonable price by US standards.

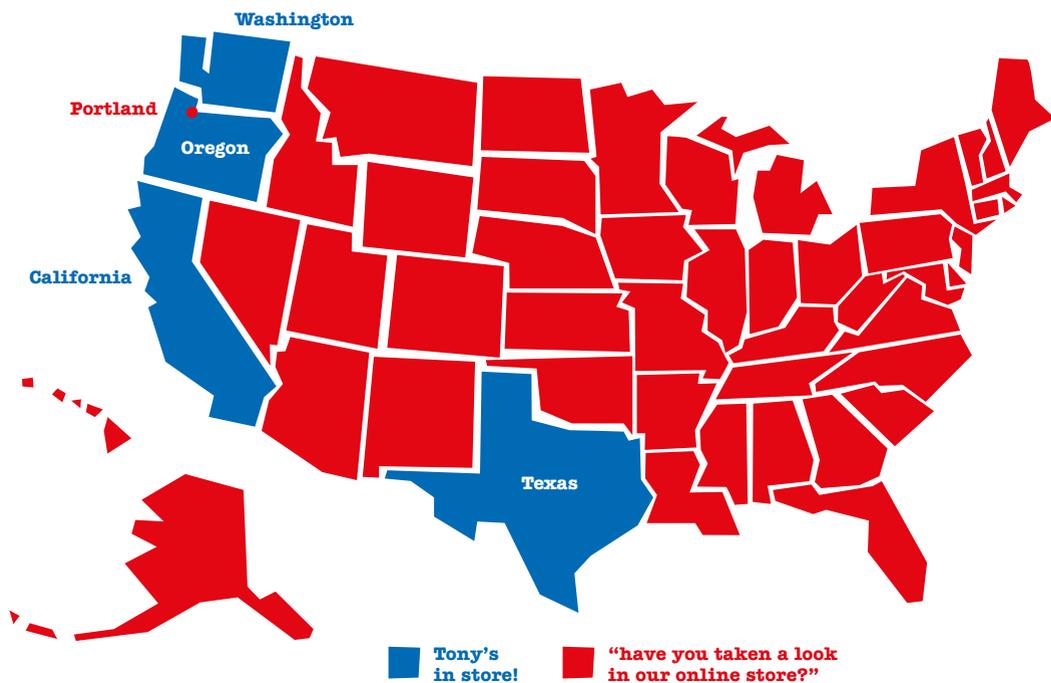


**Team PDX in action.
Gooooo Tony's!**



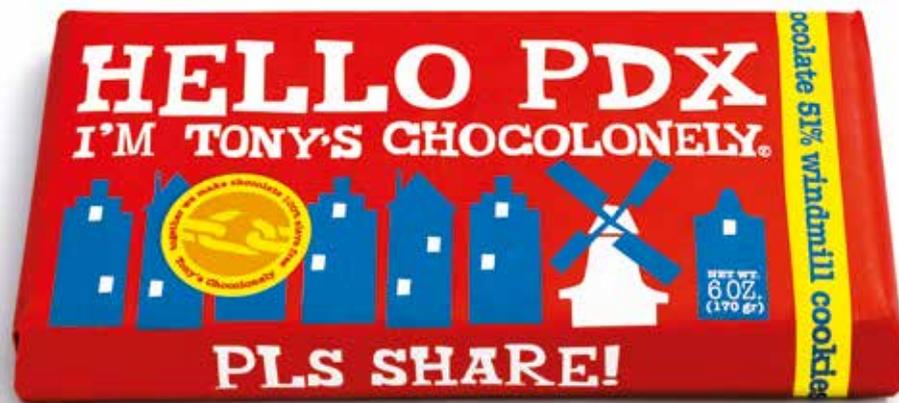
It was challenging: starting a whole new market, together with the rapid growth in The Netherlands. It took us longer than expected to get our bars to the US grocery shelves. We became a little more savvy in the way we've organized things behind the scenes. Oregon Transfer Company (OTC) is our logistics partner for the Western United States, they also store the bars in their warehouse on our behalf. We supply to our distributors from OTC; from there, chocolate bars are shipped to retailers such as New Seasons Market, Whole Foods and Zupan's. Integrated Distribution Services (IDS) handles stock management, storage and shipment of online orders to smaller, independent stores and consumers on our behalf.

We grew rapidly since our launch and are currently available in around 170 stores in the Western United States and even nation-wide through IDS. Next year Tony's US becomes a more independent entity, with a larger team who will be less dependent on



the Tony's office back in Amsterdam. No matter how cool it might be that KLM operates direct flights from Schiphol airport to Portland, it's an issue that time difference between Amsterdam and Portland is nine hours – a full working day!

Over the next year, we will be exploring whether we can produce our bars locally in the United States. One of our biggest challenges is how we can turn the discussion about slave free chocolate into an actual topic. If we succeed, we will stay true to our mission, consumer demand for our chocolate will increase, and other chocolate brands will hopefully follow suit. USA, here we come!



We will have treated the people of Portland to exclusive goodies. New Tony's friends were treated to the Hello PDX Bar, a dark chocolate bar with windmill cookies that was available for a limited amount of time.

Well done!

Congratulations on a job well done! We launched our products in the Belgian market in 2015. The Belgian people love us, and in the past year the Belgian media has viewed the film TONY, which then went on to wide release in indie movie theaters and other venues. The story behind Tony's has spread like wildfire: from blogs and high-profile lifestyle magazines to national newspapers.

Hej Sverige!

In early 2016, we also launched with great success in the country of Pippi Longstocking. In Sweden over the past year, we started out with a good distributor, enthusiastic customers and a solid media launch. Our chocolate bars and our message have certainly caught on in the Nordics. After just several months, grocery chains have been lining up to sell Tony's, as we are on sale at three of the four largest grocery chains. Swedish Chef, eat your heart out!



Industry negotiations

In order to get the industry moving, we drink a hell of a lot of cups of coffee, rock a lot of stages, and attend conferences about cocoa. Rather than staying on the sidelines, we actively take part in these events and show that things can be done differently, that there is another way. A small selection of the events we appeared at: Chocoo in Amsterdam, London's Living Income Conference; the strategic meeting of the International Cocoa Initiative, along with meetings with the Ivorian government, the Netherlands Embassy in Ghana, and many other events. We also expanded our network and asked critical questions at Chocovision, an international conference for companies and other key players in the cocoa and chocolate industry on the future of cocoa. So what was the upshot? Well, we can report two specific outcomes for the past year.

First, there is the step towards traceable cocoa butter at Barry Callebaut. The world's largest cocoa-processing company will adjust its production facility in order to accommodate one of our five principles of cooperation, i.e. traceability. Call it baby steps, but we are starting to see a shift. And remember that farmers are happy with this shift, as they can start supplying more cocoa to us on account of the traceable cocoa butter. Whereas just a few years ago, the usefulness of traceability was not recognized, a growing number of people now acknowledge this.

Second, there is our membership of the International Cocoa Initiative (ICI), which we joined in 2015. This initiative was originally founded to support the Harkin-Engel Protocol. Some people ask us why we decided to join the ICI. The answer is simple: ICI is really the only initiative in the chocolate world completely focused on combating child labor, of which any company that matters is a member.

Barry Callebaut also says it on Twitter: Quality is about more than taste alone: it also extends to the conditions and the message behind the cocoa. #traceability #cocoa



By becoming a member of ICI, we expected to learn a lot, share our experience, and shake things up a bit. Especially in setting up innovative pilot projects in West Africa, we are pleased to tell this has now become a reality. We will implement a Child Labor monitoring and remediation system this season at all our partner cooperatives in Ghana and Ivory Coast. Say what? A Child Labor monitoring and remediation system: a system designed to monitor the risk of child labor (and actual cases of child labor) among cocoa farms. Through our cooperation with ICI, we demonstrate that anyone can do this, and we can share our experiences with other parties.

