



TONY'S CHOCOLONELY®

annual **FAIR** report
2018/2019



whoops

2 more wishes

mine has already come true



it's 5 to midnight!

Time for action! 100% slave-free the norm in chocolate. That's what we stand for. But, sadly, we're not there yet. There's just not enough happening. We need to work together with the key players within the cocoa industry to change the rules of the game. Because it's 5 to midnight. It's time! So, what happened in 2018/2019? Here's a quick recap:

industry: room for improvement

Change: it's inevitable. Maintain the current system and you continue human rights violations. And that should NOT be allowed. The system must be changed. Now. End modern slavery and illegal child labor in the cocoa industry by setting a new industry standard. Together we take responsibility for bringing about systemic change and work toward fairness in the supply chain.

→ Read all about in Industry: **come up with real solutions**



let's go gloooobaaaaaal

We're still numero uno in the Dutch chocolate world! In pursuing our mission, we certainly stirred things up at home. That's bary good news! Even better, we're growing pretty fast in the United States and United Kingdom. Not only that, but other countries are also becoming increasingly aware of the issues. We're conquering the world with our brand and our mission, bar for bar, thereby increasing our impact across the world.

→ Read all about it in Retail: **spееееed up for global impact**

YES!! Wet Zorgplicht Kinderarbeid (Child Labor Due Diligence Act)

The "Wet Zorgplicht Kinderarbeid" has been passed. Finally, there's a law that obliges companies in the Netherlands to take responsibility for social abuses in their supply chain. We've lobbied our socks off. It cost us blood, sweat and tears, I tell ya. Time to lay back and relax, right? Well, not quite yet.. Although it does look like other governments are finally starting to take action, too. It's definitely starting to look promising.

→ You can read all about our approach in Governments: **time to get serious**

making a living income the new norm

Together with Fairtrade Nederland, we have set a reference price for cocoa beans that makes a living income possible for farming households in Ghana and Ivory Coast: the Living Income Reference Price. We have been paying farmers and cooperatives higher prices for cocoa since 2013 because the market price for cocoa is waaay too low. Now, other chocolate makers have no excuse not to pay this price as well.

→ Read more about poverty as a root cause in **Serious Farmers**



100% GPS mapping against deforestation

It's 5 to midnight.. In addition to illegal child labor and modern slavery, there's way more going on. With each bite of untraceable chocolate, we are slowly eating the tropical rainforest. Deforestation is a huge issue across the globe, especially in the cocoa industry. Here, too, poverty is the root cause. We're mapping deforestation in West Africa and are taking concrete measures to prevent it.

→ Read more about GPS mapping and more in **Serious Farmers**



we like to move it, move it

We need each other in the struggle against illegal child labor and modern slavery. Tony's Chocolonely is making significant progress and provides Serious Friends with tools to fight the battle together. But that progress isn't quite fast enough. If we REALLY want to make a difference, we need more Serious Friends and a lot more action. Not a Serious Friend yet? Then become one! We promise to get plenty of action sorted next year. Deal? We promise to get plenty of action sorted next year. Deal?

→ You can read more about this in **Making a movement, together**

the figures don't lie

Oh no! Tony's Chocolonely won't make much profit this year. What on earth happened?! How can you be commercially successful and don't make much profit? Let's dive into that together, shall we? Got that snorkel on nice and tight? Right! Jump!

→ Take a dive into the financial results Figures, figures everywhere



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MONEY IS A MEANS, NOT A GOAL, EVER..

Yes, we know it's a bit weird to launch into the Tony's annual FAIR report 18/19 with these words. But it's necessary. You might say that the annual FAIR report is an annual yardstick. We show our impact results for the past financial year and explain our ambitions for the near future.

According to the Oxford Dictionary, money is a means of payment. That's it - nothing more, nothing less. A lot of companies are awfully confused and get "means" and "goal" mixed up. But you know what? We're absolutely convinced that every single individual and organization shares responsibility for making the world a better place.

Especially now, in these turbulent times, we can't just stand by and let things happen. There's just too much going on in the world. Inequality is becoming more acute and international politics are getting more populist, with men like Trump, Putin and Johnson. In the Netherlands, we have Wilders and Baudet. There's this serious lack of regulation across the world with regard to tackling climate change. Things have even gone so far that young people need to tell us that we should do something about it (thanks, Greta).

If we don't do anything, who will?

Tony's Chocolonely was founded in 2004 by the Dutch TV program "De Keuringsdienst van Waarde" with the clear purpose of making all chocolate 100% slave free across the globe. It is the result of dissatisfaction and frustration with the social inequality in the chocolate industry. Things CAN and MUST change. Together we'll make 100% slave free the norm in chocolate. And, to achieve that, we have a strategy: our roadmap. This roadmap consists of 3 pillars: Tony's raises awareness, Tony's leads by example and Tony's inspires to act. Through our Open Chain platform, we give businesses the opportunity to take on our approach and change the chocolate industry together.

The past year – our transition year – has flown by. We want to grow from a Dutch impact company into an international impact company that makes chocolate. And even though the transition hasn't quite been completed, we're actually getting there!

The Dutch market is all grown up and, even though we didn't make the market share target, we're still the Number 1 national chocolate brand. And we've started making an impact internationally as well. Just look at the article in *The Washington Post* – in which Tony's Chocolonely talks in detail about the cocoa industry – and the Netflix documentary *Rotten* about the injustices in the cocoa industry, for instance. Nowadays, a substantial part of our turnover comes from across the Dutch borders.

I am incredibly proud of how we use GPS mapping to combat deforestation in West Africa. I'm also really happy about how we use the CLMRS to trace illegal child labor and solve the cases that we find. We believe in the power of cooperation. We always pursue our goals. Together with Max Havelaar, we drew up the Living Income Reference Price: a single mathematical model based on the same controllable

variables (such as family size). Starting with the next cocoa harvest, we'll be paying the farmers a higher price. That means that the farmers are yet another step closer to earning a livable income. Bam! And, with Tony's Open Chain, we expect to expand this kind of thing even further, so we can keep increasing the direct impact we make. Over the past year, we really gave our lobbying skills a good workout. In the Netherlands, the Zorgplicht Kinderarbeid Act (Illegal child labor Due Diligence Act) has, contrary to all expectations, been adopted. Proud of! And we will continue outside of The Netherlands.

In the United States, we went on a super successful road trip with our Choco truck. Yep, our mission is reaching a huge number of people. Unfortunately, we didn't even get close to the planned financial results. All of them can be explained, because we were in a transition year in which we have invested in a huge amount. In the United Kingdom things are jolly good and we've actually been turning a profit for the past nine months. Not just where sales figures are concerned, but also where the story is concerned. And, because we're turning a profit in the UK and things in Germany are going surprisingly well, we'll be turning the silver market in Germany into a golden one with its own team. All other markets (silver, bronze and Duty Free Travel Retail) are also exceeding our expectations. Bingo!

At home, we bought warehouse De Vrede in Zaanstad to build Tony's Chocolonely Chocolate Circus. It'll be an Open Chain chocolate factory: we'll explain the injustices in the cocoa industry, what we're doing about them and how chocolate is made. Everyone's invited.

We finished second on the list of Great Places to Work in the Netherlands. Not bad! We have a strong team, which is an absolute must when you want to change the system from the inside out. It's all about working together.

Despite the fact that total sales were below our target and that we incurred more costs than had been agreed in advance, I am proud of the transition we have gone through. We are aiming to reach 8,500 West African cocoa farmers who will benefit directly from our premium, add 2 new cooperatives, buy even more traceable beans and gain 5 new mission allies. As usual, we'll have to really stick to our financial ambitions. At least 50% revenue growth, 40% gross margin and at minimum 1.9% net result. We really need to focus on this to ensure that we can achieve the growth we're after. Not as a target, but as a means to achieve our mission. Because only together we'll make 100% slave free the norm worldwide. On behalf of all Tony's in Team Tony's, thank you one and all. We're 1000% confident about the future and are looking forward to making an impact across the globe! Heck yeah!

Henk Jan Beltman
Chief Chocolate Officer

**Toot toot:
HJ, let's make
some noise.**



chapter one:

THERE'S A LOT HAPPENING IN CHOCOLATE LAND

(this is not your average annual report..)

A standard annual report tells you about a company and its results for the last financial year. Have we got news for you.. This is the Tony's Choclonely annual FAIR report! Besides telling you what we achieved last year, we'll also let you know where we didn't succeed, because we still have a way to go. To make chocolate 100% slave free, everyone has to take action. So, in this report, we'll also explain what's being done to tackle injustices in the industry. We make it clear what we expect from governments, retailers and consumers (our choco fans). As we say at Tony's, "Don't stick your head in a mountain of cocoa beans!" Everyone in the chocolate chain has to take responsibility to make chocolate slave free.

Hello, world!

We have written this annual FAIR report for you. Give it up for Team Tony's, cocoa farmers, choco fans, customers and suppliers! And, these days, you are even more spread out. Tony's Choclonely is sold in more and more countries – and that's a good thing. We need a lot more Serious Friends. Because together (and only together) we'll make 100% slave free the norm in chocolate.

Our bars are sold in 22 countries. We can be found in the US, UK, Ireland, Germany, France, Belgium, Sweden, Finland, Denmark, Norway, Greece, Kuwait and Tokyo. It's quite a list and we could go on and on. Wherever we're found, we explain what's happening in chocolate land. And, above all, let's not forget West Africa. Our partners in Ghana and Ivory Coast play a key role. So this report is also for them.

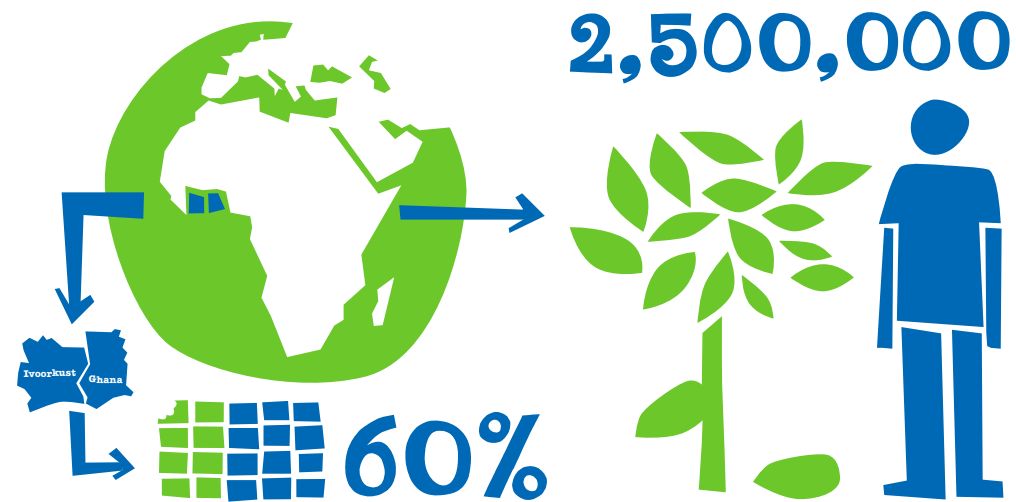
Just getting to know us? Keep reading!

How did Tony's Choclonely get started? Tony's was originally a "journalist bar" designed to draw attention to a serious problem. Journalists working for the Dutch television program Keuringsdienst van Waarde expose the issue of modern slavery and illegal child labor in the cocoa industry. They take action and, in 2005, the first Tony's bar rolls off the production line in the Netherlands - in a shocking red wrapper that says "100% slave free."

It starts with 5,000 Fairtrade chocolate bars. And they fly off the shelves, but journalists quickly realize that they can't tell where the beans came from. They are sourced from a gigantic mountain of certified and non-certified beans, all heaped together. And, if you don't know exactly where the beans come from, you can't be sure about the conditions under which they are grown and produced. In other words, it is impossible to guarantee that the bars are 100% slave free. So it's back to the drawing board. In the years that follow, we summarize the solution in our 5 Sourcing Principles.

Tony's Chocolonely emerges as a social impact company that makes chocolate. The more we learn, the more it becomes apparent that things are horribly wrong in the cocoa industry. The economic system in the cocoa and chocolate industry is driven by the desire to maximize profits. As a result, cocoa farmers in West Africa are paid very little for their beans and live in extreme poverty. In the struggle to keep their heads above water, many have little choice but to allow children to do dangerous work. Or are forced to use unpaid labor on their plantations.

Check out these facts:



2.5 million cocoa farming families in Ghana and Ivory Coast produce more than 60% of the world's cocoa. This is an estimate because many cocoa farmers are not registered.



In Ghana and Ivory Coast, 2.1 million children work on the land under illegal conditions because their parents are not able to earn enough from their cocoa harvest (Tulane University. 2013/2014 Survey Research on Illegal child labor in West African Cocoa Growing Areas. 2015). This is not acceptable.



In Ivory Coast, the average cocoa farmer earns an average of \$0.78 per day (Cocoa Barometer 2018, p 6). Nowhere near enough to live off, let alone support a family – not even in West Africa. This year, together with Fairtrade, Tony's has established a Living Income Reference Price per kg of \$2.20 in Ivory Coast and \$2.10 in Ghana.

30,000

Worse still, a study conducted in 2018 (Global Slavery Index, p. 49) confirms that at least 30,000 people are victims of modern slavery in the cocoa industry in Ghana and Ivory Coast. Adults and children are forced to work on cocoa farms for no pay. And the number of victims is probably far higher because cocoa grown illegally in protected areas was not included in the study.

Changes in our manifesto

Tony's manifesto summarizes our how, what and why. This year, we reworded our manifesto so it describes the problem more clearly with due respect to everyone involved:

- ➔ The cause of modern slavery and illegal child labor is extreme poverty. So we added the sentence "This is a result of the unequally divided cocoa chain."
- ➔ The word "slave" has been replaced by the word "slavery." Defining people as slaves perpetuates inequality and shifts the focus to the victim, instead of the systemic issues of the industry that cause the problem.
- ➔ And we no longer refer to "the way we treat cocoa farmers"; instead we talk about "the way we do business with cocoa farmers." Because they are our equal business partners.
- ➔ We have also changed wording of our mission to "Together we'll make chocolate 100% slave free." Outside the Netherlands, our mission is occasionally misinterpreted as a claim. In introducing the word "will," we are clear about our mission, our commitment and our view of the future.

The word "slavery" is controversial. But we believe in grabbing the bull by the horns. Let's not confuse words. What we're talking about is modern slavery. Slavery is a shameful chapter in Dutch, British and American history. Back in the 17th century, the trading of commodities such as sugar, cotton, salt and cocoa involved appalling human tragedy, as human beings were also traded. You might think this all happened a long time ago. If only that were true. Transatlantic slavery was eventually abolished in the 19th century. This form of slavery is now banned worldwide by international conventions. But it has yet to be completely eliminated. Millions (yes, millions) of people worldwide are still under the yoke of slavery – or conditions very much like it.

Transatlantic slavery and modern slavery are not the same, but both involve economic inequality and human exploitation. More than 30,000 instances of slavery in the cocoa industry in Ghana and Ivory Coast are evidence of what happens when there is inequality in the supply chain.

So what do we mean by modern slavery?

We call any form of forced labor or systematic exploitation of adults or children (including the worst forms of illegal child labor outside the immediate family, which are not acceptable under any circumstances) modern slavery.

All forms of illegal child labor

In the paragraph above we describe modern slavery, but let's be very clear: illegal child labor and modern slavery are not the same! Dangerous working conditions for example or working during school hours are forms of illegal child labor, but not modern slavery. Illegal child labor is occurring far more often than modern slavery. Illegal child labor can occur in different levels of severity as is shown in the below ILO table.

Source: International Labour Organization (ILO)

	children below the minimum age specified for light work (for example 5-13 years) ²	Children within the age range specified for light work (for example 14-15 years) ²	Children at or above the minimum working age (for example 16-17 years) ²
light work ¹	employment below the minimum age for light work		
regular work ³	employment below the average minimum working age		
hazardous work	employment in industries and occupations designated as hazardous, or work for long hours and/or at night in industries and occupations not designated as hazardous		employment in hazardous, or work for long hours and/or at night in industries and occupations not designated as hazardous
worst forms of illegal child labor other than hazardous work	children trafficked for work, forced and bonded labor, commercial sexual exploitation of children, use of children for illicit activities and armed conflict		
hazardous unpaid household services ⁴	unpaid household services for long hours, involving or heavy loads, in dangerous locations etc.		unsafe equipment

¹ Age-group limits may differ across countries depending upon the national level.

² Where applicable at the national level.

³ Applicable where the general production boundary is used as a measurement framework for illegal child labor.

⁴ Children in employment other than those covered in 1a, 2a and 2b.

In most cases, children are forced to work away from their family and do not have the option of stopping. In some cases, they are trafficked, taken far from their homes and forced to work on cocoa farms belonging to strangers. Neither they, nor their parents benefit from the money they “earn.”

Adults who are victims of loan sharks and have no choice but to keep handing over their income to pay off impossibly high interest rates are also considered to be entrapped in modern slavery. The situation makes it impossible for them to build a life for themselves.

And, just so we’re clear: Illegal child labor and modern slavery are two different things. Illegal child labor is far more common. Having to do dangerous work, working an excessive number of hours for your age and working during school hours are all examples of illegal child labor. If children are working on their parents’ farm, this doesn’t qualify as modern slavery. The fact that the children have to work because their parents earn far too little is totally unacceptable, but it’s not modern slavery.

Modern slavery at Tony’s Choclonely?

Nope. We won’t guarantee 100% that our supply chain is completely free of forced labor. To spell it out.. In 2017, we asked Tulane University and the Walk Free Foundation (which publishes the Global Slavery Index) to actively investigate forms of forced labor in our supply chain. Not a single case was found. So, what we can say is that there is no systematic use of forced labor in our supply chain. But.. we’re growing quickly and working with more and more farmers and farming cooperatives. So, we may discover instances of forced labor at some point. In the meantime, we’re on the lookout for it. If there is forced labor in our supply chain, we want to find it.

Illegal child labor still occurs in our supply chain. And if it’s happening, we want to know. Because only then can we do something about it. We are working hard on this – and we are doing it together with the CLMRS (it’s explained in our list of terms). In the financial year that just ended, we found 259 cases of illegal child labor in our supply chain. Together with the cooperatives, we seek to uncover illegal child labor and present alternatives. This year, with their help, we resolved 56 cases of illegal child labor.

100% slave free chocolate! Of course, we could have chosen the path of least resistance.. It’s easy to source cocoa from areas not plagued by injustice. Or we could have set up our own carefully monitored plantation in West Africa and chosen not to welcome new farmers. But then ab-so-lute-ly nothing would change. The unfair system that perpetuates unequal trade relationships and poverty among West African cocoa farmers would remain in place.



100% slave free the norm in chocolate

Tony’s vision is that chocolate needs to be 100% slave free. Not just our chocolate. No. All chocolate worldwide. As a chocolate maker, we are changing the industry from within. And together we’ll make 100% slave free the norm in chocolate. It’s not a matter of assigning blame, but about who’s responsible (and who assumes responsibility!) for tackling the injustices in the industry. The various chapters of this annual FAIR report zoom in on the players in the supply chain, starting with the farmers and ending with the consumers.



In mid-2017, the global market price for cocoa fell by 40% due to an exceptional harvest and market speculation. In Ivory Coast, the minimum price farmers were guaranteed for their cocoa (the “farm gate price”) fell by almost 40%. This price drop had (and continues to have) a tremendous impact on the lives of farming families in Ivory Coast. Some farmers were unable to send their children to school that year. And prices have yet to recover.

The price paid for cocoa is far too low

Almost all of the world’s cocoa is traded on the international futures market. Certified and non-certified beans are all heaped in together, so it’s impossible to tell the difference. This allows the big international chocolate companies (otherwise known as “Big Choco”) to buy their beans from the front of the cocoa mountain, while turning a blind eye to what’s happening on the other side of the mountain. When you have no contact with the farmers who supply your cocoa, their problems seem abstract and far, far away. And since you know nothing about the farmers and their problems, it’s easier to concentrate on maximizing profits.

Big chocolate companies make humongous profits. And there’s nothing wrong with making a profit, as it can be used to finance development. That’s just plain common sense. What’s not so great, however, is when profit is the result of exploitation at the beginning of the chain, which traps people in poverty, so they experience systematic loss with no alternative. It’s fine to want to make a profit, but it’s not right to ruthlessly maximize profits at the expense of other players in your supply chain. The farmers are the ones most affected.

Okay, so what about certified cocoa beans? Fairtrade and UTZ? It’s a step in the right direction, but not enough to provide a living income for cocoa farmers. To right the injustice in the chocolate chain and keep the promises made in the Harkin Engel protocol (back in 2001!), companies have to be prepared to pay a fair price for cocoa. Chocolate companies are faced with a simple

question: “How much profit do you want to make at the expense of a living income for farmers?” The perpetuation of extreme poverty leads to modern slavery and illegal child labor.

Tony’s Chocolonely pays a higher price that enables cocoa farmers to earn a living income. We calculate this price with a living income model developed for this purpose. And, this year, together with Fairtrade, we presented a per-kilo price of \$2.10 in Ghana and \$2.20 in Ivory Coast as a new benchmark for the industry.

This higher price is one of our 5 Sourcing Principles. The others are strong farmers, improving productivity and quality, long-term relationships and 100% traceability. You can find out about these principles, our knowledge of the model and a whole lot more at www.tonyschocolonely.com. We invite everyone to join Tony’s Open Chain, a platform that will help change the norm in the industry.