A competent (i.e., fully trained) and well-known (i.e., cooperative member) field officer will visit cocoa farmers three times a year to discuss the situation and review questions. Perhaps the risk of child labor might be high, for example because there are no schools around. When it is actually detected, measures are taken to find a solution. These solutions might be proposed by the cooperative itself or by specialized NGOs. ICI developed this system with Nestlé, and Tony's is the first company to implement it across its entire supply chain at all our partner farms. It's an innovative pilot project we intend to roll out in order to show that there's another way to produce chocolate and to collect data on a large scale about the impact we make in our supply chain. It's the only way to make people see the light!

Government and Politics

We spent a large amount of time engaged in political lobbying in the Netherlands in the past year, speaking to various party members, Members of Parliament, and Lilianne Ploumen, the Minister for Foreign Trade and Development Cooperation. In Ivory Coast we ran into Minister of Foreign Affairs Bert Koenders. We screened our movie during a luncheon at the Ministry of Foreign Affairs, followed by an inspiring Q&A session with a group of civil servants.

We take part in IMVO agreements, one of the key priorities of the Dutch government during the EU presidency (in early 2016). Although we cannot report any concrete results of this mission at this stage, we are looking forward to the discussion in the Dutch House of Representatives of MP Roelof van Laar's legislative proposal about a "duty of care for companies to take action against goods and services provided using child labor." If there is a law in place that requires that companies be transparent about abuses in their supply chains and the measures the company is taking in response, this means we are on the right track. In Ivory Coast, we are also involved in high-level political negotiations, for example with a delegation led by

Madame Tourre, the CEO of Conseil du Café et Cacao. She invited us to speak about our approach and our partnership with cocoa farmers in Ivory Coast, which we consider to be a great honor.

'Scientific' chocolate bar

In order to engender change in the industry and persuade people, there needs to be incontrovertible proof of what is the right example/what is needed to facilitate sustainable change.

This is why we have teamed up with various scientists. Professor Harry Hummels was appointed Lecturer in Social Enterprise at the Faculty of Law, Economics, Administration and Organization at Utrecht University School of Economics on May 1st 2016. This is the first chair of its kind in the Netherlands. Professor Hummels will be embarking on a new research project devoted to international innovation in the value chain, starting with the cocoa value chain. The project is currently recruiting two PhD students, one of whom will focus specifically on the cocoa supply chain, while the other will have a broader focus, concentrating on the value chains of social enterprises.

The academic chair was established with the financial support of Tony's Chocolonely and ABN AMRO Bank, while the Chocolonely Foundation and Barry Callebaut have also pledged their financial support.

We are also working in partnership with a number of educational institutions by giving guest lecturers or developing and assessing case studies.

Campaigning

All this is still pretty new to us. In the fall of 2013 we mapped out what must be done by the various players in the chocolate industry to make chocolate 100% slave free. This includes consumers who can make different choices when they go shopping, or the grocery stores that decide which products they put on the shelf. And politicians have a role to play as well. They could draft better legislation on child labor, and then ensure compliance.

While we weren't quite ready for it at the time, this year (like in 2013) we teamed up with Nathalie Rey, an international expert in the development of campaign strategies, on defining these requirements. We also explored our commonalities with other parties (many of whom are NGOs) and in what areas we might be able to work together. We are now clear on the requirements and will add focus to our plans for next year. Although this has failed to result in a genuine consumer-oriented campaign to date, behind the scenes it does help us in negotiations with governments or our customers, and so on. During our visits to major retailers, for example, we tell them about our five cooperation principles and discuss what we and they can do to satisfy these requirements. We are also receiving a growing number of requests to share this model and discuss how we might be able to help and accelerate the process. The seed has been planted: we will need some patience before we get to the harvest, but we are starting to see results.

Check it out: Tony's Award Chest

We couldn't be happier with – and more proud of – the various awards and accolades we received in the past year. Our award chest is just about bursting at the seams. Thank you all – we couldn't have done it without you! We are delighted with any type of recognition for our chocolate products: it also enables us to acquire an increasingly more serious position, with a growing interest in our message.



In October 2015, Henk Jan won the EY Business Award in the “Emerging Entrepreneur” category.



Still going strong in the Trouw Sustainable 100: Arjen, our Cocoa Gadget. Ranked number 23 this year!

Henk Jan was named Marketer of the Year 2016 during the Dutch Marketing awards.

We were awarded an A by Rank A Brand, in the “Sustainable Chocolate Brands” category. This independent brand comparison site consists of a community of consumers who want to buy sustainable and fair products and services.

Tony's Chocolonely won a Wheel of Retail, an important award for new product launches in the grocery industry. We were also awarded a Special Wheel of Retail, for the most margin-added product. The award is an initiative of the Distrifood food industry trade journal.

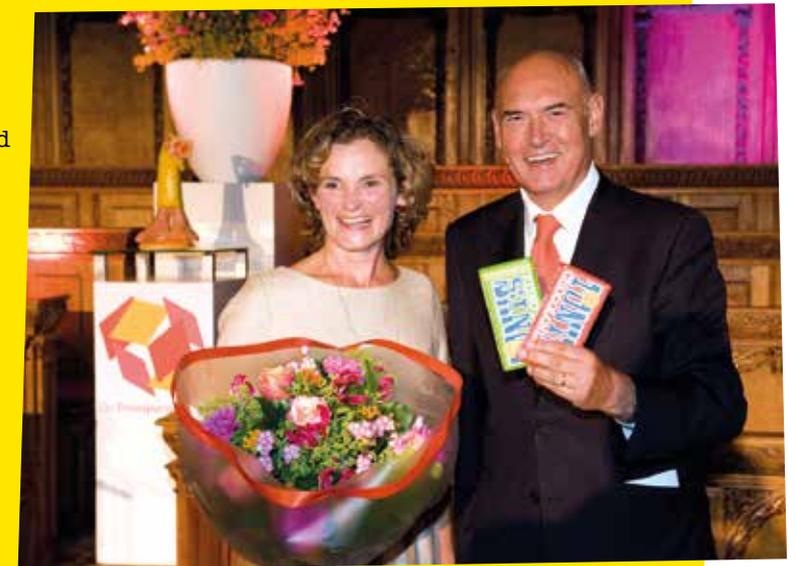


Consumers voted Tony's Chocolonely the most inspiring organization in the Netherlands. The “Inspiring 40 of 2015” was revealed during an award ceremony at BNR Radio and is an initiative of Synergie and Survey Sampling International.

Tony's Chocolonely won the Gold Partner Chocolate in the Investment Contribution category. The award is an initiative of the trade publication *Levensmiddelenkrant*.

Tony's Chocolonely won a Special Food Award, an industry award. These awards are presented by Food Personality, a trade journal.

We won the 2014/2015 Transparency Award in the Social Enterprises category. This award was organized by PwC.



chapter eight:

2015 AND '16

bring on the numbers!

As a company that combines social and societal objectives with commercial targets, Tony's qualifies as a social enterprise. Just like any other company, we supply a product and have a revenue model in place.

Yet earning a profit is not our primary objective; it is a means to achieving our mission. Though we do strive for a satisfactory profit level so that we can show the industry that a fair supply chain can be combined with a healthy business and returns.

As you are aware, our financial year runs from October to September. The month of September is when we close the books and toast to the year ahead. We are joined in this by the farmers' cooperatives in West Africa, since their chocolate season starts in October. So this perfectly synchronizes our financial schedule.

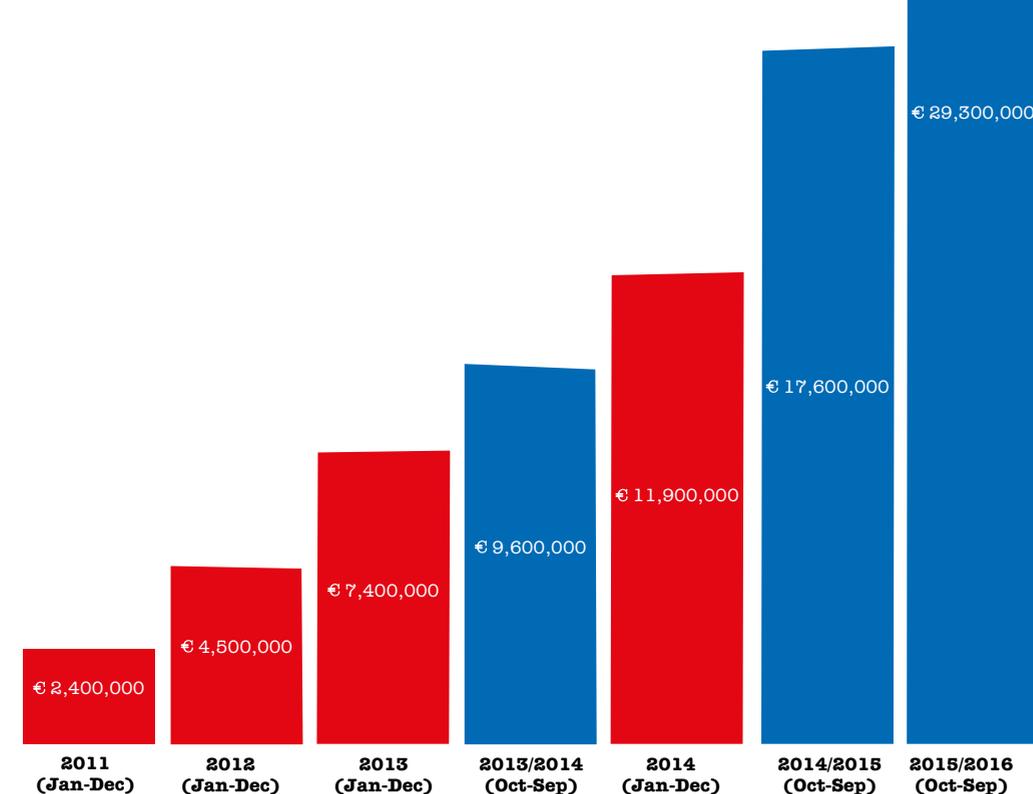
So how did things go over the past 12 months? We will take you back to 2014/2015. We wanted to continue growing in order to further increase our impact. This is what we achieved.

➔ Net profit after taxes: 4.9% (2015/2016) versus 4.1% the previous year. Our target was 4.5%. Check.

➔ Net revenue: € 29.3 million (2015/2016 financial year). That's a growth of 66% compared to the same period last year!! At the start of the year, we had set ourselves the target of 26.4 million. Another check.

We earned the bulk of our revenue and results in the Netherlands.

Net revenue





meet: Mamadou Bamba
Managing Director of Ecookim in Ivory Coast.

What makes Tony's Tony's? The company owes its success to the commitment of all partners in the industry. This can be credited to a variety of factors, including the higher prices to improve the lives of farmers; setting up social projects with social and economic impact; the company's involvement in the fight against child labor on cocoa plantations. **Wow! That's very eloquent. What do you really love about doing business with us?** We appreciate doing business with Tony's because they put the small grower at the heart of the chocolate business and as an important link in the process. **Do you have a suggestion about something we should do differently, or really should change?** It would be beneficial for all if Tony's perpetuated sustainable development with more projects for small producers. **What chocolate bar in what flavor do you really think we should create next?** Chocolate cashew nut.



Our goal this year was international expansion.

→ We have now established a presence in the USA, Sweden and Belgium, where it looks something like this:



The target was: More than 1,100 tons of beans bought with Tony's premium for our cocoa mass

→ We pulled it off – and then some! We purchased more than 2,050 extra tons of cocoa beans in the past harvest year. That's a LOT of extra beans! How is that possible?

In order to make, besides cocoa mass, also cacao butter of our own beans, we need a lot more beans. We had not factored this in for this year. Because we only learned early 2016 that we would be able to start processing traceable butter in November 2016.

We decided to source all the beans for our cocoa butter from Ivory Coast. This does not actually affect the flavor in any way: Ivory Coast is the largest cocoa-producing country, and our impact there matters.

In the Ivory Coast town of Kapatchiva we asked for more beans, and looked – and found – three new cooperatives. The people of Kapatchiva have helped us immensely by supplying extra beans, and we have eventually been able to purchase 1,050 tons (compared to 800 tons).

After an intense search we found three new Ivorian cooperatives, two of which already supplied beans to us this year. ECOJAD 325 tons and ECAM 50 tons. SCOOPACDI will also start supplying beans to us next year.

And on top of this we sold more chocolate bars than projected. Fortunately, ABOCFA our Ghanaian partner cooperative (which happens to be our oldest cooperative partner) is fully on track. Last year was the first year they supplied all the beans we agreed in advance, and this year they were able to harvest even more. They are a partner who have joined us on the path to success. So instead of 250 tons, we purchased more than 400 tons of beans from them.

A total of 2,050 tons of beans instead of 1,100 tons. Wow!

This means a market share of 12.5%

→ The more bars we sell, the more cocoa we can process and the more farmers we can work with. That's why we make sure to keep a close eye on our market share. For 2016, this was 12.4% (up to October). Last year this market share was 8.8% over the same period. Our target for 2015/2016 was 12.5%, so we fell just short of the mark.

Our target was: A minimum of 1,200 farmers benefit from our premium

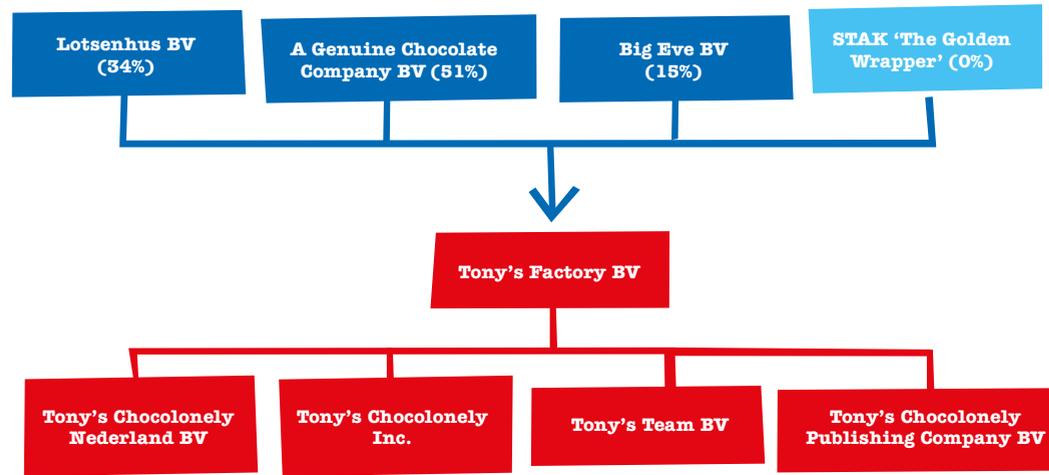
→ Tony's Choclonely currently reaches 2,775 farmers. Not all of these farmers supply their full harvest to Tony's, but at least a share. And they all get to benefit from our premium!