TAKE ACTION

If you want to enjoy chocolate without illegal child labor and modern slavery, you need to take action. Do what’s necessary to ensure fairness in the supply chain. It should and must be possible for those at the beginning of the chocolate chain to make a profit. Cocoa farmers must be able to earn a living income. Profit should be a means to a goal, not the goal in itself. Agreed? Good! In this annual FAIR report, we explain how we can work together to achieve fairness in the supply chain.

This program was signed in 2001 by the big names in the international chocolate industry, who agreed to tackle the worst kinds of illegal child labor. It was launched by US Senators Harkin and Engel.

chapter two:

ROAD MAP AND TEAM TONY'S



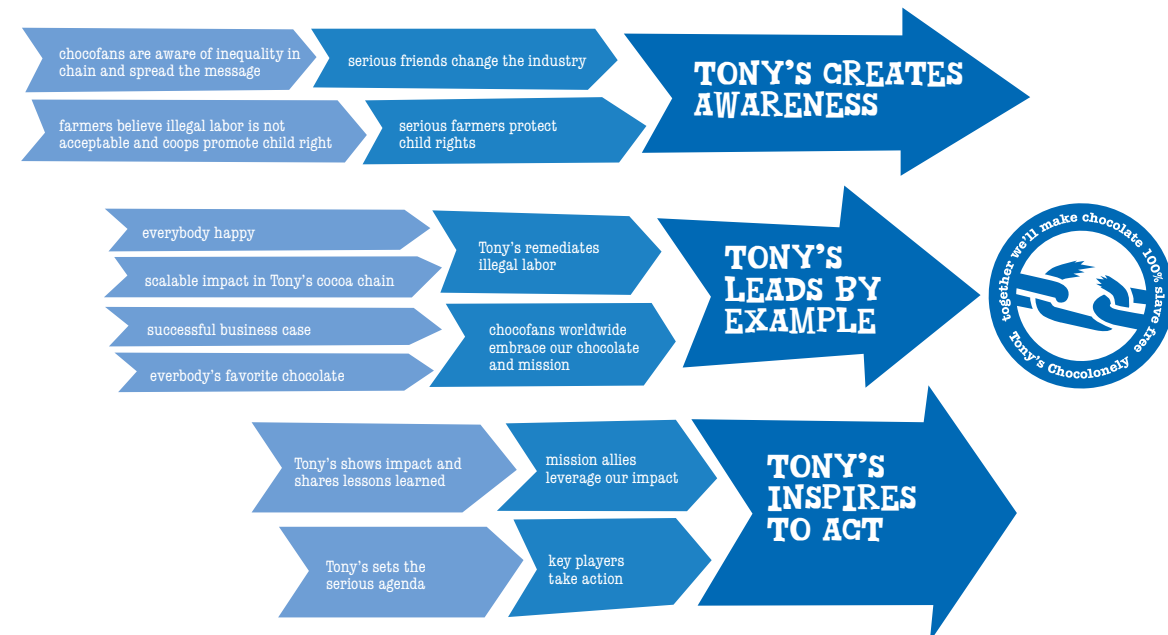
together we'll make 100%
slave free the norm in chocolate

Together we'll make 100% slave free the norm in chocolate. How, you ask? Now there's a good question. We actually have a strategy: our roadmap. Once we successfully achieve what these 3 pillars stand for, we will be changing the industry from the inside out.

Our roadmap consists of 3 pillars:

- ➔ Tony's creates awareness
- ➔ Tony's leads by example
- ➔ Tony's inspires to act

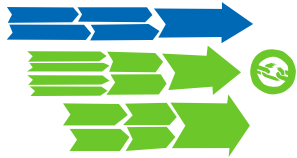
For each pillar, we've defined a number of goals and sub-strategies that always take us one step closer to our mission. It's a work in progress, obviously!



So, how are things going?

We keep an eye on the progress of our roadmap throughout the year. What's going well? What can be done better? And, at the end of the year, the ladies and gents of audit firm PwC go over everything again with a fine-toothed comb! They take a close look at our performance indicators and their final results show the progress of Tony's roadmap. This year, PwC reviewed 13 performance indicators. That's one more than last year related to the third pillar, which is all about the start of Tony's Open Chain.

And, of course, this annual FAIR report strictly adheres to the GRI Standard this year as well. What's that, you ask? Well, it is the global standard all companies must follow in compiling their sustainability reports. For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report. The service was performed on the Dutch version of the report. You can find out more about this in our online annual report. Nice and transparent!

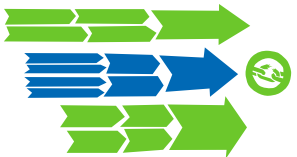


First pillar: Tony's creates awareness

71% of choco fans in the Netherlands are aware of the existence of modern slavery on the cocoa plantations of West Africa.◇

Another excellent improvement compared to last years 67%. And that's really important! Especially when it leads to different choices and actions.◇ In that respect, our Serious Friends are ready to put their best foot forward. Serious Friends are choco fans across the globe who want to know all about what's going on in the industry and are ready to act when the time is right. The bigger this group gets, the more we can put the pressure on. This year, the counter went all the way up to 19,835.◇ That's 11,266 more than last year. And no, that's still not enough, so there's plenty of work to be done.

It is essential to take action throughout the entire chain. In Ghana and Ivory Coast, this is achieved through the Child Labour Monitoring and Remediation System (CLMRS), a system introduced by the partner cooperatives we work with to increase the visibility and solve the issue of illegal child labor. More information about this can be found in Chapter 3. Spoiler alert! We achieved some fantastic results over the past year. This past financial year, there were 25,846◇ participations in the awareness sessions organized by the cooperatives. Among them also participants who have attended a session more than once. We encourage them to do so. Last year this number was 936.



Second pillar: Tony's leads by example

On several levels, we are really showing that it's truly possible to change the way chocolate is made.

We know, we know, that's a pretty ambitious goal! And this means we need an ambitious team: Team Tony's. Every single day, every single Tony works towards achieving our goal: making 100% slave free the norm in chocolate across the world. In our semi-annual Fun At Work Survey, we all give our very frank opinion of what we think about working at Tony's. This year, our average score was 8.◇ Last year, it was 8.1. Just a wee bit lower than last time. We think that's a shame. Especially where engagement and involvement are concerned, we're not doing as well. So, over the coming months, we'll be having a good long talk about how we can improve things.

So, everything's fine and dandy? Not just yet.◇ Despite the addition of lots of new Tony's, the perceived work pressure still hasn't gone down.◇ And working efficiently is a bit of a challenge. Oops..

We also lead by example through our 5 Sourcing Principles, which are at the basis of establishing equal relationships.

We believe in the 5 partner cooperatives◇ we work with and their mission to join forces. In 2017, we signed a 5-year "Memorandum of Understanding" with all of them. In fact, for some of them it was the second time.

For the second year in a row, 100% of the 5,465 metric tons◇(mt) of cocoa beans we purchased through our partners were traceable. These beans were produced by 6,624 farmers, all of them a member of one of the 5 cooperatives. This traceability is really important because it means we know exactly where our beans come from, so we're able to work on improvements with the farmers and prevent illegal child labor. And we're growing fast: next year, we will be launching a collaboration with two new cooperatives in Ghana!

Dealing with illegal child labor isn't just about getting one thing right. Because poverty is the root cause, businesses must be prepared to pay a better price for cocoa. And, as long as the cocoa price is low, this can only be done through additional premiums. A Fairtrade premium helps, but it's not enough. That's why we have Tony's additional premium. Over the past year, we paid 2.6 million euros in premiums◇. The premiums can be divided in € 1 million Fairtrade premium and 1.6 million Tony's additional premium.

It is also important that West African cocoa farmers and children actually know what illegal child labor is and that they know you can discuss this thorny issue. To achieve this, it's important to actively look for cases of illegal child labor. And that's where the partner cooperatives and CLMRS come in. So far since the start in 2017, 527 cases of illegal child labor have been identified.◇ The first year we identified 268 cases, last year there were 259 cases. When you know where the problems lie and why children work, you can start looking for concrete solutions. Cooperatives are working hard at this and have dealt with 56 cases so far*.◇

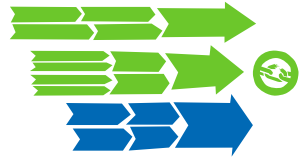
Our annual market growth has proven that an impact company can definitely be successful. With a market share of 18.8%◇ (Nielsen), we're still the Dutch market leader. More turnover means more impact. With more impact we can put more pressure on the industry. 21% of Dutch choco fans says that Tony's is their favorite brand of chocolate◇ (Brandtracker).

But what about beyond our borders? Good question! International growth is a challenge. That's why we considered last financial year a bit of a gap year.. No wait, that sounds a little too nonchalant. It might be more appropriate to call it a year of preparation, a year during which we made huge investments. This year, we recorded a break-even nett result. We expect to catch up with a healthy profit next year!

In the past financial year we transported all our sea freight "CO₂ neutral": on biofuel. So from Rotterdam to New York, Abidjan to Antwerp and Tema to Antwerp. A good improvement compared to the year before, when only our bars were green to the US. It is a saving of 200.35 tons of CO₂ at a contribution of \$ 21,766.33. But that's really

A case of illegal child labor is said to have been resolved when remediation has been implemented for the child and/or parents, the situation has been monitored for at least six months and, during that time, the child has not done any illegal child labor or reached the age of 18.

just a small reduction. We make sure we also compensate for the rest of our carbon emissions. Every year, we determine our carbon footprint from bean to bar. For the past financial year, this was 33,903 tons of carbon. Through our cooperation with Justdiggit, we offset 100% of the carbon emissions with land-reclamation projects that have a positive impact on climate change.◊



Third pillar: Inspire to act

Through our Open Chain platform, we give chocolate makers the opportunity to pursue the 5 principles of Tony's Open Chain and change the chocolate industry

What does the PwC accountant think?

You can read all of that in the Assurance Report. The indicators that fall within the scope of the auditor's review are marked with this nice symbol in this chapter:◊. In Important Appendix 2 you will find the definitions of the indicators that fall within this scope. In Important Appendix 3 you will find the Assurance Report.

71% of the chocolate fans (NL) know about the existence of modern slavery on the cocoa plantations.

25,846 people who participated in awareness activities within the CLMRS.

18.8% achieved market share (NL).

5 cooperatives with whom we have concluded a 5-year Memorandum of Understanding.

100% of the cocoa beans in our chocolate are traceable to our partner cooperatives.

5,033 households that grow cocoa and participate in the CLMRS.

259 cases of illegal child labor found at Tony's partner cooperatives through the CLMRS.*

19,835 Serious Friends.

8 average score of Fun At Work Survey.

6,624 farmers who benefit from the Tony's premium.

21% of the chocolate fans (NL) that indicate that Tony's is their favorite chocolate brand.

100% CO₂ footprint compensated.

1,500 tons of cocoa purchased through Open Chain.

* These are not all cases, because not all households are yet part of the CLMRS. In addition, there is an unavoidable risk that the CLMRS does not find all cases of illegal child labor. This is because the community facilitators are not always able to visit all households and can incorrectly find during their visit that there is no illegal child labor.

together. Because, let's face it, only together can we promote sustainable changes leading to a more evenly distributed cocoa chain. We use the platform to share knowledge and tools. In November of last year, we signed a contract with our first ever mission ally: Delicata, made by Albert Heijn. Last season, Delicata was the first brand to buy 1,500 tons cacao according to the 5 Principles of Tony's Open Chain. They work with us to make 100% slave free the norm in chocolate. And this is just the beginning.. Get ready for more allies to come!

Team Tony's

Team Tony's◊ continues to expand. We are serious about people and we're all about our team. We really need a strong, committed and passionate team if we want to achieve our mission. So we make every effort to achieve this. Exactly one year ago, the counter at our head office in Amsterdam still showed 87 Tony's◊, but now we're all the way up to 143◊. That's 90 at Home Base, 30 Super Stars in our Super Store and Tony's working flexible hours, 5 in UK and 18 in US. Super Stars are Tony's who work their socks off in our brand stores (NL) to tell everyone about our mission. You'll also regularly find members of Team Tony's in both the Tony's Thuis Store and the Super Store because they also take turns working in our stores.

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.

WILLFUL

We are true 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.

Since Tony's keeps growing, it remains important to support and reinforce our culture. Our culture is about our 4 core values, our eagerness to always raise the bar and the fact that – apart from being crazy about chocolate – we're always serious when it comes to people. And people really notice when we get it right. This year, we finished second in the Best Medium-sized Workplaces 2019 category on the list of

Great Places to Work in the Netherlands. Needless to say, we're bursting with pride! I'm sure you've guessed it by now: we take our culture seriously. And that's why we spent a serious amount of time working on it this year at our Dutch and US offices. We are convinced that our culture plays a huge part in achieving our results.

Serious about people

Because we're constantly welcoming new Tony's to our team and we want to get them properly ready to go and familiarize them with our working methods, we have improved Typical Tony's Time even further. Typical Tony's Time is the period during which new Tony's are completely immersed in Typical Tony's Culture. It used to take three months but, after receiving a lot of feedback, we've reduced it to a mere week! Three cheers for Tony's. The problem was that information sometimes arrived too late, which was a scheduling nightmare for the People & Culture team. Now every first week of the month is Typical Tony's Time. It's when every team gets the opportunity to have their say, so the new Tony can get to know our organization and the team as best as possible. There's also a Sales Pitch by Frits, plus the now world-famous (almost) Choco Lecture by Paul. Typical Tony's Time was great already, but whaddaya know, we've just raised the bar!



Say chocolaaaaateeee!
Q meeting team US.

One team, one mission

Now, let's sum everything up for you. Our mission is what it's all about and you'll find it reflected in all of our dialogs, decisions and actions. The roadmap tells you how we want to change the cocoa industry from the inside out. And, of course, an ambitious goal needs an ambitious team: Team Tony's. The core values are our guide and compass when we make choices. So there you have it. Tony's in a nutshell!



Office bingo at Tony's:
Let's get ready to
ruuuuumblee!



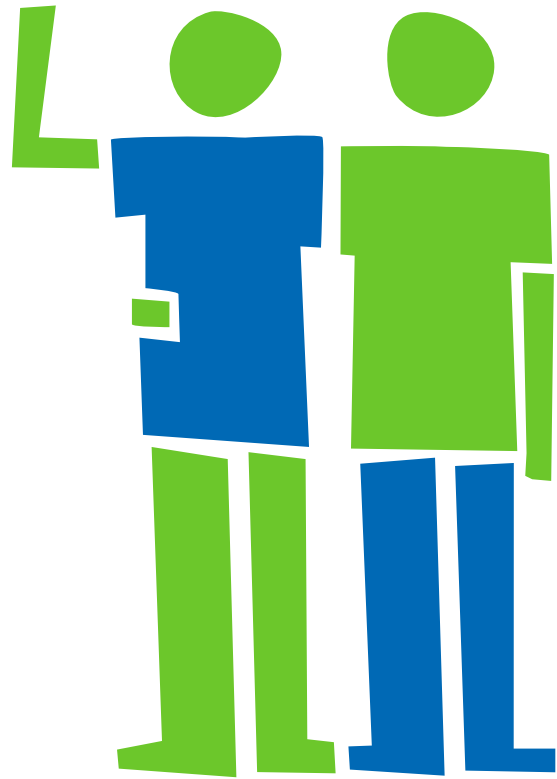
All aboard the Plastic Whale Boat.



Team Tony's UK
goes Formal Friday.

chapter three:

SERIOUS FARMERS



close relationships and
real commitment

Direct business relationships are essential in Tony's Open Chain. We want to break through the anonymity in the cocoa supply chain so we can put a stop to the "accepted" inequality and exploitation in the production of chocolate. And we work together in accordance with our 5 Sourcing Principles.

Let's get one thing straight. Cocoa farmers in West Africa are caught in a poverty trap because the economic system doesn't allow them to extricate themselves from poverty. They are trapped in an unfair economic system. Together (and only together) can we change the rules of the system and break this vicious cycle.

Sourcing Principles

To systematically restructure the supply chain and create a fair system, it needs to be approached from several angles simultaneously. We have 5 rules for the players in our supply chain. We call them our 5 Sourcing Principles. Doing business in accordance with these 5 principles needs to become the new normal. Ready? Here they come..



TRACEABLE COCOA BEANS

Don't buy from the huge heap of anonymous beans. Trade directly and on equal footing with cocoa farmers and cooperatives. Make sure you know who produces the beans, and also where and under which social and environmental conditions. Only then can you actually feel responsible and take action.



A HIGHER PRICE

Pay the price that enables cocoa farmers to earn a living income and run their farm. That's not possible with the current price and certification premium. So, it's necessary to pay an additional premium until the market price is high enough to enable earning a living income.



STRONG FARMERS

Work together to professionalize farming cooperatives. Collectively, farmers stand strong, and are empowered to structurally change the inequality in the value chain



THE LONG-TERM

Ensure that the farmers and cooperatives get at least five years commitment to sales at a higher price, giving them income security and enabling them to make better choices with regard to investments and recouping costs.



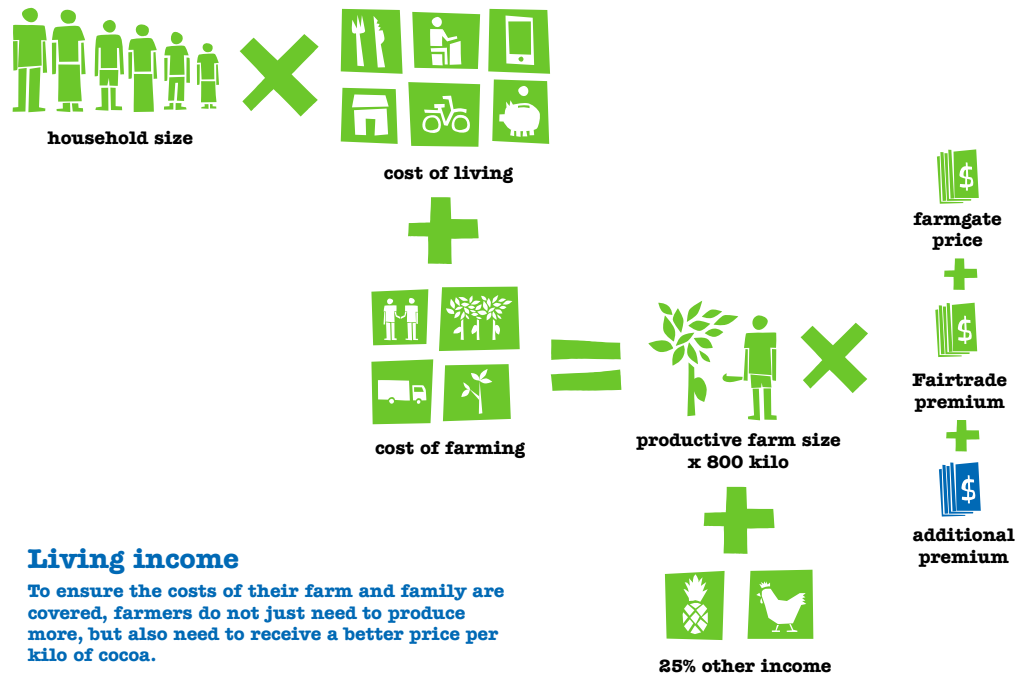
QUALITY AND PRODUCTIVITY

Invest in agricultural knowledge and skills related to growing cocoa and other crops. Professional farming leads to better quality and more cocoa and food crops from existing farms.

A higher price

All serious cocoa farmers should be able to earn a living income. Until there is a structural solution to the excessively low prices paid for cocoa (payment of a higher price!), we pay the farmers a premium to make up the difference between the price they receive for their beans and the living income they should be able to earn. We've been doing this since 2013. The Fairtrade premium of \$200 per ton of cocoa is not enough, so we pay an additional premium. In 2018/2019, the total premium (including the Fairtrade premium) was \$520 per ton of cocoa in Ivory Coast and \$460 per ton of cocoa in Ghana. Last year, we bought 5,465 tons of traceable beans. Our target was 5,500 tons. A total of 6,624 farmers benefited from Tony's premium. And we paid a total of 2.6 millions in premiums.

During the 17/18 season, we paid a premium of \$600 per ton of cacao in Ivory Coast and \$375 per ton of cacao in Ghana. Again, the farm gate price was slightly higher in Ivory Coast this year, which is why the premium dropped a little.



Living income

To ensure the costs of their farm and family are covered, farmers do not just need to produce more, but also need to receive a better price per kilo of cocoa.

To ensure that other players in the supply chain (such as local and international traders, cocoa processors and chocolate bar manufacturers) do not all receive a percentage of this higher price, we pay the additional premium directly to the cooperatives we work with. The members of the cooperative decide among themselves how the premium is spent. Each year, the cooperatives hold an annual meeting during which finances are openly discussed and the members approve the way the premium is spent. We aim to ensure that at least 50% of the premium is paid to the farmers in cash. Part of the premium needs to be spent on training and managing the cooperatives. It is also used to pay for equipment, such as a vehicle to collect the bags of cocoa from the farmers.