The objective was: to increase awareness of slavery in the cocoa industry by 50% among our chocolate fans.

→ We see that this wasn't as successful over the past year as much as we would have liked. A total of 41% of Tony's buyers have been told repeatedly about the existence of slavery on the plantations (June 2016). Unfortunately, we will not achieve the 50% target for the December 2016 measurement.

Ownership structure and business structure

This Annual FAIR Report covers the activities and results of Tony’s Factory BV and its subsidiaries. These are collectively known as Tony’s Chocolonely.



Not one, not two, but FOUR subsidiaries!

Tony’s Factory BV is the parent company (also known as the “holding company”), which holds all intangible assets, including brand rights and concept development.

Tony’s Factory BV operates four wholly-owned subsidiaries.

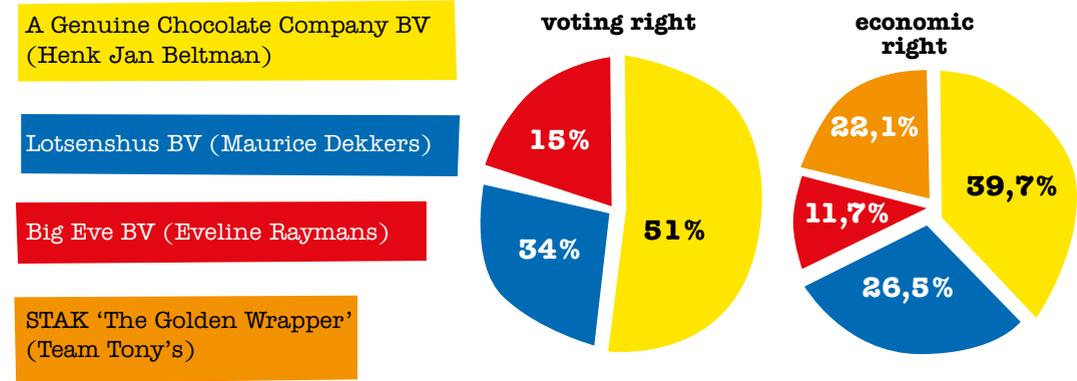
Tony’s Chocolonely Nederland BV: with all Dutch and ‘silver’ activities.

Tony’s Chocolonely Inc.: holds all American activities

Tony’s Team BV: holds all labor contracts

Tony’s Chocolonely Publishing Company BV: holds all production contracts for the documentary TONY. From chocolate criminal to idealist / The Chocolate Case.”

Tony’s Chocolonely has four shareholders:



STAK is an acronym for Stichting Administratie Kantoor De Gouden Wikkel (“the Golden Wrapper”). All the individual ‘Tonys’ of Team Tony’s can purchase a piece of Tony’s through STAK. We are not referring to actual chocolate here, but rather to non-voting depository receipts for shares, with the shares issued by Tony’s Factory BV. All the Tonys can purchase a Golden Wrapper – or two, or three – based on their end-of-year evaluation. The situation is different for each individual Tony. Currently, Team Tony’s owns 22.1% of Tony’s. By agreement, Henk Jan made exceptions for Tony’s that really made a difference for the company in the past: our First Lady of Chocolate Eva (7.5%), Bean Counter Freek (7.5%) and West Coast Wrapper Klink (0.5%). An exception has also been made for three external team members: Hubert – our cocoa buyer – (5%), Teun van de Keuken (1%) and Roland Duong (1%). Teun and Roland are two of the founders of Tony’s Chocolonely.

So.. STAK. Getting members to participate has been a long-term objective of the company. Uhhhh.. say what?!? Sharing successes with the team and employees, as sharing is what Tony’s is all about. The shareholders have shared this wish with the team from the beginning, and in 2012 we agreed to make this a reality with The Golden Wrapper.

Unfortunately, the process was seriously delayed after one of the shareholders (Henk Jan) suffered a stroke and he decided to focus completely on his recovery. He was therefore unable to lead the company – let alone manage the agreed share transaction. Team Tony’s was aware of the gravity of the situation and understood that this was not the right time to ask Henk Jan to honor his commitments.

By early 2015, Henk Jan had regained his physical health and was back in business, so this was the time to discuss the issue. The necessary legal issues were formalized, and the company’s enterprise value was assessed in order to determine the price of the shares. In early July of this year, everything finally fell into place, and The Golden Wrapper had become a reality!

Dividend policy

At Tony's, we had made arrangements with the shareholders and the bank regarding possible dividend payments, but as of next year we will have a bona fide dividend policy in place. Yay! Before we pay out dividends, we balance the various aspects of Tony's, in the following order:

➔ The law: The board is only able and authorized to pay dividends if the continuity of Tony's company can reasonably be guaranteed. This is why we conduct something called a "dividend payment test," in which we figure into our growth targets and plans.

➔ Our impact: Our vision is 100% slave free chocolate. In order to achieve this, we invest in our chocolate supply chain by paying premiums, initiating projects and establishing a foundation. We refer to this as "supply chain impact costs," the purpose of which is to achieve our mission among cocoa farmers in West Africa. Since making an impact remains our first priority and this takes precedence over any payments to shareholders, the amount that can be distributed as dividend cannot exceed 50% of the investment.

Are you still with us! Good! This is the final consideration:

➔ Financial: In order to remain independent and financially solid, we pay a maximum of 50% of the profit earned as dividends – this is how we strengthen our own capital and, by extension, our balance sheet.

Dutch Good Growth Fund (DGGF)

The DGGF provides finance to Dutch SMEs (small and medium-sized enterprises) in developing countries. That's quite a mouthful, isn't it? The fund is dedicated to making an impact in West Africa and other regions and falls under the remit of the Ministry of Foreign Affairs. DGGF and Rabobank jointly finance DGGF Tony's. DGGF embraces our objective, and just like us they want to make an impact and does not put profit targets and other financial ratios first. The flexible loan also enables us to prefinance the purchase of cocoa, along with the additional premiums. We borrow the funds from the bank and subsequently lend them to CocoaSource, which prefinances the beans and premiums on our behalf. This provides a great boost to the farmers, making them very happy!

Income Statement

	10/01/2014 to 09/30/2015	10/01/2015 to 09/30/2016
Net Revenue	17,621,473	29,305,706
Purchasing expenses	11,035,799	17,737,335
Cost of goods sold	10,925,312	17,552,598
Tony's Additional Premium	110,487	184,737
Gross Margin	6,585,674	11,568,371
Gross Margin Percentage	37.37%	39.5%
Personnel expenses	1,927,865	2,916,266
Selling expenses	2,241,403	4,223,739
Marketing & PR	490,197	731,840
Promotional contributions	1,220,655	2,602,104
Premiums	362,817	499,137
Fairtrade premium	187,892	206,080
Chocolonely Foundation premium	174,925	293,066
Travel and entertainment expenses	119,507	255,803
Other selling expenses	48,228	134,855
Logistics costs	616,841	1,119,656
General expenses	644,009	1,125,512
EBITDA	1,155,555	2,183,198
Depreciation	160,689	168,185
EBIT	994,866	2,015,013
Interest expense	34,891	83,161
Income Taxes	230,554	486,644
NET PROFIT	729,421	1,445,207
NET PROFIT PERCENTAGE	4.1%	4.9%

Balance Sheet

	09/30/2015	09/30/2016
Assets	4,889,685	9,328,921
Fixed Assets	410,012	749,147
Intangible Fixed Assets	138,037	560,189
Tangible Fixed Assets	271,975	188,958
Inventories	1,860,049	3,320,232
Trade and other receivables	2,619,624	5,259,542
Debtors	2,468,362	3,764,723
Other receivables	151,261	494,819
		1,000,000
Liabilities	4,889,685	9,328,921
Shareholders' equity		
Issued and paid share capital	809,511	1,774,544
Share premium reserve	32,000	41,095
Legal reserve	314,125	637,710
General reserve	105,227	85,329
	358,159	1,010,410
Current liabilities		
Bank accounts	4,080,174	7,554,377
Trade creditors	985,590	976,789
Taxes and social security premiums	2,145,232	3,424,325
Other payables and accrued expenses		1,000,000
	193,066	643,349
	756,287	1,509,914

Tony's contributes

Our voluntary contributions directly or indirectly benefit cocoa farmers and our fight for a slave free cocoa industry. Huh? (Don't worry, we'll explain this right after). A total of € 945,727 were entered as costs in the past financial year. If you would like to know what these contributions are, check it out:

➔ We used the Fairtrade premiums and Tony's voluntary premium to pay additional contributions to the farmers and their cooperatives. The Fairtrade premium of \$ 200 per ton of cocoa is insufficient to raise the farmers' income levels to subsistence level. We teamed up with True Price to investigate that in 2015/16, an additional \$ 175 ton of cocoa was required in order to achieve a livable income. We regularly adjust the amount of the additional premium based on the latest update of this investigation.

➔ We use the Fairtrade licensing contribution to support Fairtrade in increasing its market share for fairer cocoa and support to farmers.

➔ Contribution to the Chocolonely Foundation: We use this to support projects that bring us closer to a 100% slave free cocoa supply chain. Every year, Tony's Chocolonely puts aside 1% of its net revenue for the Foundation's activities. For the year 2015/2016, this amounted to € 293.057. This year, a total of € 151,242 was paid to the Foundation.

Voluntary premiums and contributions

Fairtrade premiums

Cocoa	
Fairtrade premium paid on cocoa	€ 381,818
Of which entered as costs	€ 173,317 *
Sugar	
Fairtrade premium paid on sugar	€ 73,229
Of which entered as costs	€ 67,485

* The total amount paid in Fairtrade premiums for cocoa is based on kilos of beans purchased. Of the total amount of premiums paid for cocoa to farmers' cooperatives, an amount of € 173,317 was recognized as expenses in our income statement. This amount is consistent with the number of chocolate bars sold in the past year. The difference between the premium entered and the costs paid in advance is the premium on the beans, which remains in stock. This difference is recognized in our balance sheets as prepaid costs and will be added to the costs in the coming year. This also applies to the Fairtrade premiums on sugar.

Tony's premium

Premiums paid to farmers' cooperatives	€ 406,976
Of which entered as costs	€ 184,737 *

* Of the total amount of premiums paid to farmers' cooperatives, an amount of € 184,737 was recognized as expenses in our income statement. This amount is consistent with the bars of chocolate we actually sold in the past year. The difference between the premium entered and the costs paid in advance is the premium on the beans, which remains in stock. This difference is recognized in our balance sheets as prepaid costs and will be added to the costs in the coming year.

Fairtrade license fee	€ 206,080
Chocolonely Foundation	€ 293,057

CHOCOLONELY foundation

The Chocolonely Foundation maintains an independent board, which makes independent decisions regarding the strategy to be pursued and projects to be financed. The board is comprised of the following members: Mavis Carrilho (Acting Chairman), Wouter van Leeuwen (Treasurer), Hans Perk (Acting Secretary) and Liedewij Hentenaar (Board Member).

Every year, Tony's Chocolonely puts aside 1% of net turnover for the activities of the Foundation. For 2015/2016, this amounts to a contribution of € 293,057. This brings the total receivable due from Tony's Chocolonely to the Chocolonely Foundation to € 414,826. Of this amount, a total of € 112,535 was set aside in 2016/2017 for current projects, which means there is room for new projects.

Since Chocolonely Foundation's income is growing rapidly, the key priorities over the past year were professionalization, the formulation of a new strategy for the coming years, and the expansion of a strong project portfolio.

The Chocolonely Foundation finances operations within the following three pillars (and these have some overlap with the pillars of Tony's Roadmap):

1. Creating the basic conditions under which slavery can be eliminated;
2. Promoting consumer awareness;
3. Inciting other relevant players (i.e. businesses and politicians) to take action.

The Foundation takes a particular interest in innovative projects and does not shy away from activities the outcome of which may be more difficult to predict.

In addition to our ongoing projects – such as the shelter for former child soldiers in Burkina Faso and an education project designed to improve education in various cocoa-producing communities in Ghana – a number of new projects were launched in the past year.

A special education fund was established in Ivory Coast, which enabled a total of 695 children to attend school in the past year. We are currently exploring ways to extend this fund.

The appointment of Professor Hummels as a Lecturer in Social Enterprise at Utrecht University coincided with the start of a research study into social innovation in the cocoa supply chain.

In order to facilitate support for new projects, the Chocolonely Foundation commissioned another research study in the summer of 2016 in Ghana and Ivory Coast into local ideas and opinions about slavery, child labor, causes and solutions. The outcomes of the study will be incorporated into projects in the coming year that are in line with this objective.

You can find more information about the Foundation and its projects at www.chocolonelyfoundation.org.



chapter nine:

LET'S RAISE THE BAR!

.. onwards and upwards!

**We are now ready to close the financial year 2015-2016.
Stick a fork in it, it's done!
Let's start looking forward to 2016-2017!**

We intend to continue growing next year in order to further increase our impact. We have detailed the method we plan to use for this in our annual plan. We are currently using what is known as the OGSM method. OGSM is a business plan on one A4-size sheet of paper and represents Objectives, Goals, Strategies and Measures. You start out with the Objective. We regard this as our mission: together we will make 100% slave free the standard in the chocolate industry. We will translate this Objective into quantitative Goals. For next year, this will be:

5,500

tons (minimum) of bean to bar beans bought with Tony's premium.

This year's market share in the Netherlands will be

16.7%

50%

revenue growth to 44 million in revenue, with a net profit of 5.5%.

Awareness of slavery in the cocoa industry among Dutch chocolate fans (somewhat aware/relatively well aware) will increase to

25%

of the Tony's buyers will share Tony's story with their friends and family.

68%

4,500

farmers benefiting from our premium.

In order to achieve our goals, we will stay true to our roadmap and deliver on our promises. These six points are the strategies from our annual plan written down on a sheet of paper:

Another beautiful picture taken by Reinier RVDA



Tony's leads by example

3. Everybody happy?

We want to make everybody in our supply chain happy with our chocolate, from the farmer and his children to the consumer who buys the chocolate. We will build a network of reliable partnerships who will help us turn our vision into a reality in the long term. We work together with cooperatives based on the Five Principles of Cooperation and will create a virtual platform that allows others to emulate our supply chain.

4. Everyone's favorite chocolate for any occasion

Our chocolate touches the heart of our chocofans. Our chocolate is their favorite, on account of its flavor, our brand and the social impact it has made.

5. Expanding our successful business case

We grow in order to make an impact and show other players it is possible to make commercially successful slave free chocolate. In order to maintain our rate of growth in the future and communicating our mission to the rest of the world, we're currently investing in international expansion. Our team and business are solid and turn our goals into a reality.