Living income is the new norm

Fairtrade also spent a long time developing a model to calculate a living income. So, last season, two calculation models were used. But because they were based on slightly different assumptions, they led to different results. Not the way to go! It creates confusion in the sector and makes it all too easy for chocolate companies to say, "It's not clear. And we won't take action until it is." So, Tony's teamed up with Fairtrade to create a single model that can be used to calculate a living income using the same controllable variables (such as average family size). And.. tadaaaaa! There is now a single Living Income Reference Price for the industry.

We urge everyone in the industry to use this model and to pay a per-kilo price that makes a living income achievable for cocoa farmers, so it becomes the new norm!

	Ivory Coast	Ghana
family size	8	6
cost of living	\$ 2.49	\$ 2.16
business costs	\$ 2,216	\$ 1,062
(net) farm size	4,4	2,74
productivity target	800	800
income from other activities	\$ 1,745	\$ 1,183
Living Income Reference Price (per kg)	\$ 2.20	\$ 2.10

The Living Income Reference Price is \$2.20 per kilo in Ivory Coast and \$2.10 per kilo in Ghana.

So, what does this mean for Tony's Chocolonely? Our Tony's premium in Ghana and in particular Ivory Coast is going to be considerably higher over the coming bean season. That's because the gap between the farm gate price and cost of a living income has increased. First of all, our improved living income calculation model shows a higher liveable income reference price per kilo. Also, the farm gate price has only increased a tiny little bit (and it was terribly low already!) So, that's why the gap has become bigger and Tony's premium will go up. For the farmers who supply Tony's and Delicata, it's great that we're plugging that gap, but millions of other farming families are still having to cope with far too little.

We pay a total premium of \$ 825 per ton in Ivory Coast and \$575 per ton in Ghana. Upcoming financial year we pay in Ivory Coast \$350 per ton cocoa additional premium, and in Ghana the additional premium is \$335 per ton cocoa. We also pay \$235 per ton cocoa to bridge the difference between farmgate price and Fairtrade minimum price. On October 1, 2019, Fairtrade increased its guaranteed minimum price and premium by 20% to \$240 per ton cocoa. So, Fairtrade is also moving in the right direction.

And there's more good news! Last season, the governments of Ghana and Ivory Coast took steps to increase the price of cocoa. How? By imposing a temporary embargo on trade and demanding a higher minimum price.

Belvas, Oxfam Fairtrade and Delicata

Belvas, Oxfam Fairtrade and Delicata have undertaken to pay the Living Income Reference Price. Chocofantastico! Who will follow their lead?

A complex problem

At the risk of repeating ourselves, poverty is the root cause of illegal child labor and modern slavery in the cocoa industry. Does this mean that a living income is an automatic guarantee against poverty? Unfortunately, no. Poverty is a complex problem that can't be solved with a single solution. There are many causes and underlying problems. More money is all well and good. But it won't change the fact that you can't send your children to school. Or that, as a parent, you have to walk miles every day to fetch clean drinking water.

So, last financial year, we mapped the welfare of the farmers we work with. We looked at their household standard of living and access to health care and education. (Calculated based on the Multidimensional Poverty Index)



- We spoke to 908 of the farmers who are members of the 5 cooperatives we work with in Ghana and Ivory Coast and the two 2 cooperatives we will work with in Ghana next year (more on this below). So, we know that, in Ghana, 34% of the farmers who grow our beans live in poverty. And, in Ivory Coast, that figure rises to 46% (based on the Multidimensional Poverty Index). In real life, this means:
 - Less wood and smoke from fires: In both countries, the vast majority of households cook with wood or coal. The burning of wood or coal produces a considerable amount of smoke and other air pollution. This has serious environmental and health consequences (pollution and respiratory ailments). Also, the cooking process often takes a long time.. and that means less time for paid work, schooling and parenting.
 - Sanitation facilities: most farmers in Ghana and Ivory Coast do not have access to proper sanitation facilities.
 - 4 out of 10 farmers do not have access to electricity and just over a third have no access to clean drinking water.
 - Education: In almost one in 3 households in Ivory Coast, at least 1 school-age child (between the ages of 6 and 14) does not go to school. This is far less of a problem for the cooperatives we work with in Ghana, where only 3.2% of the households we spoke to had a school-age child not in school last year.
 - Food: Farmers in Ghana have a much harder time putting sufficient nutritious food on the table than farmers in Ivory Coast.

In their plans to support their communities, the cooperatives identify better access to education, proper sanitation facilities and basic healthcare as priorities. Together with the cooperatives, we will see if other cooking methods can be used.

Lasting positive change

The average cocoa community has few schools and medical centers. Sometimes it doesn't even have clean drinking water. Basic amenities are needed to build strong communities. We asked the cooperatives we work with to develop a 5-year plan for improvements. This is what they want to do:

- ➔ Build and/or renovate schools
- ➔ Improve the quality of and access to education
- ➔ Improve the water supply and sanitation systems
- ➔ Promote entrepreneurship and alternative sources of income (for women)

The farmers themselves (and not Tony's) decide how much of the premium should be spent on these projects. Last year, it was 12%. It might sound counterintuitive, but we don't want the farmers to spend too much of their premium on these projects. Overdue maintenance of community facilities should really be paid for by other parties. What other parties are we talking about? Well, governments for example, and foundations and companies that have bought their beans for far too little money for far too many years (in addition to paying the liveable income reference price, of course). They really have a part to play here. But if the farmers themselves choose to contribute, they are, of course, free to do so.

Far more is needed to create a sustainable solution to illegal child labor. As a chocolate company, we take direct responsibility to resolve cases of illegal child labor that have been found in our supply chain. The Chocolonely Foundation, to which Tony's donates 1% of its revenue, also contributes significantly to the elimination of illegal child labor. The Foundation spends around 60% of its funding on community development projects.

Ceee, Eill.. whaaaat?

It's now three years since we started implementing the Child Labour Monitoring and Remediation System. Come again?! We call it the "CLMRS." It helps the cooperatives we work with identify instances of illegal child labor, find alternative solutions and prevent the use of illegal child labor as far as possible.

If there is illegal child labor in our supply chain, we want to find it. Because only then can we do something about it in a way that has impact. This year, 5,030 members of the cooperatives we work with were involved in implementing the CLMRS. Our target is 100% of all the members of our partner cooperatives. Last year, we decided to roll out the CLMRS to all members of a cooperative, not just the farmers who sell to us. Because we want our impact to extend far beyond us. And, by the way, not all members of the cooperatives we work with are registered with the CLMRS. The list of members of a cooperative keeps changing, so it's a challenge to get everyone involved. However, the cooperatives are now making more of an effort to keep their members lists up to date, so that's an added bonus!

So, what's the status?

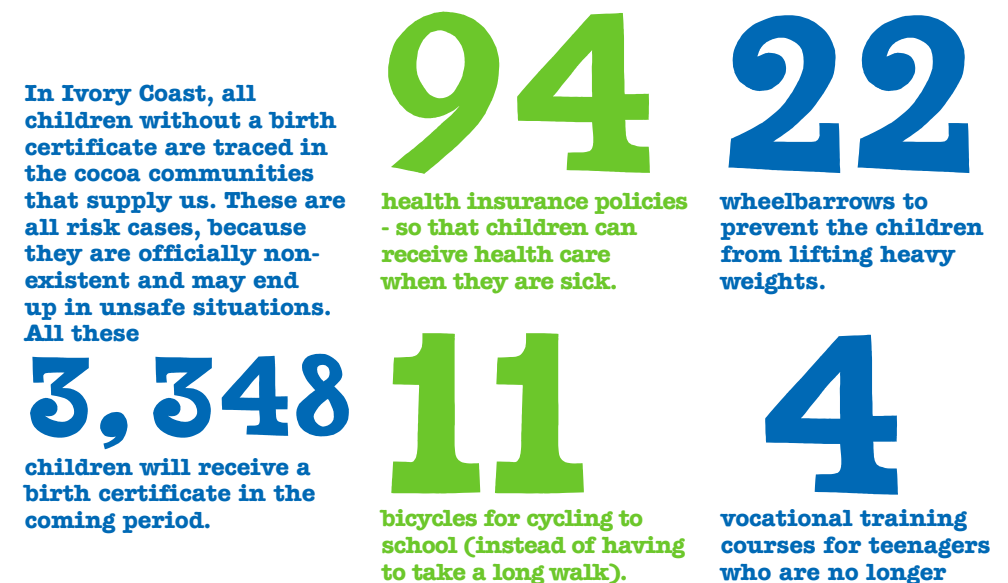
259

cases of illegal child labor that we've found in the past year (total since the start of our monitoring in 2017: 527*)

these children do dangerous work on cocoa plantations. Most common:



In September 2018, we started creating lasting alternatives to the cases of illegal child labor found in our supply chain. In addition to holding awareness sessions, in each case we work out how to eliminate the need for the child to do dangerous work. To remediate specific cases of illegal child labor, we did the following:



*These are not all cases, because not all households are yet part of the CLMRS. In addition, there is an unavoidable risk that the CLMRS does not find all cases of illegal child labor. This is because the community facilitators are not always able to visit all households and can incorrectly find during their visit that there is no illegal child labor.

Together with the cooperatives, we worked hard on the continued rollout of the CLMRS. We discussed ways to make the system more user-friendly. This prompted a lot of helpful feedback, which we relayed to the International Cocoa Initiative (ICI), which owns the CLMRS. ICI is now developing a new data management system that will enable partners to generate a report at the press of a button. The questionnaires are a lot shorter and other things have also been made much easier. The cooperatives are increasingly assuming ownership of the system and from March 1, 2020 they will be fully responsible for running the CLMRS.

Children's rights

Besides addressing the issue of illegal child labor with the cooperatives, we also increasingly stress the importance of children's rights. We believe in giving people the freedom and opportunity to do things differently. And, as usual, we do it Tony's style! We put young people in cocoa communities in touch with charismatic and inspiring men and women who are great role models. They tell inspiring life stories, encourage open discussion and use play and music to bring serious social issues out into the open. These sessions also present the children with prospects for the future.

Ambassadors and strong partners

Our partners sought and found inspiring men and women in the cocoa communities that surround Tony's partner cooperatives. These 140 ambassadors, who are wholeheartedly committed to our mission, are trained in storytelling and promoting children's rights – Tony's style.

Among them are former mayors, farmers, teachers and entrepreneurs. They all have something different to offer and are all incredibly enthusiastic and entrepreneurial. The next step is to connect the ambassador program to the CLMRS. The two programs will reinforce each other: awareness meets inspiration sessions.

Atelier de Tony's and AGMs

Also on the agenda were impact dilemmas. In May, we travelled to Ivory Coast to discuss these dilemmas with the four cooperatives we work with, Fairtrade and ICI. We were also there to further define the future of the CLMRS. The Atelier de Tony's event was attended by an ambassador from each of the cooperatives, representing the farmers. During the sessions, the ambassadors provided extremely helpful input and lifted the mood of the meeting by telling inspiring stories.

The spending of the premium was an important subject. How does it work? The premium is paid to the cooperative and a large percentage is divided among the members in cash. But how do you distribute it? Do you issue a small amount to each member? Or just the farmers who sell to Tony's? Hmmm, tricky. The cooperatives frequently choose to issue a small amount to each member. But they agree that this delays the achievement of a living income.

And, also in West Africa, we celebrate the end of a year of hard work with a Mini Fair. There are actually several Mini Fairs because we do a Tony's Tour of all the cooperatives we work with in Ghana and Ivory Coast. We turn up with the Chocotruck, great music, a DJ.. We've thought of everything. And what better time to hold the fair than on the day of the Annual General Meeting (AGM)? That's when the finances are discussed and the members approve the way the premium is spent.



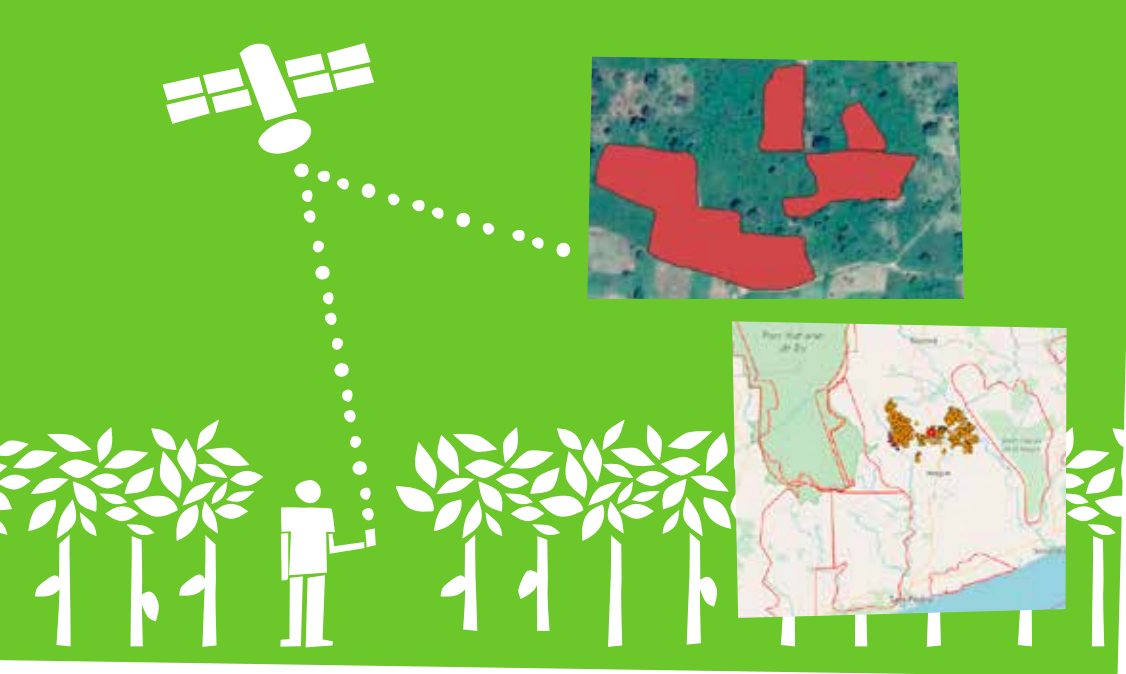
ECAM voted Third Best Cooperative

In September 2019, ECAM, one of the cooperatives we work with, was voted the third best cooperative in Ivory Coast. Conseil du Café Cacao presented the award – a nice-looking trophy – to Assata Doumbia, the President of the cooperative, and her team.



Digital traceability pilot: where does the cocoa come from?

Every year, we work out how many farmers supply us with cocoa. This involves checking our Beantracker system and the number of deliveries per farmer. It's a lot of paperwork. There had to be an easier way! So, last year, we ran a digital cocoa traceability pilot to digitize the process. We teamed up with Farmerline, a Ghanaian software company. Farmerline developed a mobile app that enables cooperative representatives to register the deliveries of cocoa by each of the farmers. Great idea! But setting up an efficient system turned out to be more difficult than we thought.. And that wasn't only because we had to use Google Translate to French (for the Ivorian cooperatives). The pilot also failed to do what it was supposed to in Ghana. We want to improve the administrative capabilities of the cooperatives we work with by digitizing their processes. The cooperatives register the farmers' deliveries daily. Converting this to a weekly overview is a lot of work. In our next financial year, we want to configure our Beantracker system and build extra capacity at the cooperatives to make it possible.



GPS-Mapping Tony's farmers

We need to map the areas of land worked by the farmers who sell to us. The boundaries of the cocoa farms are mapped by GPS so the exact size of the farm can be calculated in hectares. This helps the farmers and cooperatives work out how much artificial fertilizer, seed and manpower they need to farm the land professionally. Last year, we mapped 5,824 of the farms that supply the 4 cooperatives we work with in Ivory Coast. We are also working hard on this in Ghana.

We have agreed with the cooperatives that, from now on, new members will be visited before being allowed to join the cooperative and their farms will be mapped by GPS during the first year. Mapping's where it's at!

Besides knowing the size of the farm, we also know its exact location. That way we can see if land is being farmed in protected rainforest or woodland. If so, we find a suitable solution with the cooperative, local authorities and the farmer. The farmer is relocated and the forest is replanted. Last year, we checked all of the farms we mapped. None of the farmers are growing cocoa in protected forest areas.

At the top of this page you can see where the farmers who sell to Tony's Chocolonely are located in relation to Tai National Park in Ivory Coast and the Niega-forest.

No cocoa without shade

During Fairtrade Week in the Netherlands we ran a "Buy a Bar – Plant a Tree" promotion at Spar supermarkets and Wereldwinkels. Spar sold during 33,410 bars during the Fair Trade week. Wowww! That means we could have purchased € 6,700 cocoa trees. But we decided to purchase shadowtrees instead. One of the main challenges for cocoa farmers is severe drought. The impact of drought can be reduced by planting shade trees. And there are other benefits. Besides providing shade, the trees also increase biodiversity and restore ecological balance, which is cool because it means fewer pests and diseases and fewer chemicals. Shade trees also slow above-ground weed growth. And, as well as being good for the cocoa plants, this also saves the farmer time and money. The farm is better protected against extreme weather and failed harvests. In short, when the partner cooperatives said they would rather spend the money on shade trees, we saw their point. Shade trees it was! So, last September, the cooperatives we work with got to plant 17,000 shade trees. And, hopefully, they'll bear (cocoa)fruit in years to come!



Two new cooperatives in Ghana next year

In our last financial year, we worked with 4 cooperatives in Ivory Coast and 1 in Ghana. Starting next year, we will welcome 2 new cooperatives in Ghana.

ABOCFA in Ghana is increasingly able to find other customers who are also willing to pay a higher price. And, even more fantastic, they now exhibit their organic Fairtrade cocoa at international trade shows. We support and welcome this because we like to see strong, independent cooperatives. But the downside is we can't buy all the cocoa we need from ABOCFA. We're growing fast, and that means we need more and more beans. So, last year, we started looking for 2 more cooperatives in Ghana.

And we found them! Asunafo (Asunafo North Municipal Cooperative Cocoa Farmers and Marketing Union Limited) and Asetenapa (Asetenapa Cooperative Cocoa and Marketing Society Limited).

Together with Asunafo and Asetenapa we have developed an annual plan, with bean delivery, premium and social impact targets for the year ahead. The idea is that at the end of this introductory year, we will sign a 5-year strategic plan, assuming both parties still want to go ahead! This is an important development for the farmers because it means guaranteed sales and gives them scope to invest.

With Asunafo, we will also start implementing the Fairtrade West Africa Cocoa Program. This is a training program that analyzes the organizational performance of the cooperatives we work with so we know what's going well, what needs to be improved and what it will take to achieve this.

The five other cooperatives we work with participated in this training program in 2017 and developed an action plan to improve:

- ➔ Financial management (premium)
- ➔ Leadership training and management
- ➔ Team building
- ➔ Support of the AGM

At end of 2019, we will see what progress has been made.

This isn't the first time we've partnered with Asetenapa. If you've been following us for a while, you will know that two years ago we had to end our partnership with Suhum Union in Ghana when it lost its Fairtrade certification. A small group of farmers continued to operate independently under the name Asetenapa. We supported the new management. And yippee! We can now resume our partnership with this group of farmers. Things have come full circle and as of next year we'll be working with 3 cooperatives in Ghana.

Thanks to the cooperatives, we know exactly who grows the cocoa beans for our bars. So, the cooperatives are our point of access to the farmers. Their insights are tremendously important in eradicating illegal child labor and modern slavery from our supply chain. We want the farmers to keep sharing their views and strategic ideas with us. Long-term relationships are essential. They create more stability and enable the farmers and cooperatives to invest more in their farms and communities.

Doing it together

We're committed to equality in the chocolate chain. And we also take action on other issues, such as climate change. Cocoa farmers in West Africa are already being impacted by the effects of climate change, such as drought and unpredictable rainy seasons. We look to see where we can reduce carbon emissions from bean to bar and, where we can't, we offset our footprint through partners such as Justdiggitt and GoodShipping.



Justdiggitt

Justdiggitt "regreens" dry land in Africa to offset carbon emissions.



GoodShipping

We now transport our sea freight green: on biofuel.



Fairtrade

Together we are helping the cocoa farmers strengthen their position in the supply chain.



ICI

The CLMRS enables us to determine the prevalence of illegal child labor in our supply chain and create lasting solutions.



Soil & More

Together we are helping the ABOCFA cooperative in Ghana and the Kapatchiva cooperative in Ivory Coast improve soil quality.



B Corp

The B Corp certification system helps us take a critical look at ourselves. B Corp standards address a company's social and environmental performance, the impact on employees and customers and whether it is fairly reported to the outside world.



TruePrice

True Price calculates the actual social cost of our bars, factoring in negative social and environmental impacts such as illegal child labor and carbon emissions.



SCOPEinsight

SCOPEinsight analyses the organizational performance of the cooperatives we work with. So, we know what's going well, what needs to be improved and what it will take to achieve this. Fairtrade organizes a personalized training program based on the results.

BIG CHOCO INDUSTRY



come up with
real solutions

There are millions of cocoa farmers and billions of chocolate consumers. In between are a handful of big chocolate companies. Together these Big Choco companies control approximately 70% of the world cocoa market. These chocolate giants are game changers. They have to take action. And that takes effort, time and attention. So, how are things progressing?

It is impossible to eradicate illegal child labor and modern slavery without alleviating the poverty of the farmers. And factors such as inequality, a living income and the price of cocoa are precisely the ones that are too often overlooked by the chocolate giants. The economic system that perpetuates unequal business relationships, poverty and exploitation needs to be overhauled. The system has to change!

“Sustainable”

Unfortunately, as long as the market is driven primarily by profit motives, little will change. The products consumers buy in supermarkets reflect a growing awareness of environmental impact and the issue of poverty. This is something all brands can respond to immediately.

And, indeed, we are seeing the emergence of more and more “green” brands and labels that talk about sustainability. But what do they actually do? This is where everything is a bit vague. They may pay a bit more or donate money to a foundation, when what they really should be doing.. pay a price that makes a living income achievable. And they should be very transparent about everything else they do.

Having said that, we encourage corporate sustainability initiatives that make a genuine difference. Of course, it’s quite possible that the growing interest in “doing the right thing” is initially driven by external pressure. Or by the fear of losing markets. But that doesn’t cut it! Companies often focus on one or other of our 5 Sourcing Principles, when they need to implement all 5. Otherwise, it won’t work!

In other words, it’s time for the industry to step up to the plate and stop selling nonsense. Come up with real solutions! We know you want to see sizeable profits but, by settling for a little less, you can make a big difference for the cocoa farmers. What’s called for is sustainability in action.

Reimagining.. Shareholders aren’t the only ones

Large companies have traditionally focused on shareholder value management. It’s all about maximizing profit for the shareholders. The B Corps Reimagine Capitalism campaign calls on large companies to shift their emphasis from shareholder management to stakeholder management so the interests of the shareholders are balanced with the interests of other stakeholders like employees, customers and suppliers. We view this as an interesting development and are keeping a close eye on it. Because, guess what.. every year, we ask our stakeholders what they consider to be important for the future of our company. We call it stakeholder engagement. You name it, Tony’s does it. And you can see the results in this annual FAIR report!

Good news from the chocolate industry

In Belgium, a group of stakeholders has joined forces to make chocolate more sustainable. On December 5, 2018, Belgian chocolate makers and retailers (yep, we were there, too), social impact investors and universities signed up as members of the Beyond Chocolate Partnership. The involvement of multiple players is so important because, in order to really change the industry from the inside out, all of the players in the supply chain need to work together. Together we are committed to ending illegal child labor and deforestation and providing a living income for local cocoa producers.

The Beyond Chocolate Partnership is coordinated by The Shift and its Dutch partner IDH, a sustainable trade initiative.

Specific steps

So, what did we commit to?

→ By 2025:

All chocolate produced and/or sold in Belgium must comply with a relevant certification standard, such as UTZ or Fairtrade, it must be organic, or the cocoa must be sourced from farmers whose interests are protected by a corporate sustainability program. Beyond Chocolate partners must comply with applicable agreements between governments and companies in the regions included in the Cocoa & Forests Initiative. The main aim is to stop deforestation driven by cocoa production and start restoring forests in Ghana and Ivory Coast.

→ By 2030:

- Cocoa farmers will earn at least a living income.
 - Deforestation to grow cocoa for the Belgian chocolate industry will have ended.
- Great targets! But we believe it can be done faster and with a tighter focus. As a member of the partnership, we want to help accelerate the achievement of these targets.

Open Chain

At Tony's FAIR 2018, we introduced our first mission partner and launched our new collaboration platform: Tony's Open Chain. How cool is that? Because that's what our mission is all about. We launched Tony's Open Chain (tonysopenchain.com) with Albert Heijn's Delicata on board as our first ally. And.. over the next few years, this open source platform will become a knowledge-sharing platform that provides all the knowledge and tools chocolate companies need to work together to end illegal child labor and modern slavery. You know, like our Beantracker system and the CLMRS implemented by the cooperatives we work with.

Delicata becomes our first mission ally

Monday, March 11 2019, was a big day for our mission and for Tony's Open Chain. That was the day Delicata chocolate bars showed up in Albert Heijn supermarkets in a wrapper featuring a yellow "slave free" button that says: "Together we'll make chocolate 100% slave free." We are pleased and proud of our partnership with Albert Heijn because we realize it took courage to be the first to join us in our mission. We're working together in Tony's Open Chain so Albert Heijn and other companies can implement our 5 Sourcing Principles throughout their supply chain and form



business relationships based on equality with cocoa cooperatives.

Albert Heijn is following our lead in buying cocoa for its Delicata brand. So, the Netherlands' leading retailer is our first mission ally. Albert Heijn now buys the cocoa for its Delicata bars in accordance with our 5 Sourcing Principles. Delicata bars are made with traceable cocoa mass produced by Barry Callebaut, the world's largest chocolate maker. Together with Barry Callebaut and Albert Heijn, we are showing that mass-produced chocolate can be made differently and putting pressure on the industry to follow suit. They bought 1,500 tons of beans and paid an additional premium of 422,000 euros. Yay!

It takes a lot of nerve and the willingness to be innovative. Fortunately, Albert Heijn is clearly not afraid of a challenge. They were ready to embrace the Living Income Reference Price, which means paying a higher premium.

Our challenge is to make it easier for other mission allies to join us. And we

don't want to have to keep reinventing the wheel. We're working hard to organize the production and sourcing of all cocoa butter in the bars in accordance with our 5 Sourcing Principles. So, at some point, the white Delicata bar will also feature a yellow "slave free" button!

Our target for last year was to get another mission ally to join us. So far, no luck. It wasn't for want of trying, but the prospect of paying the Living Income Reference Price is not very appealing. It means substantially lower profit margins and, for many parties, that's the end of the conversation. It looks like many companies prefer illegal child labor to a lower profit. Like.. really? Creating a fairer supply chain with more equally divided profits has consequences. Needless to say, next year we'll be hard at work applying everything we learned this year. And we will come up with real solutions – so we can get other mission allies to join us. That will enable more farmers to sell their cocoa for a price that makes a living income achievable. Together we can have a far greater impact than by acting alone!



Join Tony's Open Chain
Scan & go!

Tony's Open Chain Home Who's in 5 Sourcing Principles News Join

The open source platform where chocolate making companies join in to change the norm in the industry.

These companies take responsibility for:

- An open and transparent chain, where issues are always brought out in the open so they can be solved
- Direct and equal business relations throughout the entire chain
- Paying a higher price which makes a living income achievable for farmers

The Challenge End modern slavery and illegal child labour in cocoa by setting a new industry standard. Together we take responsibility for the chocolate industry to drive structural change towards a more equally divided cocoa chain. [read more →](#)

Who's in

Alles go beyond certification and believe in direct, equal relationships throughout the entire cocoa chain. They join Tony's Open Chain, and work according to the 5 Sourcing Principles.

Initiator
Tony's Chocolonely [more →](#)

Ally
Delicata [more →](#)

who's next?

To actually change the cocoa industry, the current 7000 metric ton of cocoa beans is not a sufficient volume to change the system. Therefore, Tony's Open Chain needs more allies. Will you as a chocolate company join in?

[Join Tony's Open chain](#)



we see a green
future for you



RE TAILERS



**speeeded up
for global impact**

Why do retailers play such a crucial role in the supply chain? And why does our international growth play such a crucial role in the outcome? Spoiler.. retailers (can) determine what products are sold worldwide. In other words, they can put tremendous pressure on brands. That way, they have direct impact. Their own private label brands also more prominent on the shelves. And, yes.. that includes chocolate. If private label brands worldwide commit to our 5 Sourcing Principles - and consumers choose to buy this chocolate - we can really step up our impact. Way to go!

We want to accelerate our international growth and increase our impact on two fronts: direct and indirect. Sound complicated? It isn't (really). To spell it out..
Direct impact is when choco fans choose chocolate made in accordance with our 5 Sourcing Principles. The more people buy our chocolate (or chocolate made by other companies that implement our 5 Sourcing Principles in their supply chain), the more farmers are able to earn a living income!

Indirect impact is when people actively put pressure on the players in the supply chain. Yep, strength in numbers.. The more people are aware of abuses in the cocoa industry, spread the message and decide to change things, the more pressure they can apply.

We want to increase both types of impact. How did it go last year? Here's the lowdown.

We can look back on an eventful year with lots of ups and downs but, pop the champagne because we're still market leader in the Netherlands. Psst.. can you keep a secret? In other countries, we hope to quickly become a key market player that the industry cannot ignore. So.. last year we ventured into even more countries. And in the United Kingdom, the United States, Scandinavia and neighboring France, Belgium and Germany choco fans want to know more about abuses in the cocoa industry and what they can do to change things.

We classify our international markets as gold, silver or bronze. The main players in the chocolate industry are headquartered in our gold markets. The more successful we are in these markets, the more pressure we can apply. And, during the last financial year, we made a lot of investments in the countries. YES!

Hello, UK! I'm Tony's Choclonely

When our annual FAIR report 2017-2018 went to the printers in November of last year, the members of our newly-formed British team had just flown to Amsterdam to spend their first week with the Dutch Tony's. It was love at first sight. And it's been a rollercoaster ride ever since. Our UK launch kicked off with an exclusive weekend at the famous Selfridges department stores in London and Birmingham. Funnily enough, one of our first customers was named Tony (Hey, Tony!).



Anything to declare, gov'ner?

We have to say, the UK is a star student! Not only in terms of sales figures, but also when it comes to spreading our message. British retailers are super committed to our mission. They really get it and are great at explaining the issues. An awesome number of them even created their own displays to explain our 5 Sourcing Principles. A-maaaaaaa-zing!

We launched in seven Whole Foods Market stores in London, with enormous displays of our choco rainbow in each store and GIANT bars in the window in High Street Kensington. And, since April, Tony's has accounted for more than 35% of the UK Whole Foods Market chocolate category. Not bad, huh?

And, uh.. Tony's can now also be found in 280 (!) Waitrose supermarkets in the UK. Plus our large Caramel Sea Salt bars are sold in 96% of Sainsbury's supermarkets. Hands up if you've seen one of the mega displays in the stores!

In the UK, our bars can be found in delicatessen stores, farm shops and local coffee houses that help spread our mission. Garsons farm shop in Esher deserves a special mention for its homemade signs. The same goes for Culver and Nelson in East Sheen, which has sold 967 bars since February. Thanks to these 967 bars, a farmer and his or her family earned a monthly income that equates to a living income.



Looking good, and what about those bars..!



You will also see our bars displayed in Oxfam, Urban Outfitters, Scribbler, Marks & Spencer BP stores and 20 Budgens.

All hands on deck in the US

We're also making good progress in the US. Last year, stores throughout America sold 4,500 bars of Tony's. That's almost twice as many as the year before. We said "Welcome aboard!" to important new customers like Wegmans, Ahold, Sprouts Farmers Market, Google and LinkedIn. We're in good company.. don't you think!?

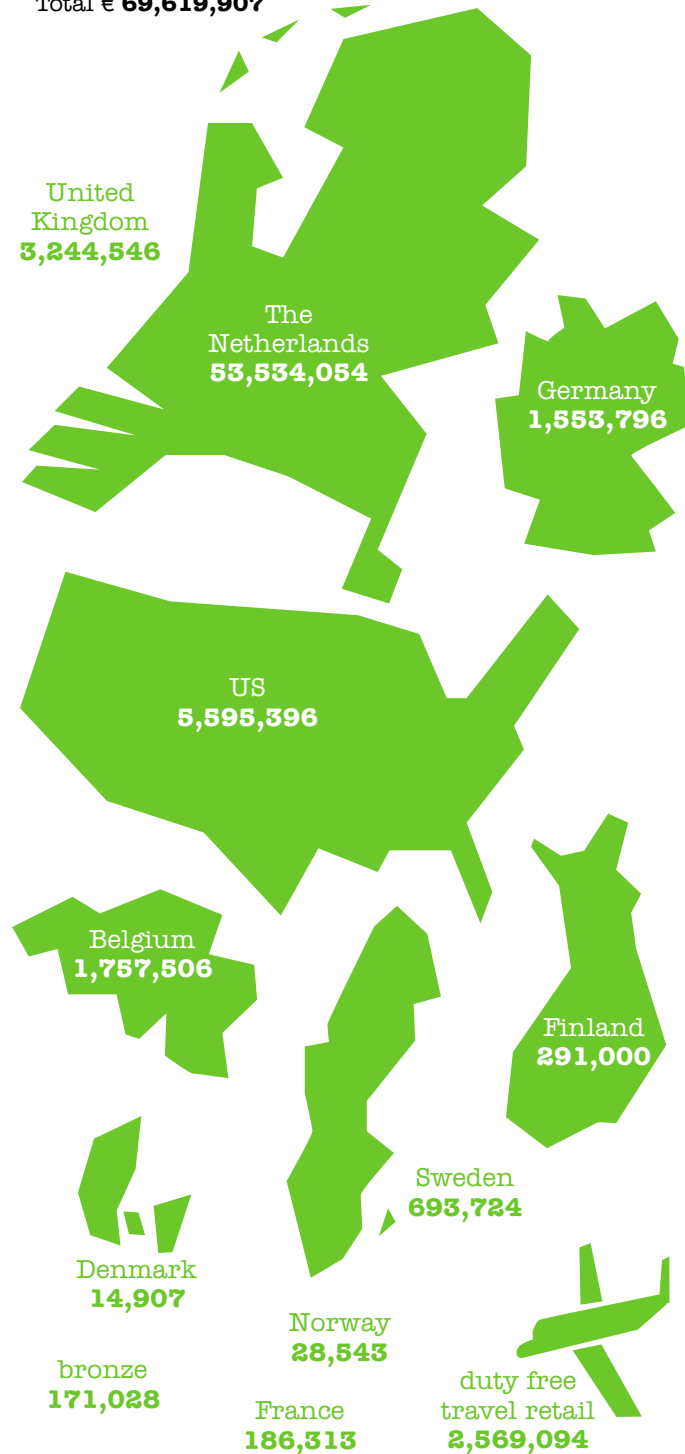
And, while we're on the subject of newcomers.. our product range in the US continues to grow! We welcomed White Chocolate Raspberry Popping Candy and Milk Honey Almond Nougat and a few VITs (Very Important Tiny's), including our very first Halloween chocolate! And the bars that were already there? We've stood them upright, so they stand proud, side-by-side with the competition.

Germany, Belgium, Scandinavia and France

In these silver countries, we grew by more than 143% last year. In Germany, Tony's can no longer be ignored. We achieved a major breakthrough there this year, with the REWE supermarket chain expanding our distribution from 250 to 1,750 stores. We also launched in Globus hypermarkets in Germany. We racked up 455% growth.

Revenue distribution per country in euros

Total € 69,619,907



Wunderbar! So.. we have decided that, starting this financial year, Germany will be classified as a gold market. Jetzt geht's los..

In Belgium we continued to see steady growth. That's why we grew to 152%. Not bad! This was partly thanks to a deal with the Colruyt supermarket group, the largest supermarket giant in Flanders, back in October, right at the start of this last financial year.

The Scandinavians are also developing a taste for Tony's. We can now be found in 1,280 stores in Sweden, 200 in Denmark, 225 in Norway and.. 600 in Finland! In Sweden, the number of stores remained more or less the same. In Denmark, we launched in 7-Eleven convenience stores and Irma supermarkets. And, in Norway, we launched in the Deli de Luca delicatessen chain and Meny supermarkets. Things are going well.

And, last but by no means least, we're in 750 stores in France. Since this year, Tony's can also be found at Monoprix, a major French retail chain that sells food, hardware, clothing, household items and gifts. It's a great fit because a bar of Tony's Chocolonely is an irresistible gift (and also cool to give).

In our silver countries, we work with distributors: Lifebrands in Germany, PAB in Belgium, Arvid Nordquist in Norway, Sweden and Denmark, Transmeri in Finland and Starwell in France.

Bronze markets and Duty Freeeee!

We're going the extra mile - and further still! Tony's is now sold in Spain and the Gulf state of Kuwait. And, this year, we added Greece and Lebanon to our list of bronze markets. How cool is that? In Lebanon, we're going to start with Spinneys supermarkets. And, in Kuwait, we have a deal with Costa Coffee: One of the world's largest coffee chains. And, of course, coffee and chocolate are and will always be a golden.. ahem bronze duo.

We also shipped chocolate to Mexico and Taiwan this year. And, if you did any air travel, you may have spotted us at an airport because Tony's is now sold at more than 67 airports worldwide.

So, you can stock up at Cibo, Paradies and Newslink outlets at airports across America. We can also be found at airports in Frankfurt, Hamburg, Berlin (Tegel and Schönefeld), Cologne, Hannover, Budapest, Vienna, Copenhagen, Oslo, Istanbul, Hong Kong, Sydney and Munich. And at B&S outlets at Schiphol, Eindhoven and Rotterdam airports in the Netherlands. Our Dutch airport retail partners include Schiphol Airport Retail and World of Delights and, for our small bars, HMS Host and AH to go. And we're not just spreading our message on the ground. We're also doing it in the air on KLM, Transavia, TUI and Corendon flights.

This year, we launched two new products produced especially for airports. 300 gram bars and extra large bags of Tiny Tony's. Perfect for carry-on!

We're rolling out Duty Free & Travel Retail in partnership with Heinemann and, together, we're pulling out all the stops. Because, the more of the globe we cover, the more global our impact. That way, we can get closer to our ambition to conquer the world with our brand and our mission. See you next time you travel! See, buy, flyyyyyyyy!

Getting it right

We make a point of complimenting chocolate makers who put their best foot forward because we know that changing a system takes time and effort. At the moment, only four other players in the Netherlands are prepared to pay the farmers who supply their beans a higher price. They are Delicata, Belvas, Oxfam Fairtrade and Lidl, with its Way to Go chocolate.

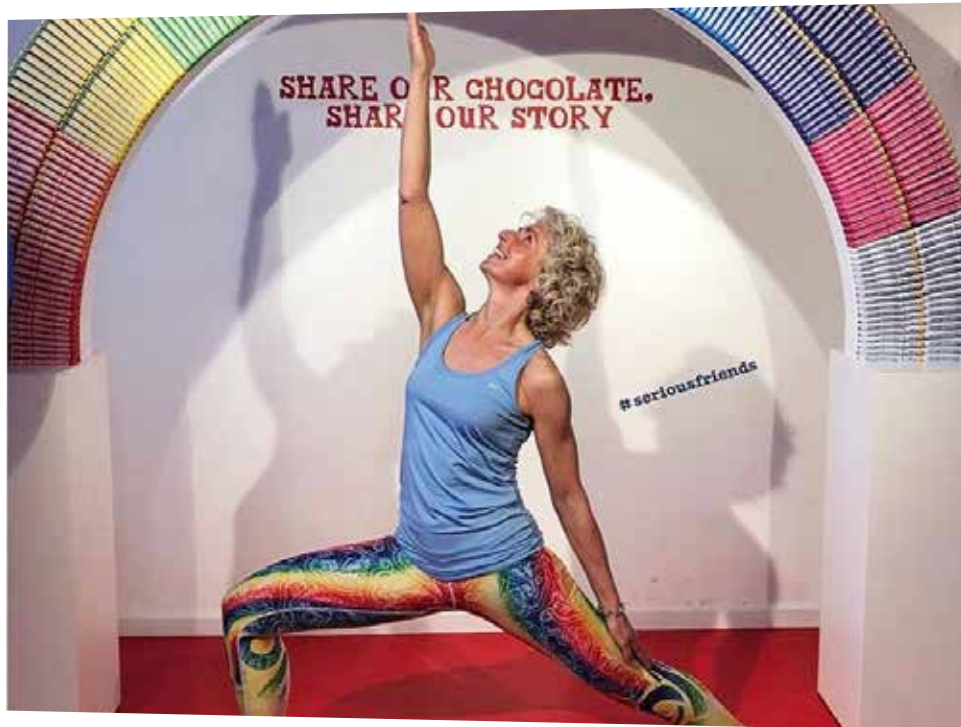
Together with Fairtrade, Lidl in the Netherlands and Belgium has launched a new range of Way to Go chocolate bars made with 100% traceable beans supplied by Kuapo Kokoo, the largest cooperative in Ghana. Lidl pays both the Fairtrade premium and an additional premium and is committed to building strong relationships with the farmers. The effort to get it right deserves to be recognized. So, our compliments are sincere and we have invited Lidl to join Tony's Open Chain platform. Because paying a higher price and ensuring traceability are a good start, but not enough. To be continued..

In the Netherlands: Tony's Super Store

Since November 2018, choco fans who have their own ideas can create their own bar at Tony's Super Store, the Tony's Chocology shop in the Beurs van Berlage building in Amsterdam. As cool as it gets, but whoa! What a task! We had to cram a very complex production line into a few square meters.. Man, was that tricky. But, in the end, we got there! You can now create your own bar in three steps: pick your chocolate (you can even pick two if you like), add your favorite ingredients, design your wrapper, add a cool message (such as.. "Wanna go out with me?"), wait 45 minutes and.. presto, there it is! And.. uh, since July, you can also order Tony's Unlimiteds online, from the comfort of your couch.

Last year, we sold a total of 22,147 Unlimiteds in our Super Store and through our webshop.

Tony's Super Store also celebrated its first birthday this year, Team Tony's, our Serious Friends and other choco fans all came to the party. Choco fans could have their photo taken next to our fabulous choco rainbow and, for a month, they could be entered in a prize draw for a year's supply of Tony's. And.. uh, the winner was.. Paula! What did she do? Kick off her shoes, pull on her crazy leggings and fold herself into a complicated yoga pose next to the choco rainbow. Yippee! Be sure to share those 365 bars, won't you, Paula?