Leading by example

6. Tony's inspires to act

We prove our impact through the measurable KPIs and share our approach and our knowledge with others. We market our 5 sourcing principles in the industry and, in so doing, inspire others to follow our example.

If you would like to hear the rest of the story,

be sure to keep following us, eat our chocolate and share Tony's story. We always do things slightly different than others, but we do them. We are committed to make all chocolate slave free. Are you in? Yes? Do you make your neighbor happy with the Limited Editions or are you doing a class project on chocolate? If you can't get enough of our products and would like to have a conversation about slave free chocolate, please let us know and don't forget to share our story! We're on Instagram, Facebook and Twitter, and you can call us, send an e-mail or a beautiful handwritten letter.

You'll find us here:

@tonyschocolonely_us 

#tonyschocolonelyus 

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Tony's creates awareness

1. Tony's movement

We inform and inspire people and provide them with the tools they need, to increase pressure on players in the chocolate industry in order to make the supply chain 100% slave free.

2. Awareness in West Africa

Through the Chocolonely Foundation, we directly and indirectly support awareness-raising campaigns about human rights and children's rights in the communities where we purchase cocoa.

OUR ROAD MAP

start 2005

Tony's creates awareness

start 2012

Tony's leads by example

the sooner the better

good examples inspire imitation



And now for the fine print. No, there are no strange conditions or disclaimers, just our internal goals in our roadmap as we set them out last year. Our goals are a combination of results and measurable objectives. We know that some auditors aren't going to find our fine print perfect. Transparent as we are, we're still going to share them with you. And because we think there's always room for improvement, we've honed our roadmap in 2016 and we're going to give it a test run.

Interested in seeing how that goes? Keep an eye on our website. That's where we'll publish progress on the new and improved roadmap.

Oh yeah, one little piece of advice, grab your reading glasses, because the letters are really small (really!).

Tony's creates awareness

	Tony's standard	variables (what are you going to measure?)	goal for 2016	achieved?	why?
effect	Tony's creates awareness We are all aware of slavery in the chocolate supply chain and all assume our share of the responsibility.	# coops with an active policy in place to prevent exploitation/child labor	All partners (cooperatives) with whom we have entered into long-term relationships have an anti-child labor policy in place	Yes	
		% of chocolate consumers who are aware of abuses in the chocolate industry, as demonstrated by annual research (i.e. familiarity with the issue, familiarity with the proposition, level of participation among friends)	50% of Tony's buyers is aware of abuses	No	
result	Communities in West Africa are aware that child labor needs to be eliminated	% of farmers at Tony's cooperatives who indicate in surveys that child labor needs to be abolished	Initiating new research into awareness on and around plantations	Yes	
	Chocolate fans are aware of the situation and are increasing pressure on all parties involved to change the chocolate supply chain	% of chocolate consumers aware of abuses in the cocoa industry, as evidenced by our own annual survey(s) (i.e. familiarity with the issue, familiarity with the proposition, level of participation among friends)	30% of non-buyers of the non-Tony's buyers are aware of abuses on cocoa plantations	Yes	
activities	Tony's facilitates campaigns for the farmers and their communities	# campaigns and activities supported by Tony's or Chocolonely Foundation (financed by Tony's)	2 campaigns conducted in cocoa-producing communities Political campaign in preparation	Yes Yes	
	Tony's supports – both directly and through the Foundation – awareness-raising campaigns against child labor and exploitation in West Africa	% and # of farmers at Tony's cooperatives who have received training on these issues			
	We inform, inspire and provide practical tools to chocolate lovers about slave free chocolate	# campaigns # support activities # annual consumer campaigns about social issues in the supply chain # serious blogs and # blogs shared by fans	1 retail campaign (promotional campaign) Movie available in a minimum of 20 cities as well as online 8 serious blogs with a minimum of 10,000 responses	Yes Yes No	The number of responses turned out to be significantly lower.
	total			7 reached 2 not reached	

Tony's leads by example

	Tony's standard	variables (what are you going to measure?)	goal for 2016	achieved?	why?
effect	Tony's leads the way Tony's supply chain leads by example by being slave free	Tony's financial health	28 million euro in revenue 4.5% profit	Yes Yes	
		# cases of slavery and exploitation detected in the supply chain # uncovered cases of illegal child labor	0 cases of slavery 0% of child labor	Immeasurable No	6 Cases detected
		# farmers with a livable income from cocoa	Livable income price calculated and paid A minimum of 20% of farmers has a livable income thanks to efficient production and competitive prices	Yes No	Output too low
	Tony's has a positive impact on the environment Tony's is biodiversity-neutral	# total footprint per chocolate bar and for the company as a whole	Full offset of carbon footprint of cocoa and packaging materials	Yes	
result	Tony's activities have an increasingly lower negative impact on the environment and biodiversity	% reduction in Tony's environmental footprint	Decrease due to compensation of 30% per bar	Yes	
	Tony's uses a successful business case Tony's revenue and profit increase annually	Revenue growth compared to previous year Net profit per fiscal year	1450 MT cocoa beans purchased	Yes	
	Everyone in our supply chain loves chocolate, ranging from the farmers and their children to the consumer Tony's farmers are united in strong cooperatives, are more productive and receive a fair price for their product	# MT purchased from small farmers in West Africa % operational costs paid by external parties (per organization). % farmers groups with clear and functioning governance. % farmers groups with clear policy plan. % of premium paid for cocoa beans that reaches farmers in cash. Total Farmgate price incl. premium paid compared to average farmgate price for cocoa to farmer in the country. Average Output in kg/Ha per cooperative # Number of communities strengthened by Tony's or projects initiated by the Foundation # schools that operate effectively thanks to Tony's or projects initiated by the Foundation % female cooperative members; # female board members	External 0% cost of cooperatives for daily management Average of 50% of premiums directly to farmer; cash or input	Partially Partially	Number of cooperatives still dependent on external subsidies Suhum Union did not achieve this
		100% of all cooperatives have a clear structure	Yes		
Tony's makes the greatest-tasting chocolate for everyday use Tony's Chocoolony is the most favorite chocolate brand.	Market share Brand preference	12.5% market share; NR2 in NL	Partially	Almost achieved	
activities	Tony's measures its environmental impact and takes action We measure our environmental costs throughout the chain. We implement measures to reduce and offset the negative impact of our activities	Extent to which current environmental footprint of Tony's entire chain is offset. Measures taken to reduce Tony's environmental footprint.	Calculation of total footprint based on volume sold	Yes	
	Strong business model Tony's implements a healthy and professional business model with a motivated, professional team	# systems operational in linking relevant flows (i.e. goods/financial resources/information) together Annual report in accordance with GRI standards Average score in annual fun/work survey Training staff in Tony's way of working	MoU signed with party to offset cocoa plus packaging Bean tracker installed Annual Fair Report Quest-cheer-nair: 8 100% of staff members have been trained	Yes Yes Yes Yes Yes	
	Solid network We actively invest in the network of reliable partners who help realize our vision in the long term	# visits to Tony's by partners # long-term relationships with customers and suppliers Feedback from annual reviews with customers and suppliers # customers and suppliers who actively participate in Tony's initiatives	5 MoUs signed with suppliers # long-term deals with customers # joint actions (Jumbo; WAAR) Business associates at FAIR	Yes Yes	Purpose not clearly defined Purpose not clearly defined
	Tony's supports farmers and their communities We cooperate with farmers based on our Five Principles: a more competitive price, long-term relationships, traceability, and support in increasing output and increasing cooperation In addition, 1% of our revenue is donated to the Chocoolony Foundation, whose objectives include strengthening local communities	% additional price paid by Tony's [1] to producers' organizations based on Tony's Pricing Theory/Tony's own price calculation # trade partners % Trained farmers by cooperatives in sustainable production methods. # activities/projects for strengthening the organization of the cooperatives # training/activities designed to improve the position of women % of net revenue allocated to the Chocoolony Foundation % rehabilitation/replanting per year per cooperative	2 new future partner cooperatives 100% cocoa purchased with Tony's premium from a minimum of 1,200 farmers 80% of farmers of cooperatives with which we have signed an MoU have received training Established 2 nursery/replanting projects	Yes Yes Yes Yes	
	The most delicious Tony's produces the best-tasting chocolate around – you want to devour it, wrapper and all! Irregular shapes and packaged in highly colorful wrappers	% of the volume produced based on recipes created exclusively for Tony's using own beans # new flavors launched	100% original recipe 8 new flavors	Yes Yes	
	No bitter undertaste We purchase traceable cocoa from West Africa, which we use in our recipes. We use ingredients that make an impact, and do not use child labor or slavery in the production process	% products purchased in compliance with Tony's quality requirements (sourcing policy) # purchased based on Tony's Ingredient Assessment % ingredients certified or compliant with at least the technical certification requirements % cocoa that can be traced within the Tony's system up to the farmer % other ingredients purchased in accordance with the certification requirements	Established sourcing policy 100% cocoa mass traceable in chocolate bar All additions are child-labor-free First beans purchased for cocoa butter	Yes Yes Partially Yes	
			total		24 achieved 4 partially achieved 2 not achieved 1 immeasurable

good examples inspire imitation

	Tony's standard	variables (what are you going to measure?)	goal for 2016	achieved?	why?
effect	Inspire to act All players in the industry assume their share of responsibility	# companies working based on Tony's Five Principles	There is a focus on living income, traceability Five Cooperation Principles shared with a minimum of 5 forums Support expressed by NGOs	Immeasurable Yes Immeasurable	Goal is not measurable and attribute cannot be determined
result	Tony's proves that it's possible Through cooperation we can increase our scale, demonstrate impact and learn from one another	# publications on impact of Tony's model # countries where Tony's has a significant market share	4 Countries where Tony's is available in grocery stores Share in the Netherlands 12.5%	Yes	Goal is not specific enough to measure
	Tony's contributes to systemic change Industry works according to 5 principles; certification bodies and politicians take active measures	# companies that have changed their business operations following meetings with/actions initiated by Tony's # changes in international certification systems and legislation to which Tony's has contributed"	Establishing political campaign to demand transparency Participation in IMVO covenants Input regarding amendment of FT code	Yes Yes Yes	Has Tony's commissioned an investigation?
activities	Tony's focuses on impact, learns, and shares We measure impact, investigate, publish, learn, and share knowledge through our networks	# partnerships with research and educational institutions # presentations of Tony's model to relevant and/or leading partners and media # publications of Tony's model and social issues in the supply chain for relevant and/or leading media Active participation in national and international sector meetings and working groups/committees/networks # research activities based on impact	Academic chair in place 2 business cases in conjunction with universities 10 presentations in the media 6 presentations for relevant partners Active participation in 4 forums Establishing impact methodology 2016-2020	Partially Immeasurable Yes Yes Yes Yes	The process is not yet operational due to a delay Information could not be found
	Tony's has an international scope and promotes dialogue We engage government authorities and chocolate producers in debate and attempt to incite them to cooperate in accordance with the '5 Ps'.	# new markets (countries?) where Tony's has been launched # conversations with relevant players about our supply chain and slavery in the sector # lobbying activities/support to campaigns targeted at the government	Expansion in Belgium; preparation in Germany; launch in Scandinavia 600,000 euro revenue in US Minimum of 2 meetings with policymakers 3 international meetings Plan drafted to plead for stricter laws	Yes Yes Yes Yes Yes	
			total	14 achieved 1 partially achieved 3 immeasurable	



they weren't exaggerating



GENERAL STANDARD DISCLOSURES		
General standard information - provision	Page	Description
1. Strategy and Analysis		
G4-1	7	Statement from the most senior decision maker of organization about the relevance of sustainability to the organization and its strategy.
2. Organizational profil		
G4-3	82, 93	Name of the organization.
G4-4	back flap	Primary brands, products and / or services.
G4-5	93	Location of organization's headquarters.
G4-6	12	Number of countries where the organization operates and names of countries with either major operations or that are relevant to the specific sustainability issues covered in the report.
G4-7	82	Ownership structure and business structure.
G4-8	80	Markets.
G4-9	30, 37, 80, 82, 85, 86	Scale of the reporting organization.
G4-10	30	a) 22 people on full-time contracts (50% of whom are women) and 18 on part-time contracts (including 66.67% women). b) 23 on permanent contracts (52.17% women) and 17 on temporary contracts (64.71% women) c. not applicable d) North Holland: 25 (64% female), Utrecht: 7 (42,8% female), South Holland 2 (50% female), Gelderland: 1 (100% female), Noord Brabant 1 (0% female), Portland, OR, USA: 4 (75% female) e) 1 temporary worker is 0.5 FTEs f) No fluctuations, but strong growth
G4-11	0%	a. Number of employees by type of employment contract and gender. b. Number of employees with a permanent contract by employee category and gender. c. Total workforce broken down by employees and other assistants and gender. d. Total workforce broken down by region and gender. e. Percentage of activities of the organization carried out by individuals who legally qualify as independent contractors or by individuals other than the organization's own employees/agents, including any employees/agents of suppliers. f. Significant fluctuations in the number of employees (including seasonal work in the tourism or agricultural industry).
G4-12	12, 21	Percentage employees covered by a collective agreement.
G4-13	29, 80, 83	Supply chain of the reporting organization.
G4-14	61	Significant changes during the reporting period regarding size, structure or ownership.
G4-15	20	Details on the application of the precautionary principle by the reporting organization.
G4-16	20	Externally developed CSR charters, principles or other initiatives to which the organization subscribes.
G4-17	12, 82, 84	Memberships in associations (such as industry associations) and national and international interest organizations.
3. Identified Material Aspects and Boundaries		
G4-17	12, 82, 84	Operational structure, delineation of the report.
G4-18	11	Process and principles for determining the content and scope of the report.
G4-19	11	Summary of material aspects.
G4-20	12	Boundary of material aspects within the organization.
G4-21	12	Boundary of material aspects outside the organization.
G4-22	No restatements of information from previous posts.	Effects of any restatements of information from previous reports.
G4-23	No change in scope.	Significant changes from previous reporting periods in the scope or Aspect Boundaries.
4. Stakeholder involvement		
G4-24	9	List of stakeholder groups engaged by the organization in question.
G4-25	8	Basis for identification and selection of stakeholders.
G4-26	9-11	Approaches to stakeholder engagement, including by frequency type and by stakeholder group.
G4-27	9-11	Main feedback from stakeholders and how the organization has responded to this.

General standard information - provision	Page	Description
5. Report profile		
G4-28	5, 79	Reporting period for information provided.
G4-29	November 19, 2015	Date of most recent previous report.
G4-30	Annual	Reporting cycle.
G4-31	5	Contact point for questions regarding the report or its contents
G4-32	100-101	The annual report is consistent with the core option.
G4-33	KPMG monitors the financial year end report. Avance monitors the continuing progress on our roadmap, but not this Annual report or parts thereof.	The chosen 'in accordance' option and GRI content index chosen. Policy and current practice with regard to providing external assurance for the report.
6. Governance structure		
G4-34	29	Governance structure of the organization, including committees under the highest governance body.
7. Ethics and Integrity		
G4-56	27, 33, 51	Internally developed mission and values statements, codes of conduct and principles with interest in CSR Category.