More trophies

We added a few more retail awards to our trophy cabinet this year. In the UK, we won the Waitrose Sustainability Award 2019!

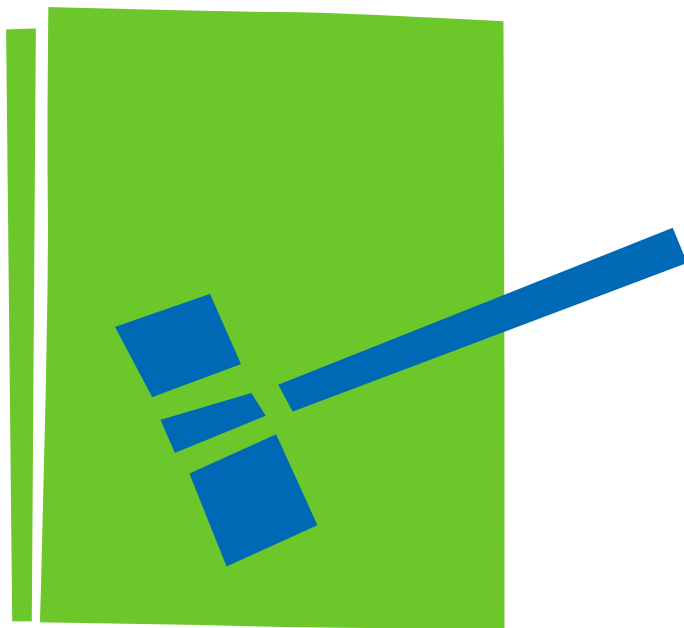
The judges were extremely impressed by the standard of this year's finalists. Narrowing it down to a single winner was a very difficult task. And, with almost 100 entries, it was quite an achievement. The judges were particularly impressed by the clarity and ambition of our mission and aim and described our winning entry in three simple words: "Disruptive. Innovative. Inspiring."

In the Netherlands, we were chosen Category Captain as a Confectionery Food Personality. That's quite a mouthful. And we aaaalllmmoost won the Changemaker in Retail Award. A crying shame!

Retaaaaail, we need you

The industry has to change and retailers can help make it happen. To solve the problems in the industry, companies have to go beyond certification and pay more than the premium required by the certification scheme. Tony's 5 Sourcing Principles enable cocoa farmers to earn a living income. They also remove anonymity from the supply chain. So, you know who grew the cocoa beans in your chocolate and the conditions under which they were produced. Our approach can be adopted by anyone – not just major retailers like Albert Heijn. Together we can make it happen faster. Little progress was made on retail front this year. We can do better! Hey retaaaaail, we need you! We invite all retailers to join Tony's Open Chain platform. Just like Albert Heijn. Who will follow their lead next year?

GOVERNMENTS



time to get serious

The chocolate industry has experienced severe and systemic problems with modern slavery and illegal child labor in its chains for more than two decades. And nearly 20 years after the Harkin-Engel Protocol (2001) was signed, it is pretty obvious that just talking doesn't work. We need some serious legislation in West Africa, Europe and, yes, also in the US.

We need laws and regulations that turn the voluntary character of all those covenants and feeble agreements into actual obligations. Governments play an essential part in this, making them one of the five key players that can get change on the road.

In the US, the importance of legislation that goes much further than voluntary statements is slowly gaining ground. The Washington Post published a fantastic article about illegal child labor in the cocoa industry and the responsibility of the largest chocolate giants. These companies, which include Hershey, Mars and Nestlé, originally agreed to ban illegal child labor from their chocolate chains. They were supposed to have done this by 2005. But it didn't happen.

US senators take action

Awareness is one thing, taking action is quite another. And that's exactly what US senators Sherrod Brown and Ron Wyden have been doing. They called on the acting US Secretary of Homeland Security to crack down on illegal child labor in the cocoa industry. They asked the Secretary to instruct Customs and Border Patrol to block products made using illegal child labor. This means that any imports of cocoa produced using illegal child labor are investigated and blocked from entering the country.

For some, just banning products from Ivory Coast and Ghana seems an easy enough solution, but that won't end extreme poverty in West Africa. It's just a drop in the bucket. We do, however, support a ban on products that are not traceable or certified.

The US Customs and Border Patrol can be an incredibly powerful tool. Companies must know every minute detail of their supply chain, identify the problems and start addressing them. Time for traceable beans!

Good job, Senators! That's why we invited them to get together with Team Tony's in the US, so we can support each other in the fight against forced illegal child labor. Together, we'll spend the next financial year investigating how we can really boost one another as allies.

In the Netherlands: the Wet Zorgplicht Kinderarbeid

The Netherlands took a hugely important step in making cocoa chains and the supply chains of other industries fairer and more transparent. In May, the Upper House passed the "Zorgplicht Kinderarbeid" (Illegal child labor Due Diligence) bill. Bam! We're delighted! This bill requires companies to declare that they will do their utmost to prevent illegal child labor.

In the run-up to the vote, we talked to many companies, political parties, NGOs and children's rights organizations and we really got the hang of lobbying. Before the spring recess, we sent all political groups two bars of chocolate with a handwritten card: "Stem voor Wet Zorgplicht Kinderarbeid" (Vote for the Illegal child labor Due Diligence Act).

Just this once, we abandoned our usual convictions and bought an advertisement. It's how we called on the whole of the Netherlands to support the private member's bill. We published the advertisement in the Saturday edition of the *Financieel Dagblad*. True, we usually don't do paid media, but we were happy to make an exception for this private member's bill.

Tuesday 23th april 2019
The Upper House votes for the Illegal child labor Due

DILIGENCE ACT

(fingers crossed..)



Kinderarbeid.
Een serieus probleem vraagt om een serieuze aanpak. Zelfregulering is niet afdoende.
@EersteKamer: 100% kinderarbeidvrij moet de norm zijn. U bepaalt op 23 april.
#wetzorgplichtkinderarbeid

  2,1 mln. 

Together we'll make chocolate 100% slave free

There you have it, also made possible by the Twitter company.

And, of course, Team Tony's was visibly present in the public gallery of the Lower House during all sessions and the vote.

So, how did things pan out? D66, PvdA, SP, ChristenUnie, GroenLinks, PvdD, 50PLUS and OSF voted for, yippee! VVD, CDA, PVV, SGP and Fractie-Duthler voted against it.

The Act applies to all companies that physically sell goods and services in the Netherlands or are based in the Netherlands. It also applies to companies that sell online and explicitly target the Dutch market.

So no more "no news is good news." We're delighted! Starting in 2021, if you know workers in your industry – such as the cocoa industry – who are vulnerable to serious exploitation – and that includes illegal child labor – you have a duty of care for the people who help produce your end product or service.

And, even now the bill has passed, we will continue the dialog with all those companies, political parties, NGOs and children's rights organizations to further develop this Act in the future and ensure it is practically enforceable.



Angela, Sabrina and Audrey on their way to the Upper House. They've got reason to smile!

Faster together

We made a case for this law together with a whole bunch of other companies and organizations. As a chocolate maker, we worked closely together with banks, beer brands, clothing brands and other businesses. Mind you, it was a loooooong process... In 2017, we made our way to the Upper House for the very first time to argue the case for legislation. This was followed by our call for action #samengaathetsneller, which got more than 13,000 signatures from choco fans and 42 companies also joined us in signing a letter asking for legislation. The fact that this legislation is FINALLY here is a huge step for us. The legislation actually also benefits cocoa companies. That's something they're beginning to realize. But, wait just one moment, we're not there yet. After all, there's a whole world beyond the Dutch borders. And that's why we're making sure we're being heard in Europe too and are fighting for effective European laws and regulations through the Council of Europe and the EU in Brussels, for instance.

Europe: putting on the pressure with a chocolate bar or two

In October 2018, we got together with a number of other chocolate makers and called on the EU in Brussels to introduce European legislation. Once again, it's all a matter of being really stubborn and refusing to stop until everything has been properly regulated through a proper law. A little reminder: nearly 20 years after the Harkin-Engel Protocol (2001) was signed, it's become pretty obvious that covenants are not enough to change the system.

This financial year, we also pounced on the Council of Europe (CoE). The CoE focuses on the promotion of unity, democracy, the rule of law and human rights in Europe. We know, right? That's a pretty big mouthful. But terribly important. The best-known convention of the Council is the European Convention on Human Rights (ECHR) and Fundamental Freedoms. Combating illegal child labor and modern slavery is high on the agenda. From this point of view, it was logical to offer the European ladies and gents a lovely little present: a positive and incredibly delicious example of the fight against modern slavery. So, off we went to Strasbourg in France, which is where the Council has its seat, armed with a huge bag of chocolate bars. You guessed it. Every delegate got 2 Tony's bars (milk & dark if you must know), with, of course, a note calling for the introduction of European legislation.



How do you say
'share fairly'
in French?
Anyone..?

MODERN SLAVERY IS NOT SWEET

LIKE THIS CHOCOLATE BAR

(so we are really happy that you are
seriously going to tackle this issue)

Let's raise
the bar!



So far so good, right? Not really. We'll keep lobbying over the next financial year. Our goal: securing European legislation as quickly as possible.

Dutch minister in Ghana and Ivory Coast

At the beginning of February 2019, the Dutch Minister of Agriculture, Nature and Food Quality visited Ghana and Ivory Coast. And, what a coincidence (not really), we were there, too! Minister Schouten visited a number of local projects, farmers and farms, including our partner ECOOKIM.

The visit was mainly about food security in relation to rapid population growth and climate change. Around 95% of the food grown in Ghana and Ivory Coast is very vulnerable and suffers from poor weather conditions like irregular rain and land degradation. And that certainly applies to cocoa. "Climate-smart" agriculture can offer a solution in this respect. And guess what.. that's exactly what ECOOKIM is working on. They use shade trees, for instance, which really increases productivity. They expand the life of the cocoa trees and also capture carbon, lower the local temperature and regulate humidity. How about that!

A letter to Minister Sigrid Kaag

We asked the Dutch Minister for Foreign Trade and Development Cooperation, Sigrid Kaag, to support our appeal to the business community and establish policy rules in the Netherlands to achieve a livable income for cocoa farmers. We also asked her to openly support the new Living Income reference price for cocoa. The response to this letter was positive and we'll be discussing things further over the next financial year.



**Nice to meet you!
The Dutch Minister
for Foreign Trade and
Development
Cooperation visits
ECOOKIM.**

What's next?

It looks like the governments in the various countries are finally starting to budge. In fact, in the UK they're ahead of the game. The Modern Slavery Act (2015) is a UK Parliamentary Act designed to fight modern slavery in the UK, which applies to the entire chain.

Tony's Chocolonely advocates the introduction and enforcement of European, US and African legislation. All over the world, we're really pushing to get things done.

Governments **MUST** make transparency, and thus responsibility, compulsory across the entire chain because it's pretty darn obvious that voluntary measures aren't going anywhere.

The only solution is to change the entire system. Chocolate can be made differently. Really, it can. Take our approach, for example. The process from bean to bar is scalable and as unambiguous as can be, with a transparent, open chain. And this transparent and open chain is perfectly feasible for other key players, too. And that's where the governments come in. They need to introduce legislation, which, when everyone sticks to it, helps us change that system together.

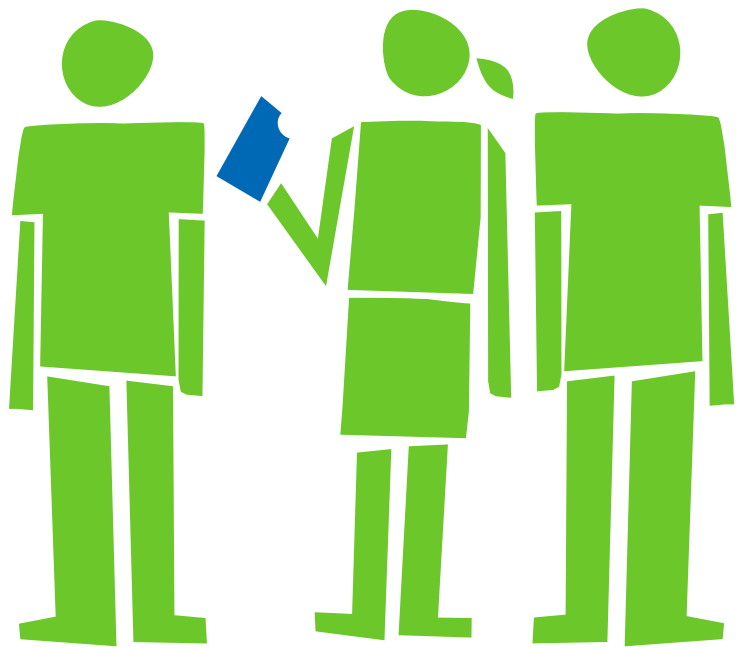
Ghana and Ivory Coast join forces

Currently cocoa prices are incredibly low, which means your average West African cocoa farm can hardly survive without free labor. This must change! That's why we seriously admire the governments of both Ghana and Ivory Coast who are doing their utmost to increase the price of cocoa.

Better regulation of the cocoa production increases the farm gate price, resulting in a living income for cocoa farmers. And there you have it. Two trendsetters who take responsibility and show us how it's done. Governments, take action now!

chapter seven:

CHOCO FANS



making a movement,
together!

We're all about power to the Serious Friends! Serious Friends support our mission by taking part in campaigns, actively sharing our mission and buying chocolate. This way, all Serious Friends together make a genuine impact, accelerating the achievement of our mission and increasing pressure on the other players in the supply chain.

We're really getting into the swing of organizing friend events for Serious Friends. In fact, we made loads of Serious Friends last year: in the US, in the UK.. But, to be honest, we've not hit our target yet. Because, ya know, it's pretty difficult to make friends in a massive country like the States.

We do make the serious press in the States more and more often (or they know how to find us if they want to know more about how things really stand), but becoming Serious Friends with your average US choco fan is harder than we expected. So, that's what we'll get cracking on over the coming year. Serious Friends accelerate the achievement of our mission and together they increase the pressure on the other players in the supply chain. To be continued.. Definitely! We'll be working our socks off to get that Serious Friends movement growing. All right, but what did we get up to last year to tell our story and become everyone's favorite chocolate brand? Quite a lot actually. Are you sitting comfortably? Let's begin:

Beep beep.. Tony's Bean To Bar road trip in the States!

Did someone say road trip?! This year, we took our new Chocotruck along the highways and byways of the United States of America. It was a Bean To Bar Journey for both new and old choco fans, teaching them about our mission and making them aware of the injustices in the industry. And they got to taste the chocolate too, of course. We started at SXSW in Austin, Texas, drove west through Texas, Arizona, California, Oregon and Washington and then zoomed back to our US home base, finishing at the Portland Rose Festival in Oregon.

Our awesome Chocotruck crew (hi, Corey, Nicole and Steph!) drove 7,000 kilometers (4,400 miles) in 89 days and set up 39 times to get people involved in 27 cities. A total of 92,000 people visited the truck and around 18,000 went inside to visit the exhibition. Along the way, approximately 334,000 people saw the truck drive along. Holy smokes!



I pop, you pop,
we're poppin' it up!



Poppin' it: #TonysGoesUK & Hej Sverige

Free chocolate? It doesn't exist. Somebody always pays the price. With this message, we held a five-day mega pop-up event slap-bang in the middle of London in March to announce our arrival in the UK. The 3,301 visitors to our Free Chocolate Experience in Greek Street, Soho, were treated to a compelling journey to learn all there is to know about our mission. And there was plenty of chocolate, of course. We made 1,155 new Serious Friends (high-five, new British friends!) and, after the pop-up events, there were PR articles in *Timeout*, *The Independent* and *The Mail Online*. We can't wait to meet more Serious Friends in the UK! We're chuffed to bits!

And.. uh.. why reinvent the wheel? So, in September, we happily installed our pop-up right in the center of Södermalm in Stockholm: hej Sverige! We've been active in Sweden for almost four years, but this was the first time we shared our story this way. That's why the purpose of the pop-up (can you guess?) was to raise awareness about the issues in the industry. A serious story that we shared with 3,026 visitors. The Swedes ab-so-lu-tely loved it and wrote many a postcard, often sharing our mission.

#TeilTony's

In Germany, we organized a 30-day Instagram challenge in July and August, looking for "Tony's Tafel Teiler": choco fans who were happy to share our chocolate and our story over 30 days. This involved posting a highlighted Instagram story every day. This way, we wanted to increase awareness, get in touch with our German choco fans and increase the number of social followers. We found 16 Instagram fanatics (winners!) who kept going for 30 days. They love our chocolate and are involved in our mission and helped TRIPLE our followers on Instagram! Spitze!

New markets, more impact

Hei Suomi! We launched in Finland in October 2018. Yippee! The Fins just looove our chocolate and our story.

And, in January 2019, the time had finally come: the opening of our long-anticipated office in London (Hi, Team UK!) for a new golden market: the UK. Led by a Tony in a Tony's suit, we drove all around the streets of London. In a big red London bus, of course.

And, in April, Germany joined us. Super! In Hamburg, you'll find our very own Nicole raring to go and tell everyone our story.

In France, we're gettin' things started in Monoprix and Franprix. The official French launch will be somewhere in the next financial year. Très bon!

That's what Serious Friends are for

This year, our friend base went up from 8,569 to 19,835 Serious Friends across the space. The goal was actually 50,000 Serious Friends, but we quickly realized there was no way we were going to make it. So, what's with the 50,000? Because we need a whopping great number of Serious Friends to change the industry. And why didn't we make it? Because the Serious Friends platform doesn't have enough tools to actively share our mission. And that's a pretty big challenge. We also had a slight hiccup with double data at the start of the year. Oops. So, the figures were actually lower than we thought. Oh well, we'll chalk that one up to experience.

Serious Friends support our mission and are part of the movement we want to create. We want to get to know them, inspire them, stay in touch with them and provide them with resources, so together they can make an impact. Here's a few examples of our real friendship: Serious Friend boat trips fishing for plastic with Plastic Whale and the Bring Your Serious Friend event at the Tropenmuseum in Amsterdam. And then there's priority online ordering when a new Tony's Unlimited comes out, joining Tony's on political trips to The Hague to watch the final debate on the Duty of Care Act, cycling the cocoa tour and getting early bird tickets for Tony's FAIR.

Brand-spanking-new this year was the Serious Friends Toolbox. Coming up next!

Tony's Serious Friends Toolbox

Tony's Toolbox. An amazing box full of tools for Serious Friends. From missions you can organize yourself to tell everyone about the problems in the cocoa industry to TONY the movie: available free through the Toolbox. And how about a "how to explain what's going on in chocolate land" masterclass by our own Choco Evangelist Ynzo? The Tony's Toolbox also gave Serious Friends the opportunity to tweet the Upper House and ask them to pass that bill. The Toolbox is a work in progress and we'll keep adding content. It's all about sharing the story, making people aware of the problems in the cocoa industry and, in doing so, accelerating the pressure on the industry. Oh, and before we forget, the Toolbox will be winging its way to the US and the UK next year!

Serious events

To further highlight the serious side of our story, we have entered into a mission alliership with all the Museums of Ethnology in the Netherlands, including the Tropenmuseum in Amsterdam. We are doing this together with the Chocoloney Foundation, by the way.



Our BITTER Chocolate Stories exhibition was on display in the Tropenmuseum until the start of September. Through the eyes of 15 young people, BITTER tells the moving story of children in Ghana and Ivory Coast who are victims of forced labor and human trafficking. BITTER was visited by more than 250,000 people last year. Were you one of them? If you missed it, you can still go and see it in the Afrikamuseum in Nijmegen (NL) until summer 2020.

The Tour de Tony's

To reinforce the message of our mission, we got together with the Tropenmuseum to create a bicycle route: the cocoa bike tour. It took you around Amsterdam, along sites demonstrating inequality in the world, with an emphasis on the cocoa industry.

But there's more

Together with the Tropenmuseum, we organized two serious events: a Bring your Serious Friend event (with more than 130 Serious Friends!) and a serious conference: Slavery, Colonialism & Contemporary Global Inequality.

Digital expo Reframed: cocoa & color

In March, we launched the digital Reframed expo on our website. You might be familiar with it: the gorgeous expo by photographer Joshua Kissi. Reframed is all about presenting the farmers we work with as equals. Sadly, the online expo didn't get a lot of visitors (3,000); our social followers on Instagram (444K) and LinkedIn (110K) did give us a heart or thumbs up though.

We regret the low exposure because the strong personalities and stories of Reframed use such a pure voice to tell us why it is important to work together in a different way. As equals. It tells us that the important players in all this can truly bring about change. No one wants these injustices and we can do something about them together. It's time for action!



The trophy cabinet

- ➔ For the second year in a row, we were voted the most sustainable brand in the Sustainable Brand Index ranking in the Netherlands by Dutch consumers. Obviously, we're mighty proud of that, but we remain critical of ourselves, because we've got a loooooong way to go where the environment is concerned. Indeed, that bar could be set quite a bit higher!
- ➔ Unfortunately, one also got away. We juuuuust missed out on the Coolest Dutch Brand Award 2018. Bummer!



The Bean to Bar Journey at SXSW.. raise the bar!

Tony's Talks

This year, we held (gasp!) 232 Tony's talks all over the world! Ready for some stats?

- ➔ A total of 27,000 people listened to the Tony's Talk of our Choco Evangelist Ynzo. Ynzo was also invited to take part in several podcasts, but we have no idea how many listeners they have..
- ➔ Choco Co-Captain Anne-Wil organized a guest lecture for 90 MBA students of the International Institute for Management Development in Lausanne, Switzerland. Can we just brag about that for a bit? Because this leading business school only accepts the best of the best: the managers of today and the leaders of tomorrow.
- ➔ Oh, and remember the little stage we had at SXSW in Austin last year? This year they moved us to the big one! Our little brand is growing up!
- ➔ We also had the honor of entering the lion's den: the London Chocolate Forum, attended by all the chocolate giants.
- ➔ This year, we held another TED Talk, in Thessaloniki this time.
- ➔ Another highlight was the Future of Work symposium of the School of Life.
- ➔ And, last but certainly not least, the Sustainable Brands conferences in Copenhagen and in the Louvre in Paris.

The Chocolate Case

This year, there were plenty of international screenings of our movie "The Chocolate Case." It was shown in Aleppo, Brussels, Geneva, Stockholm, Helsinki, London and Spain. Every showing finished with a panel discussion with Tony's.

Oh, and did you know that the RoC Amsterdam has set up an entire room for Social Entrepreneurship, with a design based on our 5 Sourcing Principles, our so-called chocowall? How cool is that!?

Tony's FAIR 2018

The FAIR was another unforgettable event. The 2018 edition was all about our Serious Friends: you could take part in a mini mission, send a delightfully old-fashioned postcard and everyone danced the night away. We made two huge impact-related announcements:



Verry nice pic by Laisa from Prestigieux



→ Albert Heijn is our mission ally and is joining the Tony's Open Chain platform. Barry Callebaut will be facilitating the cooperation. It's a huge step in our mission and an excellent start because we want to change the entire industry.



→ Tony's will be building a chocolate factory in Zaanstad, at the warehouse "De Vrede". It'll be a complete experience; a Tony's Chocolonely Chocolate Circus, where you can learn and experience everything to do with chocolate, the problems in the cocoa industry and what Tony's Chocolonely is doing about it. We'd like to receive half a million choco fans every year. After a roller coaster ride through the plant, we hope that visitors are so amazed by Tony's mission that they will join in to achieve it. Hold on to your hats!



We've been dumped..

In October, bars of Tony's Chocolonely suddenly appeared on an Aldi ad. Hang on, they don't sell Tony's! What on Earth is going on? Oops, we made a silly mistake.. Stuuuuuuuuuuuuupid! So, this is what happened. We sold a huge batch of 80,000 bars to a customer who sells loyalty packages and who we'd been working with for around 18 months. They suggested putting together a package with Tony's & Happy Socks. Seemed a good idea, right? But, somehow, loyalty was rather lacking, because they had some relationships on the side. Against all agreements, they sold the bars on and that's how they ended up at Aldi. Of course, many choco fans were happy as a clam that they could get their Tony's at a discount, even if only one weekend. But we believe that everyone in the chocolate chain is responsible for making 100% slave free the norm in chocolate. All the way from cocoa farmer to choco fan, so that includes the stores and any other parties that sell our products. Stores should not fool around with super discounts because making chocolate and producing cocoa isn't exactly free. We are all about long-term relationships and trust. And, in this case, we were just too naive. Needless to say, after this bummer, we ended our collaboration with this partner.



So, anything else?

→ By just having a Gay Bar, without any further explanation or action, perhaps we didn't quite work hard enough to support the LGBTQI+ community. So, that's why there was no Gay Bar 2019. We are currently talking to the COC and are in the process of seeking contact with COC to work out how we can do more for the LGBTQI+ community next year. Because, let's make one thing clear, we really want to do something substantial to support the empowerment of the community.

→ Our dark bar became world famous when Figueroa - Fig - munched on it in the new season of the Netflix series Orange is the New Black. Alriiiiiight!

→ Together with IT partner Microsoft, we created a video about our mission, which was shared with millions of Microsoft followers! Did ya see it?

→ One of the episodes of the Netflix docu series Rotten reveals the bitter truth behind chocolate. Watch and share it because, the more people know about the injustices in the cocoa industry, the greater an impact we can make!

Power to the Serious Friends. Serious Friends make an impact, accelerate the achievement of our mission and increase the pressure on the other players in the supply chain. We're all in this together. Be heard, make some noise!



Scan & go!

chapter eight:

LET THE NUMBERS DO THE TALKIN'

Our roadmap spells it out: to accomplish our mission, we also have to be commercially successful. If we can achieve commercial success and make an impact, the chocolate giants can do it, too! And, just so there's no argument, we want to be especially successful in the markets that matter most to Big Choco. But, hang on a minute.. We didn't make a profit this year. What on Earth happened!? Can we be commercially successful and have a year without profit? Let's dive into this together, shall we? Got that snorkel on nice and tight? Right! Now jump!

Last year was a transition year with an international focus. We took new steps that will propel Tony's to the next stage. To achieve our mission, we have to operate internationally. Simply being successful in the Netherlands is not enough to change the industry. So, last year, we invested heavily in our future international growth. That meant investing in foreign teams, distribution and relationships with customers in other markets.. In other words, we had to spend money to make money. Everything we did this year was intended to accelerate and increase our direct impact. We were also busy developing the Tony's Chocolonely Chocolate Circus. This also required significant investment to make it a success. And since next year is the big reveal, our theme for next year is "Showtime!"

The goal not achieved

Revenue was up 26.5%, our gross margin stood at 40.4% and our net profit margin landed at 0% in the reporting period. This was well below what we had counted on; our revenue growth target was 33.5%, we had expected to achieve a gross margin of at least 40% and a net profit margin of 4%.

Our revenue rose from € 55.1 million to € 69.9 million. That's not bad, but our original target was € 73.5 million and we made a lot more investments than panned. Our gross margin fell by 1.2% from 41.6% to 40.4%.

Here are some more details.

→ Our employee benefits expense as a percentage of revenue increased from 11.6% to 13.3%. Our team's still growing fiercely and we're making future-oriented investments to achieve our impact growth in the world. Our marketing costs are increasing as well, but they're low compared to other companies.

→ Our logistical expenses have also risen percentage-wise. Because the volumes we ship to and within the US and the UK are small at this juncture, the logistical expenses per 'box of bars sold' are relatively high. This will improve as our operations in these countries grow.

→ Our impact consultancy costs (i.e. the costs we incur to measure our impact): € 667.000 come on top of our premium payments and the 1% of revenue we donate to the Chocolonely Foundation. This is how we fund our own impact projects and occasionally contribute to the cooperative's impact projects.

Soooo.. still here, are you?

In the reporting period we made a large number of investments in the new UK team, we added extra Tony's to the team in the US and not to mention our investments in the Tony's Chocolonely Chocolate Circus.

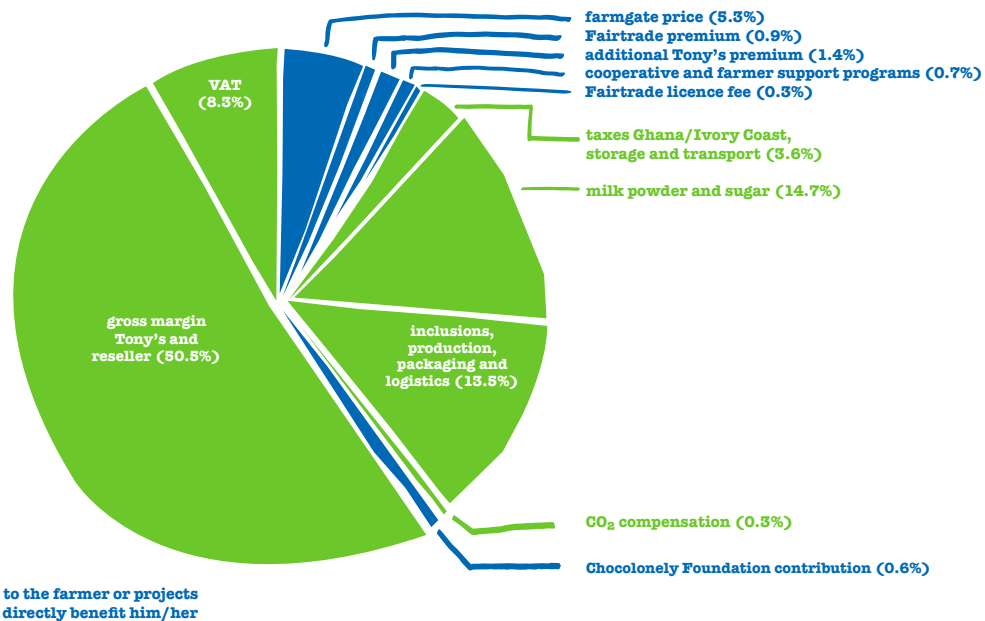
Tony's impact costs

All our voluntary contributions make up what we refer to as our impact costs. We incur these costs for the direct or indirect benefit of the farmers in our partner cooperatives and to promote our mission to make 100% slave free the norm in the chocolate business. We recognized € 4.4 million in impact costs in the reporting period, which corresponds to slightly over 6.4% of nett revenue. These are the costs that are actually shown in the statement of profit or loss. Does that make sense?

Impact Costs	2018/2019	2017/2018	2016/2017	2015/2016
Tony's premium	2,305,490	1,334,915	1,103,687	558,713
Fairtrade premium	820,345	623,014	555,600	373,976
Tony's additional premium	1,485,150	711,901	548,086	184,737
impact project costs	666,699	392,111	363,478	145,542
Fairtrade licence fee	334,566	361,107	284,851	206,080
Chocolonely Foundation	700,420	550,520	449,242	293,056
total impact costs	4,007,715	2,638,652	2,201,257	1,203,392

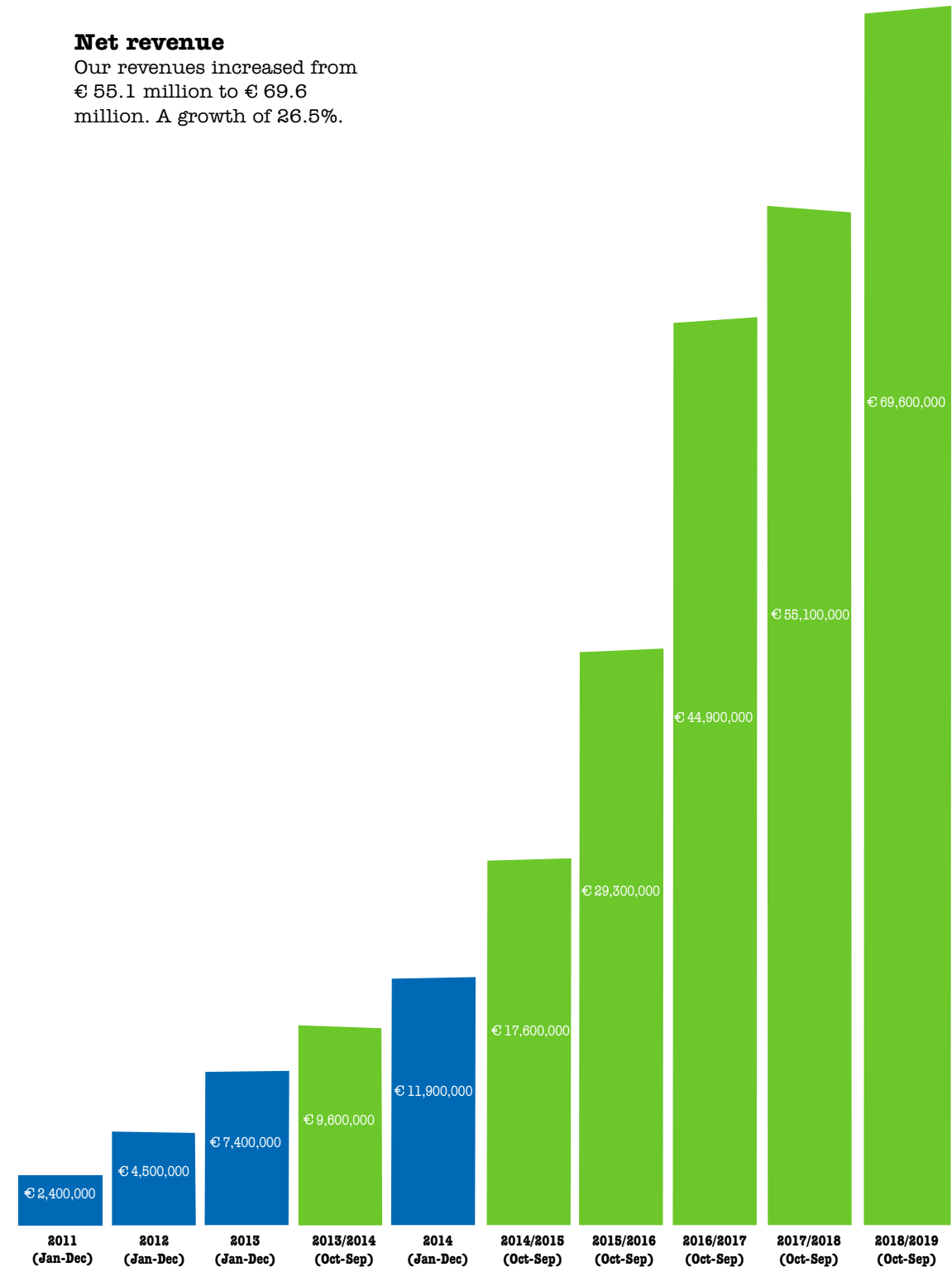
What is the price breakdown of a bar of chocolate?

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



Net revenue

Our revenues increased from € 55.1 million to € 69.6 million. A growth of 26.5%.



Profit & Loss Statement (in €)

	2018/2019	2017/2018	2016/2017
Net Revenue	69,619,907	55,051,839	44,924,181
Costs of Sales	(41,491,568)	(32,132,063)	(26,721,642)
Cost of goods sold	(40,006,418)	(31,420,162)	(26,173,556)
Tony's Additional Premium	(1,485,150)	(711,901)	(548,086)
Gross Margin	28,128,339	22,919,776	18,202,539
Gross Margin Percentage	40.4%	41.6%	40.5%
Personnel expenses	(9,293,503)	(6,389,992)	(4,257,118)
Selling expenses	(10,396,357)	(7,384,416)	(5,849,457)
Marketing & PR expenses	(2,029,276)	(1,459,085)	(1,078,348)
Promotional contributions	(6,454,402)	(4,342,968)	(3,585,899)
Fairtrade License Fee	(334,566)	(361,107)	(284,851)
Chocolonely Foundation Contribution	(700,420)	(550,520)	(449,242)
Travel and representation expenses	(546,100)	(438,244)	(324,275)
Other selling expenses	(331,593)	(232,493)	(126,842)
Logistics expenses	(3,470,324)	(2,949,622)	(2,107,891)
General expenses	(3,576,064)	(2,206,096)	(1,827,303)
EBITDA	1,392,091	3,989,651	4,160,769
Depreciation	(1,024,347)	(592,019)	(266,019)
EBIT	367,744	3,397,631	3,894,750
Interest costs	(248,863)	(221,319)	(217,693)
Exceptional items	0	200,266	0
Income Taxes	(116,226)	(895,230)	(959,766)
NET PROFIT	2,656	2,481,348	2,717,291
NET PROFIT PERCENTAGE	0.0%	4.5%	6.0%

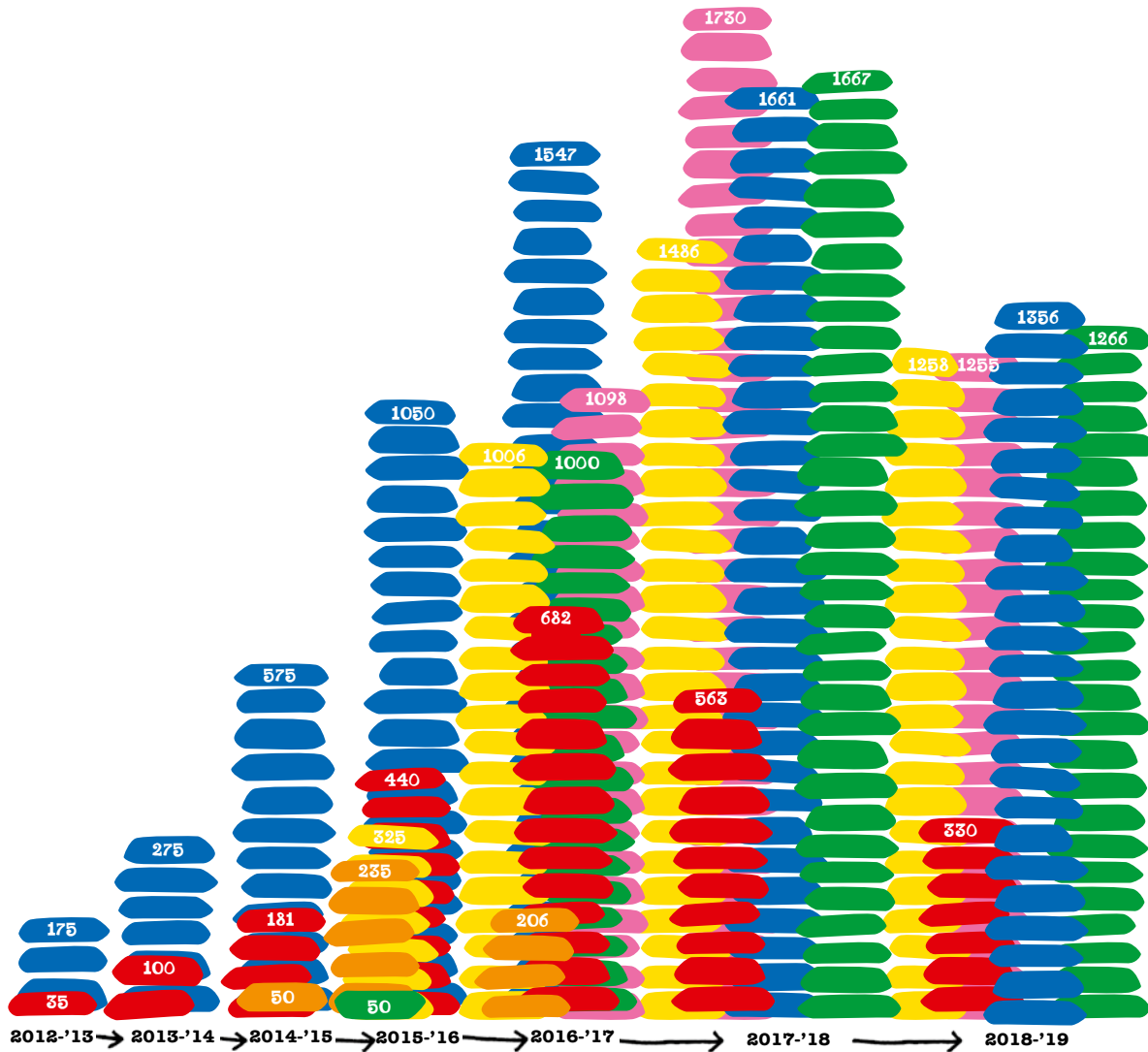
Balance Sheet (in €)

	9/30/2019	9/30/2018	9/30/2017
Fixed assets	5,654,667	4,303,208	1,871,099
Intangible fixed assets	1,205,695	903,307	734,222
Tangible fixed assets	4,448,972	3,399,901	1,136,878
Inventories	6,515,737	5,833,837	4,766,124
Trade and other receivables	17,457,514	11,003,524	8,846,218
Trade receivables	12,829,706	8,097,800	6,362,773
Other receivables	2,871,596	980,989	783,228
Pre-payments of Tony's additional premium	1,756,212	1,924,735	700,217
Loan CocoaSource	0	0	1,000,000
Liquid assets	1,121	571	2,222
Total Assets	29,629,038	21,141,138	15,485,663
Shareholder's equity	3,003,244	3,214,914	1,417,949
Issued and paid up share capital	37,085	37,112	35,829
Agio reserve	0	209,338	0
Legal reserves	237,285	216,432	216,979
General reserves	2,728,874	2,752,032	1,165,141
Current liabilities	25,217,861	15,631,329	11,641,047
Trade creditors	8,416,541	6,088,606	4,610,195
Taxes and social security premiums	1,300,221	513,975	414,749
Credit institutions	12,227,267	6,146,275	2,651,026
Other payables and accrued expenses	3,273,832	2,882,473	2,965,078
Loan CocoaSource	0	0	1,000,000
Long-term liabilities	1,407,933	2,294,897	2,426,667
Total Liabilities	29,629,038	21,141,138	15,485,663

The Profit & Loss statement and Balance Sheet are applicable to Tony's Factory B.V. and all its subsidiaries. Together they are referred to as Tony's Chocolonely.