SPECIFIC STANDARD DISCLOSURES				
Material Aspects	Management Approach and indicators	Page	Omissions	Description
Categorie: Economic				
Economic	G4-DMA	19, 61, 78		Why the topic is material, the performance impact of the subject and how the organization deals with it.
	G4-EC1	52, 79, 85, 86		Direct economic value that is generated and distributed.
Purchasing	G4-DMA	61, 78		Why the topic is material, the impact of the practice subject and how the organization deals with it.
	FP1	100% of cocoa		Percentage purchased volume of suppliers in accordance with company purchasing policy.
	FP2	100% cocoa is Fairtrade certified		Percentage of purchased volume verified as in accordance with credible internationally recognized responsible production standards.
Categorie: Environment				
Emissions	G4-DMA	58-61		Why is the topic material, impact of the subject and how the organization deals with it.
	G4-EN18	61		Intensity of the emission of greenhouse gases.
Categorie: Social				
Subcategory: Labor practices and Decent Work				
Assessment of supplier labor conditions	G4-DMA	16-19, 25, 33		Why the subject is material, the impact of the subject and how the labor organization deals with it.
	G4-LA15	62		Important current and potential negative effects on working conditions in the supply chain and the measures taken
Subcategory: Human rights				
Child labor	G4-DMA	16-19, 25, 33		Why is the topic material, impact of the subject and how the organization deals with it.
	G4-HR5	58		Activities and suppliers marked with significant risk for incidents of child labor, and measures to contribute to the effective abolition of child labor.
Forced or Involuntary Labor	G4-DMA	16-19, 25, 33		Why is the topic material, impact of the subject and how the organization deals with it.
	G4-HR6	62		Activities and suppliers marked with significant risk cases of forced or involuntary labor, and contributing to the elimination of all forms of forced or involuntary labor.

THANK YOU

to everyone who cultivates cocoa for us
to everyone who grows sugar for us
to each cow that produces milk for us
to everyone who makes chocolate for us
to everyone who wraps our chocolate bars
to everyone who sells our chocolate
to everyone who eats our chocolate and drinks our chocolate milk
to everyone who works with or for Tony's Choclonely
to everyone who has helped us – in any shape or form
to everyone who embraces our vision
to everyone who takes action
thank you!

Only together can we make all chocolate 100% slave free.

And.. an extra high give for all the people who were invaluable to the creation of this Annual Fair Report:
Elles, the invisible yet invaluable force.. thank you! (check her website: ellesrozing.nl)..
Marjolein, GRI-specialist to the maxxxx (if you're looking for a serious GRI check, visit changeincontext.com).
Def, and touch creative for optimal flexibility
Lars and Vera and the translators at The Language Lab: well done, guys!
Eva, thank you for your time – even after hours.
Pascal for being able to check in, check out and move full steam ahead at any time
Klink... Mister Tony's Touch – he got the job done again!
Freek, Femke, Henriëtte and Boekie for all check check double checks
And Kirsten: without you. The periods and commas. In this, FAIR Report.
Would be in a completely different place!



Hey, you there! Psssst.. Would you like to learn some fun facts about the paper we used for this year's Annual Fair Report? The inside pages are actually made from the green shucks and ears of crops like corn and sugarcane. After harvesting, the green parts remained and, along with a large stack of other leaves and stalks, were transformed into beautiful paper sheets to become this Annual Fair Report. It was quite the metamorphosis, and we couldn't have done it without the help of Paperwise. Oh, and the environmental impact is 47% lower than for FSC-certified wood fiber paper and 29% lower than for recycled paper.

♥♥♥ PRINTED ON PAPERWISE ...

The cover is made from uncoated, FSC-recycled paper, has not been treated with porcelain or limestone, and is made from 100% recyclable materials. Who knows, this cover may have been War and Peace in its previous incarnation, or a pulp fiction novel or even a pizza box! If you feel you've seen this paper before, you would be right, because the wrappers of our bars take a leaf out of the same book.



Just like with our chocolate even the printing is top notch. The sustainable printing company Graphius uses alcohol-free and vegetable-based inks, as well as working on a carbon-neutral and environmentally friendly basis. It's good to be yellow ehh.. GREEN!

ClimatePartner^o
climate neutral

Print | ID 11491-1511-1001

look at them go.. !

What's been going on with Tony's chocolate in 2015/2016? Another look back at a delicious year in chocolate.

october 2015

The third Limited Edition will be presented alongside the two released in September. Our original idea for number 3, milk fig walnut, didn't have the quality that we expect at Tony's. So we developed a new festive bar in no time: milk lemon cheesecake!



They're back, our S, M and P letter bars in milk, dark and pepernoot. We also introduced the new milk marzipan bar.



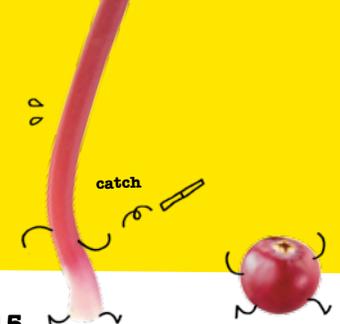
february 2016

Hurrah, Easter eggs are back again! Packed in a handy egg carton in the flavors milk, dark, milk nougat, milk hazelnut, milk caramel sea salt, and newly-hatched dark pecan coconut. Coo coo!

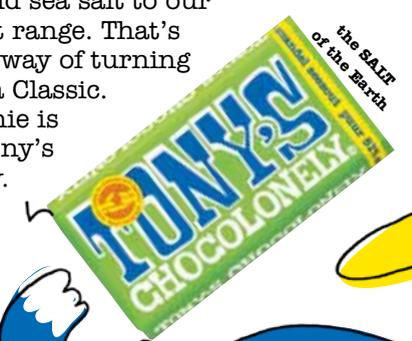


november 2015

Every six months, the relay bar passes the baton to another surprising flavor that captures the spirit of the season. The summery rhubarb crumble will hand it to the wintery dark cranberry anise. A-nise to meet you!



And since we're celebrating our 10th anniFAIRsary this year, we've decided to add dark almond sea salt to our regular product range. That's the democratic way of turning a Limited into a Classic. The green meanie is number 7 in Tony's Classic rainbow.



take one step forward

and one step back

may 2016

High time for a new relay bar. Milk passion fruit yoghurt took over from dark cranberry anise. This summery bar makes you feel like you're eating an ice cream cone on a tropical beach.



Top pop: disco in your bar! Popcorn discodip was the winner of our Limited Editions 2015 election, so it's going to stay around for a while. And since this favorite is one of our Exclusives, it's only available year round at Marqt stores, the Wereldwinkels retail chain, WAAR and the Bijenkorf department store chain (so not in grocery stores).



september 2016

Oh yeah! It's here: the sister to our dark chocolate bar with crispy almonds and a salty nut.



Here they are: our Limited Editions 2016; three crazy flavors in bright red-white-and-blue wrappers. This year, the Limited Editions came in crazy milk cola, refreshing dark ginger lemon, and WHITE (yes, really!) carrot walnut. And of course, an important message on the inside of the wrapper: Tony's recipe for slave free cocoa.



So we've gone through all 12 months, and we finish the way we started: with chocolate letters. The more, the better. P, M and S are now joined by ABC to XYZ. So don't forget; we've got every letter of the alphabet!