MT beans bought per coop per year

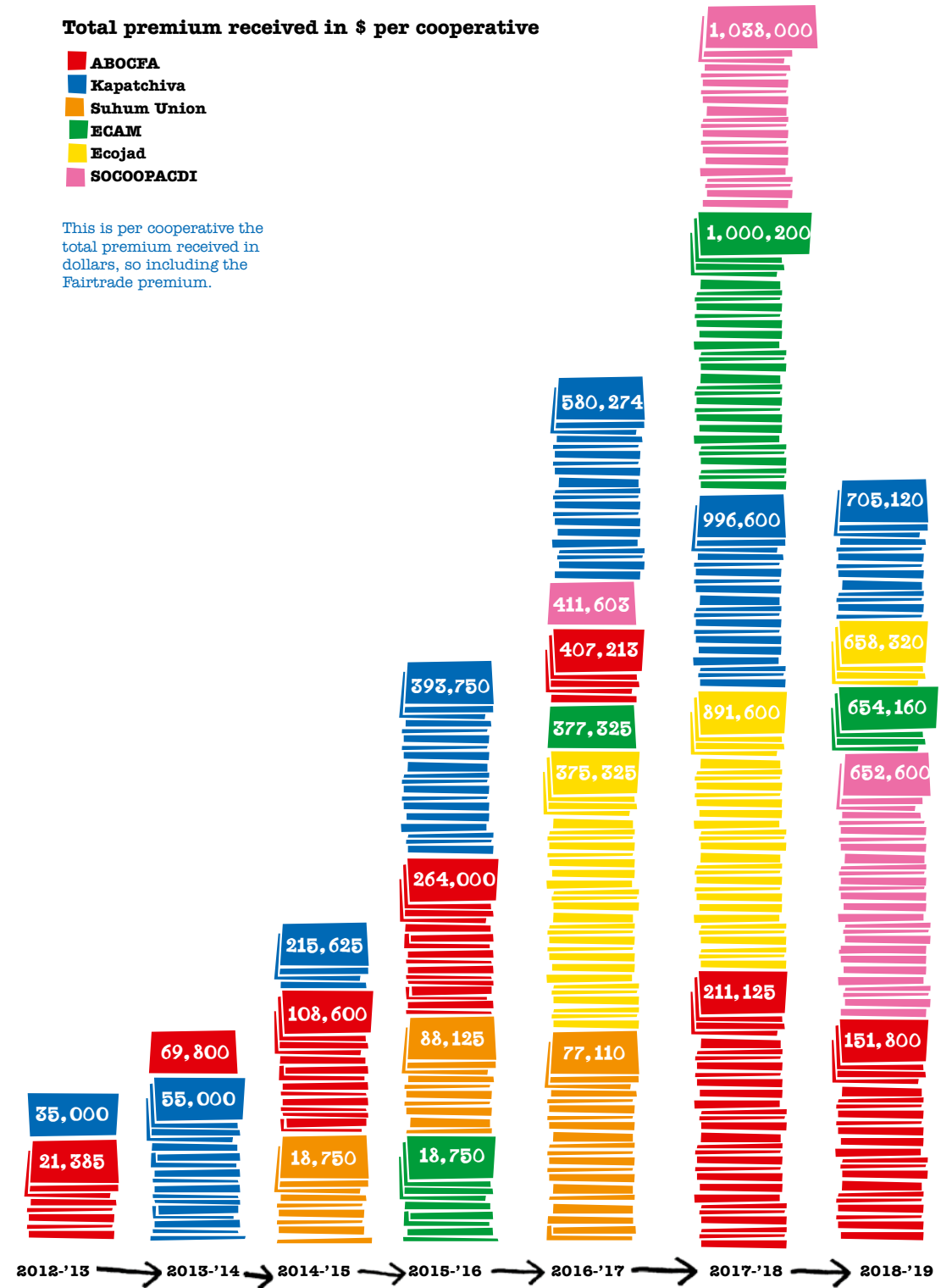
- ABOCFA
- Kapatchiva
- ECAM
- Ecojad
- SOCOOPACDI
- Suhum Union



Total premium received in \$ per cooperative

- ABOCFA
- Kapatchiva
- Suhum Union
- ECAM
- Ecojad
- SOCOOPACDI

This is per cooperative the total premium received in dollars, so including the Fairtrade premium.



Tony's premium

We transferred € 2.6 million worth of premiums in the reporting period. Watch it: the overview of the previous pages are in dollars, not euro's. This can be broken down into € 1 million in Fairtrade premium and € 1.6 million in additional Tony's premium. A higher price is one of our five Sourcing Principles; it's part of our mission to create an equally divided supply chain for cocoa. We hope that our efforts will motivate other organizations to follow our lead.

In the reporting period, the Fairtrade premium amounted to \$ 200 per metric ton (mt) of cocoa beans in Ivory Coast and in Ghana. Tony's additional premium was \$ 320 per mt in Ivory Coast and \$ 260 per mt in Ghana.

➔ Here's the nitty-gritty

The share of Tony's additional premium that has been expensed in the statement of profit or loss corresponds to the total number of bars sold during the year. The difference between the recognized additional premium and the prepaid expenses represents the premium on the beans that are still in stock. That difference is recognized as prepaid expenses in the statement of financial position. We expense it as soon as these beans are actually being used in our bars.

➔ Impact Consultancy Costs: € 667,000, have almost doubled compared to last year.

This includes the cost of projects such as the Best Farmer Awards and Tony's Handshake and the cost of local consultants who help the cooperatives make their 5-year plans.

➔ Fairtrade license fee: € 334,566. These are membership fees; they are not deducted from the premiums.

➔ We reserve 1% of the revenue generated by Tony's Factory BV for the Choclonely Foundation to fund the Foundation's projects like 100WEEKS. The amount involved in the reporting period was € 700,420.

How Tony's Choclonely is run

Transparency is very important to us and that's why we put together this annual FAIR report for you. Read on to find out what our organizational structure looks like and how we make sure that we stay on top of things.

Our Choco Chiefs in charge are Henk Jan Beltman, Chief Chocolate Officer, Anne-Wil Dijkstra, Choco Co-Captain, and Freek Wessels, Bean Counter. A new Chief Financial Officer will be joining us on November 1, 2019: Derk Jan Terhorst. Freek is leaving his position as Choco Chief after 6 1/2 years. With the dawn of a new phase, everything has come full circle for Freek.. time to move on to a new challenge! The Choco Chiefs are listed as company directors of Tony's Factory BV in the Trade Registry of the Chamber of Commerce.

All of Tony's Heads are responsible for their own functional domain. Together with the Chiefs, they form the leadership team:

Frits 'Choconator' Snel: Head of Sales
Frans Pannekoek, Bean to Bartender, Head of Operations
Paul Schoenmakers, Impactus Prime, Head of Impact
Freek Wessels, Bean Counter, Head of Finance
Kristel Moedt, Queen Dream Team, Head of People & Culture
After four incredibly exciting years, Pascal van Ham, Chocologo, Head of Marketing, said a fond but sad farewell. Pascal's successor is Thecla Schaeffer, Marketing Magic Maker.

Supervisory Board

The Tony's Choclonely Supervisory Board has three members who advise and keep an eye on the Choco Chiefs:

Willemijn Verloop, partner and co-founder of Social Impact Ventures, co-founder of Social Enterprise NL, vice chair at War Child; focus area: social impact.
Peer Swinkels, CEO of Royal Swinkels Family Brewers; focus area: sales & marketing.
Erik Cornelissen, partner in KornFerry; chairman, focus area: finance and legal.
Erik Bras joined our Supervisory Board on 1 October 2019. He is currently CEO Signature Foods and general manager Johma, focus area: commerce. Welcome Erik!

The members of the Supervisory Board are paid € 15,000 per person per year for their supervisory duties.

Our Supervisory Board: not even a day older than the previous financial year!



Children's Council

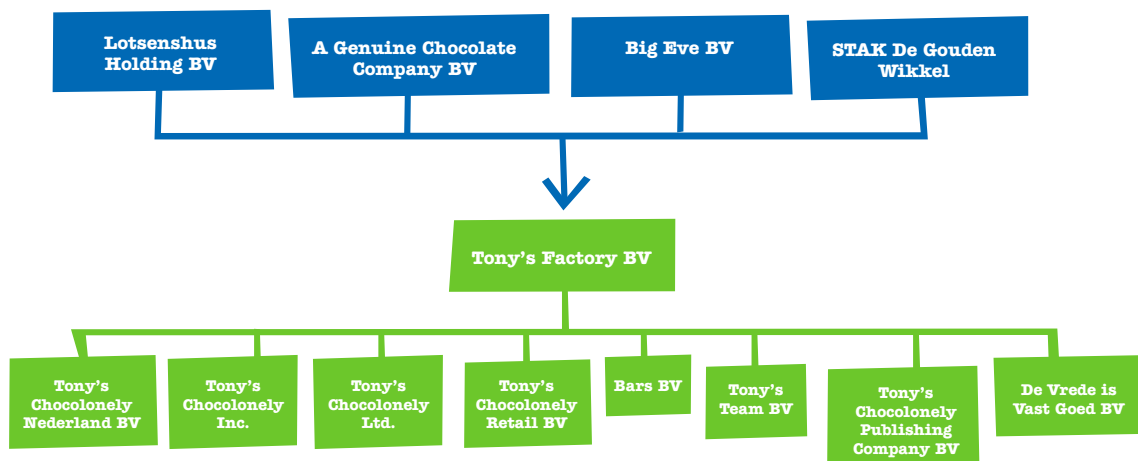
In addition to a Supervisory Board, we also have a Children's Council. Grade 8 of Amsterdam-based elementary school De Catamaran was back this year to advise the Team Tony's. This year, the topic of discussion was children's marketing. The children provided some interesting input.

Here's our Children's Council

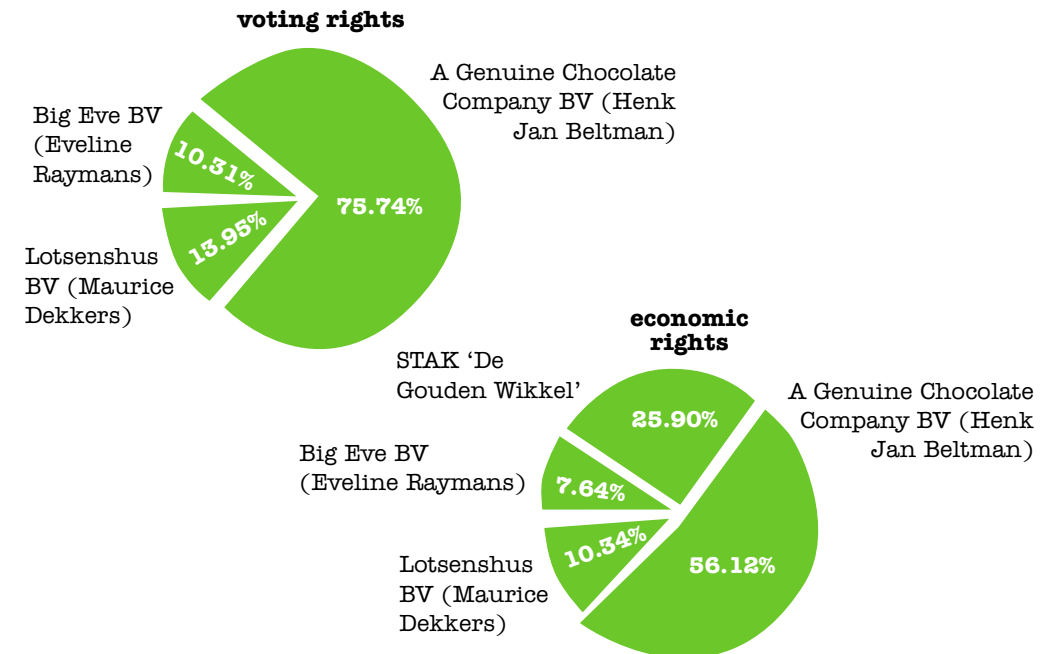


Tony's Chocolonely's ownership structure, shareholders and legal form

This annual FAIR report is about the operations and financial results of Tony's Factory BV and its 8 subsidiaries in the financial year 2018/2019. Together, they are referred to as Tony's Chocolonely. Tony's Factory BV has 4 shareholders. A number of transactions have caused the shareholding structure to change from the previous reporting period in terms of voting rights and beneficial ownership. Let's take a more in-depth look at this:



Share transaction between shareholders holding voting rights



Golden Wrapper and the Senior Management Stock Ownership Plan

Every Tony who's on a permanent contract and whose year-end performance rating is spot-on has the opportunity to buy a Gouden Wikkkel (Golden Wrapper), a depositary receipt for shares with no voting rights attached.

On September 30, 2019, the De Gouden Wikkkel trust office had issued 960,572 depositary receipts: 710,064 depositary receipts for Class A shares and 250,508 depositary receipts for Class B shares. The end result: on September 30, 2019, 25.9% of the beneficial ownership was in the hands of Tony's. At the end of the reporting period, 54 Tony's held Golden Wrappers.

No dividend

That's right, we won't be distributing any dividend for the reporting period.

Tony's High Five

Tony's has an employee participation body in the Netherlands. Formally, this body takes the form of a works council with five Tony's as its members. In practice, however, there's more flexibility in processes and lead times than an official works council would offer. There are rules of procedure that govern what Tony's High Five does (and what it doesn't do); these rules have been written in Only Tony's lingo of course. At Tony's, developments happen in rapid succession and, due to maternity leave, Tony's High Five didn't always operate at full capacity. We promise to do better next year. You can count on it!

CHOCOLONELY foundation

Even though the Chocolonely Foundation is an independent foundation, we can't leave it out of this Annual FAIR Report. As a chocolate company, we aim to change the industry from the inside out, so we concentrate on changing the way business is done within the supply chain. The Foundation funds and supports projects and initiatives outside the supply chain.

Every year, Tony's Chocolonely donates 1% of its turnover to help achieve the foundation's goals. This year, the Chocolonely Foundation spent 1.4 million euro. Last financial year, the foundation board approved 5 new projects and extended the cooperation with 5 existing project partners. That's fantastic news and it brings the total tally of projects funded by the Chocolonely Foundation to 22.

The foundation has the same mission as Tony's Chocolonely, which is based on the following 3 pillars:

1

Stronger cocoa communities

2

Create **awareness** at consumers

3

Inspire to act

WHERE IS THE FOCUS?

→ stronger communities: 100Weeks

100Weeks is a project in Suhum (Ghana), which gives 100 women 8 euros per week for 100 weeks to help them get out of extreme poverty. The women don't just receive money, but are also taught how to manage their money and run a business. 100Weeks has been going for almost a year and a half now. The main impact has been measured and it's looking pretty great. Curious about the results? Check out the foundation's website.

→ stronger communities: Teaching at the Right Level

Last year, a pilot study was launched in Ivory Coast in cooperation with Teaching at the Right Level and Pratham. The goal: to improve the reading and arithmetic skills of elementary school students. After taking a quick test, every child is assigned to a small group, where he or she is taught intensively and at exactly the right level. The teachers undergo special training in this method. The program was rolled out to 2,500 students in 25 schools last school year. The results of the pilot were fantastic. The foundation is currently engaged in dialog about possible collaboration with the government to get the program rolled out across the entire Ivory Coast.

In addition, 2 brand spanking new projects were funded under the stronger communities pillar. Eight schools were built/renovated in the communities where Tony's Chocolonely buys its beans. And we also saw the kick-off of a three-year collaboration with Designathon Works, an organization that runs the Global Children's Designathon – an annual day for children that's all about the future and future technologies. More than 1,000 children across 30 cities took part in the event. During this latest edition, the participants included two groups of children from Ghana and Ivory Coast from the communities where Tony's Chocolonely buys its beans.

→ awareness: culture and education

This includes the collaboration with Tony's Chocolonely and the Nationaal Museum van Wereldculturen to raise awareness and regard to modern slavery. So what do they do? Well, they organized the BITTER exhibition, for example, and developed an educational package that explains the history of slavery and modern slavery.

→ inspire to act: research and lobby

The goal is to inspire governments and companies to enact positive change in the cocoa supply chain. The Südwind Institute in Germany is an incredibly important partner in this respect. With the support of the foundation, it organized a cocoa agro-forestry conference in Germany, for instance. Südwind also works hard on shaping human rights legislation in both Germany and Europe. Its goal is to get companies to take responsibility for human rights within their chains. And that's in all the sectors, not just the cocoa sector.

You can find more info and the financial reports here:
www.chocolonelyfoundation.org.



Scan & go!

chapter nine:

LET'S RAISE THE BAR!

100% slave free chocolate. Not only our chocolate, but all chocolate worldwide. We won't settle for less and we are going for a minimum turnover of 100 million euros, but want to reach 125 million. And we also collect at least 5,500 mt of traceable beans, but try to grow this to 6,925 mt if we sell more bars. We are the market leader in chocolate bars in the Netherlands, and we aim for that in other golden markets. We want to share our story and grow the Serious Friends movement in other countries as well. And we want to encourage all key players in these countries to take action. Over the coming year, our growth will mainly come from the United States, UK and Germany. So, what are we aiming for next year? In a nutshell, it boils down to this:

6,925
mt traceable beans

We will purchase at least 6,925 metric tons (mt) of traceable beans from our 7 partner cooperatives with Tony's premium. Yep, that's a lot more than last year. And, if we step it up a notch.. maybe even more. We have to give it all we've got. But we can't do it alone!

8,500
cocoa farmers

8,500 farmers to benefit directly from our premium. This number is higher than last year because we will also be buying more cocoa beans.

\$350
Tony's additional premium in Ivory Coast

\$335
Tony's additional premium in Ghana

per mt beans, on top of the Fairtrade premium of \$240 per mt and in Ivory Coast the extra \$ 235 per mt minimum price differential. The total Tony's premium on top of the farmgateprice in Ivory Coast will be \$ 825 per mt and in Ghana \$ 575 per mt. Last year, we worked hard to improve our living income model. And with success. We now have better source information. And we know the per-kilo price a cocoa farmer needs to receive to be able to earn a living income. This makes it easy to calculate the premium. This year, we'll be sharing the new LIRP calculation model with everyone (by the time you read this, it will have already happened) and making sure it becomes the new industry standard.

7
partner cooperatives

With our 7 partner cooperatives, we are building more direct relationships with the farmers that supply to us. We are looking for farmers who are fighting for equality in their communities. They grow cocoa as independent entrepreneurs and consider it something to be proud of. They are also happy to work with us on our mission.

100%

carbon neutral

We keep our bar carbon-neutral so we can compensate 100% of our carbon emissions in our bean to bar supply chain, by partnering with innovative partners. We will also keep looking for ways to lower the carbon emissions in our chain. In fact, we believe that the “cost” of carbon emissions should be added to the cost of producing a bar. So, that’s what we’ll be doing over the next year.

55,000

Serious Friends

55,000 Serious Friends are supporting our mission worldwide. That’s 35,081 more than we currently have. Next year, too, will be all about making lots and lots of friends! And, fortunately, that’s something we love to do. We’ll be going all out to make and mobilize friends who support our mission. Especially in the U.S. of A, UK and Germany. Friendship, Ahoy!

100%

GPS mapping

We are using GPS mapping to map all cocoa farms. We’ve covered 100% in Ivory Coast and we’re almost there in Ghana. All new partner cooperatives we’ll be working with should be 100% covered by GPS mapping within a year. So, we can tackle the issue of deforestation as we work to improve quality and productivity, one of our 5 Sourcing Principles.

5

mission allies

We want to have at least 5 additional allies in our mission who also use bean-to-bar beans in their own products and source their products according to the 5 sourcing principles of cooperation. Yes, the third pillar of our roadmap is getting there!

→ We’re ambitious, so we’re working hard to get the German team up and running ahead of schedule. Deutschland, bist du bereit, uns auf unserer Mission zu begleiten?

→ And thus we continue to tell our story – regardless of the language. Using both words and pictures. Together – and only together – we’ll make 100% slave free the norm in chocolate. We’re on a mission.. me and you.. and you.. and you.. Wow, how cool!! You, too?!

for the detail enthusiasts:

IMPORTANT APPENDICES

about this annual FAIR report

PwC Assurance Report

explanation of Tony's non-financial impact KPIs

terms worth explaining

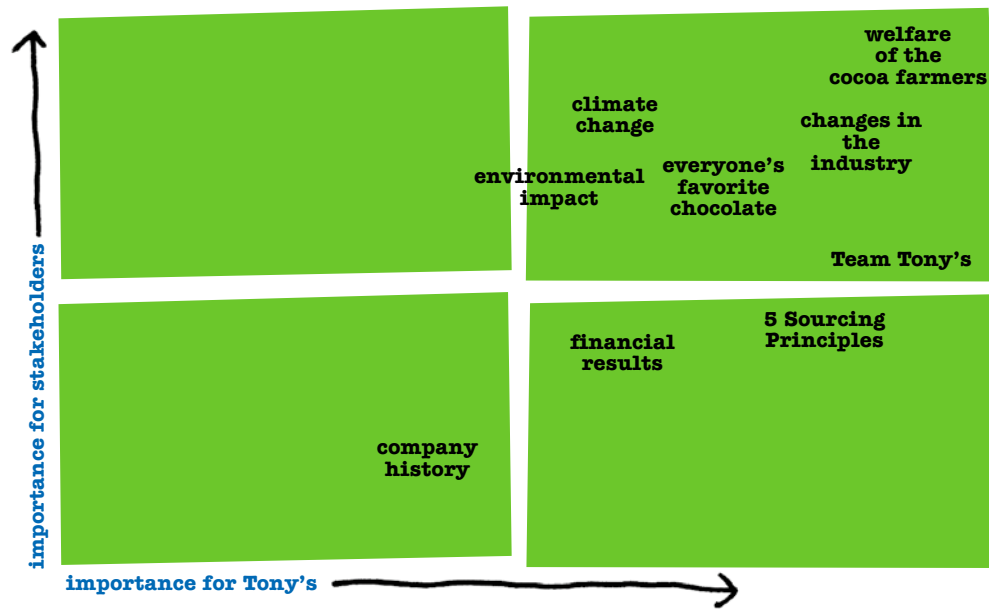
Important Appendix 1: about this annual FAIR report

This is the Tony's Choccolonely annual FAIR report. Every year, we write this annual FAIR report for you – our stakeholders. If you are part of our choco supply chain, you are important to us. Because together (and only together) we'll make 100% slave free the norm in chocolate.

Again this year, we asked you, our stakeholders, what you think are the main issues we need to work on and what you want to know more about. The following table shows who we contacted about what and our methods of contact.

Stakeholder	Method of contact in 18/19	Main issues
Team Tony's	Tony's biannual Fun At Work Survey, annual online stakeholder survey	Injustices in the cocoa industry, last year's targets and results, ambitions for the coming years
Cocoa farmers	Work visits, consultations and evaluations with the cooperatives, mini Fair and atelier de Tony's event	Long-term relationships, payment of a premium for beans, changes in the industry, traceability, productivity, protection of children and community building
Choco fans (consumers)	Annual online stakeholder survey, social media (throughout the year), monthly choco fan survey	Tony's vision and roadmap, our impact on the environment, ambitions and targets for the coming years
Business choco friends	Annual online stakeholder survey	Tony's vision and roadmap, ambitions and targets for the coming years, our impact on the environment
Customers (Retailers)	Annual online stakeholder survey, customer visits, round table discussions	Tony's vision and roadmap, how we change the industry, last year's targets and results, our impact on the environment
Suppliers	Online stakeholder survey, annual Limiteds Dinner, day-to-day conversations	Last year's targets and results, Tony's vision and roadmap, ambitions for the coming years

We draw up a list of the main issues identified by our stakeholders and the ones we think are important because they are how we create economic, social and/or environmental impact. We then plot the issues in a matrix to determine what we prioritize in our day-to-day work and what we devote most attention to in our annual FAIR report. We weigh the interests of our stakeholders against the issues that we, as Tony's, consider to be important for the future of our company.



➔ The issues in the top-right quadrant are important to us and our stakeholders. The welfare of the farmers and structural change in the cocoa industry are both in the top-right quadrant. As in previous years, these are our hot topics. And, if you have read any of our earlier annual FAIR reports, you will know that the issues remain more or less the same from one year to the next.

Some of the issues plotted in the matrix are actually clusters of issues. This is what these clusters include:

➔ The welfare of the cocoa farmers includes the welfare of their families. A higher income and the prevention of forced and illegal child labor are a very important part of this.

➔ Our impact on the environment: Our first concern is the welfare of the farmers and their families. Yet we are, of course, also aware of the need to protect the environment and mitigate impacts of climate change that affect the farmers.

➔ Everyone's favorite chocolate: This issue includes aspects such as new flavor and product development, our product range and product quality. Crazy about chocolate!

There are a couple of issues that we consider to be more important than our stakeholders do:

➔ Our approach, which requires that all players in the supply chain assume responsibility. Our 5 Sourcing Principles, which can also be applied by other companies, the ultimate goal being to influence and change the entire industry.

➔ Commercial success and sound financial results are important, not only for our survival as a company, but also to inspire other chocolate companies to follow our example.

In this annual FAIR report, we spend quite a lot of time discussing our activities in the Netherlands, the US and the UK. But we also report on the welfare of the cocoa farmers, changes in the industry and climate change. In addressing these issues, we concentrate on our impact on the cocoa farmers and the cocoa industry in general.

This report covers the period from October 1, 2018 to September 30, 2019. October 1 marks the start of the new cocoa season for the farmer cooperatives in West Africa (and the start of our financial year).

This annual FAIR report was prepared in accordance with the GRI Standards (Core option). In other words, we compile this report in the same way as other, large chocolate companies. The Global Reporting Initiative (GRI) has defined a set of reporting principles. On the Annual FAIR report pages of our website, you can find out more about how we use these reporting principles in our report development process.

You can find our GRI Content Index on the Annual FAIR reporting pages on our website. Through the GRI Content Index Service, GRI Report Services has assessed that the GRI Content Index is clearly displayed and that includes references for all disclosures correspond to the corresponding parts of the annual FAIR report.

Important Appendix 2: explanation of Tony's non-financial impact KPIs

Our main non-financial Key Performance Indicators are defined below. These KPIs relate to material aspects and are therefore also audited by PwC.

Pillar 1: Tony's creates awareness

1. **% of choco fans who are aware of the use of slavery on cocoa farms.** The percentage of people living in the Netherlands who purchased at least one chocolate bar no more than three months before the interview, who said they had "often" or "sometimes" heard about the use of modern slavery in the cocoa sector. This KPI measures consumer awareness of the abuses in the cocoa industry in West Africa. Consumer awareness is needed to make 100% slave free the norm in chocolate.
2. **# of Serious Friends.** The number of people registered as Serious Friends worldwide (via our website). This KPI measures the number of people who feel particularly committed to Tony's mission and want to be actively involved in achieving it. Consumer support is essential if we are to change the industry. We cultivate serious relationships by, for example, regularly informing Serious Friends about the latest developments, ensuring that they are the first to be invited to our FAIR and asking them to sign petitions.
3. **# of farmers involved in CLMRS awareness-raising activities.** The number of people who attended a session on illegal child labor and child rights violations presented by CLMRS community facilitators during the financial year. CLMRS community facilitators visit farmer households one by one. During these visits, they note the composition of the household and conduct awareness-raising activities. They also organize public sessions that can be attended by anyone in the community. This KPI measures the extent to which the members of our partner cooperatives have been informed about the hazards of illegal child labor. A person may have attended a session at home and a session in the community, so there may be an element of double-counting. We believe awareness-raising plays a crucial role in reducing illegal child labor.

Pillar 2: Tony's leads by example

4. **# of farmers who benefit from Tony's premium.** The number of members of Tony's partner cooperatives in Ghana and Ivory Coast who sold at least 1 kg of cocoa beans to Tony's during the financial year. The higher the number, the more farmers who benefit from a higher standard of living. This KPI shows that chocolate makers can be commercially successful without exploiting cocoa farmers. In order not to discriminate among its members, a cooperative may democratically decide to also distribute the premium to farmers who don't sell to Tony's. This is understandable. It means that more farmers benefit from the premium, even if each farmer receives a smaller amount. We continue to discuss issues such as the "dilution" of the premium with the cooperatives.
5. **# of cooperatives with which we have a 5-year Memorandum of Understanding.** The number of cocoa cooperatives in Ghana and Ivory Coast that supply beans to Tony's with which we had a 5-year Memorandum of Understanding at the end of the financial year. This KPI is consistent with our social mission and the way we operate (5 Sourcing Principles). We form long-term relationships with farmers to provide them with greater security. This enables the farmers to make medium- and long-term investments. It also gives us a chance to raise awareness of illegal child labor and improve conditions on the farms and in the communities.
6. **Average score of Tony's Fun At Work Survey.** The total average of the scores for each aspect of Tony's Fun At Work Survey: (1) enthusiasm, (2) commitment, (3) good employment practice, (4) efficiency, (5) trust and (6) social security. The biannual survey is completed anonymously by Tony's employees in the Netherlands, United States and United Kingdom. These employees have a temporary or permanent contract, or are working as interns, and have been with the company at least two months at the time of the survey. We're "crazy about chocolate, serious about people". And, when it comes to people, Team Tony's comes first. We believe that, if the best people work together to change the chocolate industry, it will create the kind of

organization we want. This KPI monitors systematic feedback from our employees.

7. **% market share.** Percentage market share (in euros) based on chocolate bars and tablets sold in standard supermarkets in the Netherlands (including Aldi and Lidl). Organic and niche supermarkets are not included because the data is not readily available. This KPI relates to the period from October 1 to September 30 (our financial year). The bigger our market share, the more pressure it puts on the industry to follow our example. So, we keep a close eye on our market share.
8. **% of cocoa in our chocolate that can be traced to our partner cooperatives.** Percentage of traceable cocoa beans in the five different kinds of couverture produced during the financial year. This KPI shows the traceability of the beans, from the cocoa cooperatives to the companies that co-manufacture Tony's bars. Traceability is one of our 5 Sourcing Principles. Cocoa tends to be treated as a bulk product. We believe companies can only really be held accountable for abuses like modern slavery and illegal child labor on cocoa farms if they know exactly where their beans come from.
9. **% of choco fans who say Tony's is their favorite chocolate brand.** The percentage of people living in the Netherlands who purchased at least one chocolate bar no more than three months before the interview, who said Tony's Choclonely is their favorite chocolate brand. With our incredibly tasty chocolate, we lead by example and show that chocolate can be made differently: the way it tastes, the way we package it and the way we treat cocoa farmers.
10. **# of cocoa-growing households visited by CLMRS facilitators.** The number of households that are members of one of Tony's partner cooperatives visited by CLMRS Community Facilitators. During these visits, the facilitators note the composition of the household and create a profile of each member of the household. They do this by posing questions to the head of the household and children between the ages of 5 and 17. If this reveals cases of illegal child labor, action can be taken to raise awareness and rectify the situation.
11. **# of cases of illegal child labor identified by the CLMRS at Tony's partner cooperatives.** The number of children between the ages of 5 and 17 who said (in an interview with a community facilitator during the financial year) they had been exposed to dangerous activities on a cocoa farm in the previous 12 months. We are not talking about human trafficking here. These children are members of a household that sells beans to Tony's through Tony's partner cooperatives in Ghana and Ivory Coast. If illegal child labor is discovered, immediate action is taken to raise awareness and a sustainable solution is found. It is important that we find these cases of illegal child labor because only then can we do something about it.
12. **carbon footprint offset %.** We use the model developed by True Price to calculate average (Scopes 1, 2 and 3 (!)) carbon emissions from the cocoa farmer to the distribution centers in the Netherlands and the US. Every year, we update our sales figures for each type of bar. The model also calculates the total carbon emissions of all couverture. This accounts for 98% of our emissions. The remaining 2% is an estimate of data from the paste (for example, transport and sales). If there is a change in our product range or if we switch to another supplier, the model is reconfigured to reflect these changes. Justdiggitt is responsible for calculating the number of hectares of dry land that need to be "regreened" to offset the carbon footprint of the Tony's bars sold, and organizes landscape restoration to offset the footprint.

Pillar 3: Inspire to act

13. **# tons of beans purchased through Tony's Open Chain.** The number of tons of cocoa beans purchased by Tony's mission allies in accordance with the 5 Sourcing Principles during the financial year. Chocolate companies have the power and responsibility to alleviate the poverty caused by the system and eradicate modern slavery and illegal child labor in their industry. We developed the 5 Sourcing Principles to lead by example and inspire others to act. Tony's Open Chain consists of these 5 Sourcing Principles. These principles must become the norm in the industry.

Important Appendix 3:

Please note: this review report is an unofficial translation of the official review report in Dutch, signed by R. Jagbandhan RA on 11 november 2019

Assurance report of the independent auditor

To: the board of Tony's Factory B.V.

Assurance report on the selected sustainability information in the annual FAIR report 2018/2019

Our conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected sustainability information in the annual Fair report 2018/2019 of Tony's Factory B.V. is not prepared in all material respects, in accordance with the reporting criteria of Tony's Factory B.V. (hereafter: Tony's).

What we have examined

The object of our assurance engagement contains thirteen indicators included in the cadre on page 20 in the annual FAIR report 2018/2019 (hereafter: the sustainability information), marked with the symbol ∅.

% of chocofans who are aware of the existence of modern slavery on cocoa farms
Serious Friends
of people who supply to Tony's who have participated in the awareness raising sessions of the CLMRS
of farmers supplying to Tony's who receive the Tony's premium
of coops with whom we have committed a 5-year MoU
Average score Tony's Employee Quest-cheer-nair
% market share
% of beans processed in the 5 different couvertures traceable up to our partner cooperatives
% of chocofans that indicates Tony's as their favourite chocolate brand
of cocoa growing households who participate in the CLMRS
of child labour cases detected at Tony's partner cooperatives with the CLMRS
% CO2 footprint compensated
tons cocoa sourced via open chain

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Please note: this review report is an unofficial translation of the official review report in Dutch, signed by R. Jagbandhan RA on 11 november 2019

We have examined the sustainability information of Tony's Factory B.V., Amsterdam for 2018/2019. All other information, as well as the data of previous year's indicators, in the annual FAIR report 2018/2019, is not in the scope of this engagement. Therefore, we do not report and conclude on the other sustainability information.

The basis for our conclusion

We conducted our examination in accordance with Dutch law, including the Dutch Standard 3000A Assurance engagements, other than audits or reviews of historical financial information (attestation-engagements). This engagement is aimed to provide limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the examination' of our report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Tony's Factory B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Applicable criteria

The information to which this engagement refers to should be read in the context of the reporting criteria of Tony's, which are included in Important Appendix 2 to the annual FAIR report 2018/2019. Tony's is responsible for selecting and applying these criteria. The lack of established practices for assessing and measuring non-financial information offers the possibility of applying several, acceptable measurement techniques. This can affect the comparability over time and between entities.

Emphasize the inherent limitation on the amount of cases of child labor found

We draw attention to the disclosure in the sustainability information on the number of cases of child labor found on pages 30 to 32 in the annual FAIR report 2018/2019. Here, it is explained that there are inherent circumstances that cause the amount of reported cases of child labor in reality to be possibly higher than the number registered in the Child Labor Monitoring and Remediation System ('CLMRS'). Our conclusion has not been modified as a result of this matter.

Please note: this review report is an unofficial translation of the official review report in Dutch, signed by R. Jagbandhan RA on 11 november 2019

Responsibilities for the sustainability information and the examination thereof

Responsibilities of the board

The board of Tony's is responsible for the preparation of the sustainability information in accordance with the reporting criteria of Tony's, including the identification of the intended users and the criteria being applicable for the purpose of these users.

Furthermore, the board is responsible for such internal control as it determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the examination

Our responsibility is to plan and perform our examination in a manner that allows us to obtain sufficient and appropriate evidence to provide a basis for our conclusion.

Our conclusion aims to provide limited assurance. The procedures performed in this context consisted primarily of making inquiries with officers of the entity and determining the plausibility of the information included in the sustainability information. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. Materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusion.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the examination in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our examination consisted, among other things of the following:

- Evaluating the appropriateness of the reporting criteria used and its consistent application, including the reasonableness of estimates made by management and related disclosures in the annual FAIR report 2018/2019.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
 - Interviewing management and/or relevant staff responsible for the sustainability strategy, policy and results;
 - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.

Please note: this review report is an unofficial translation of the official review report in Dutch, signed by R. Jagbandhan RA on 11 november 2019

- Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
- Reviewing, on a limited test basis, relevant internal and external documentation;
- Performing an analytical review of the data and trends.
- Evaluating the consistency of the sustainability information with the information in the annual FAIR report, which is not included in the scope of our review.
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

Amsterdam, 11 November 2019
PricewaterhouseCoopers Accountants N.V.

Important Appendix 4: list of terms that may confuse you

Beantracker: The system we use to follow our beans from bean to bar. This way, we know exactly where the beans in our bars come from and where the beans that have been bought are in the chain. So, we know where our beans have been!

Certification mark: A certification mark shows that a product is of a particular quality and has a reliable origin. It makes it immediately obvious that the product meets the standards that have been set by an independent expert organization. The 3 main certification systems in the cocoa trade are Fairtrade, UTZ and Rainforest Alliance.

Chocolate giants: These are the 2 chocolate producers that control approximately 70% of the world cocoa market: Barry Callebaut and Cargill. And the 8 largest traders and cocoa processors who are three-quarters of the global cocoa trade. And also the 6 largest chocolate companies which accounts for around 40% of the market (Mars Inc, Mondeléz International, Nestlé, Ferrero, Hershey, Lindt & Sprüngli) to have.

Couverture chocolate: This is liquid chocolate. It's made out of pressed cubes of chocolate with added sugar and cocoa butter.

Cooperative: Organizations of farmers who have joined forces to boost their economic power and to gain economies of scale.

Choco fans: The percentage of people living in the Netherlands who bought 1 Tony's chocolate bar no less than 3 months before the interview.

Illegal child labor Monitoring and Remediation System (CLMRS): A system that helps identify and prevent illegal child labor in cocoa communities in Ghana and Ivory Coast.

Euro's/dollars: In this annual FAIR report we use euros and dollars. Do you think it is confusing? That's how it is. All impact issues are shown in dollars, which is the international standard. Tony's Chocolonely reports in this annual FAIR report in euros.

Fairtrade minimum price: Fairtrade has set a minimum price for cocoa to protect certified farmers against drops in the global market price. This minimum price will be paid even if the global market price drops below the minimum price. In markets that aren't regulated, this goes straight to the farmer.

In Ghana and Ivory Coast (where the government regulates the market), things work a little differently. Here, cooperatives get compensation as soon as the free on board price (export price) falls below the minimum price. They get paid the difference.

Fairtrade premium: All Fairtrade certified cooperatives get this premium on top of the price that the chocolate company pays them for their cocoa. The premium travels all the way through the chain and finally ends up at the cooperative. Part of it is paid straight to the farmers. The rest is spent on things like improving productivity, quality and infrastructure, as well as communal projects. Ya know.. to develop the business in general.

Farmgate price: The price farmers in Ghana and Ivory Coast get for a kilo of cocoa. The local authorities determine this price every year.

FLO-Cert audit: FLO-Cert is Fairtrade's independent audit body. This organization checks all the links in the chain to check that everyone actually sticks to the strict trading terms.

Free on board price: The export price of cocoa in Ghana and Ivory Coast. Every country decides this itself.

Global market price: The international cocoa price is determined by the trade centers of the LIFFE in London and the New York Board of Trade (Coffee, Sugar and Cocoa Exchange, AKA CSCE).

Harkin-Engel Protocol: A program signed in 2001 by the big names in the international chocolate industry, who agreed to tackle the worst kinds of illegal child labor. The program was launched by Harkin and Engel, hence the name.

Illegal child labor: Illegal labor done by children. Labor that prevents children from actually living their life as a child (not as a miniature adult) and sometimes from going to school. The work can also damage them physically and mentally.

Living income: An income that's enough for someone to cover the basic costs of living. These include food, clothing, decent housing, medical care, education, transport and saving up a small financial buffer. It can also be used to pay for the cost of running a company (salaries, plants, fertilizer).

Living Income Reference Price (LIRP): The Living Income Reference Price (LIRP) is the per-kilo price a cocoa farmer should receive to be able to earn a living income. The reference price should be based on calculations that factor in variables such as productivity, the size of the farm, the size of the family and other sources of income. The cocoa industry is responsible for ensuring that farmers receive this Living Income Reference Price.

Mass balance: The guidelines for certification state that for cocoa, it is not required that the certified cocoa that has been bought actually ends up in the final product. When you buy a certified bar of chocolate, you can be sure that the right volume of certified beans was bought for the amount in the bar. Only.. they might not actually be in the bar. So, it's possible that part of the purchased certified cocoa is used in non-certified bars. That's because all certified and non-certified beans end up on one big heap.

Modern slavery: Any form of forced labor or exploitation of adults or children (including the worst forms of illegal child labor outside the immediate family, which are not acceptable under any circumstances).

Poverty trap: The phenomenon that people who live in (relative) poverty have very few opportunities to improve their circumstances.

Tony's additional premium: This is the premium Tony's pays in addition to the Fairtrade premium. That's because cocoa farmers can't get above the poverty line if they only get paid the normal price plus the Fairtrade premium. Even if they work their socks off! We pay this premium straight to the cooperatives. The farmers can decide for themselves how to spend the premium.

Tony's brand tracker: The system we use to measure how much a nationally representative group of chocolate fans knows about cocoa issues, our brand and other big brands.

Tony's footprint: The carbon emissions in Tony's chain: from bean to bar.

Tony's roadmap: We have a very clear approach to achieving your mission, which is explained by the 3 pillars of our roadmap. The roadmap that tells you how, as chocolate company, we want to change the cocoa industry from the inside and achieve our mission: together we'll make 100% slave free the norm in chocolate.

Tony's Serious Friend: Tony's Serious Friends actively want to help us achieve our mission. For instance, they might share our story, choose the chocolate they buy with care, go to events or support us when we organize promotions and campaigns. They're also the first ones to hear the latest news.

THAAAANK YOUUUUUUU!

We pulled it together at full throttle this year.. thanks to:

Fire Starter and Serious Communications rock **Sabrina**. Firm but fair, you cut back our ever-expanding annual FAIR report by a whole 20(!) pages. Keeping the focus on our mission, one eye on the horizon, the other on the steps in between, editing at high speed, grabbing people by the ear.. and always that fabulous smile. We love yooooooooo! Impact Measurer **Diara**. What can we say? 13 non-financial performance indicators.. We know how much work it involved for you and fellow Tony's **Frans, Ywe, Ingeborg, Chiel** and **Ewoud** to get these approved. Diara.. you were already well on top of things. But this year you've shifted up a gear. Multi-talented!! Sweet talker **Kirsten**. You're clearly in your element! Content is your middle name. How has the annual FAIR report content team managed without you until now?? You're one of a kind! We want you on the team next year.. Choco Editor **Elles Rozing**. Adorable, entertaining, sometimes a bit of a

stickler, but always solid as a rock. The guardian of Only Tony's language. Let's hear it for the queen of Teams. Very pleased indeed! Movement Maker **Angela**. You know how to get things moving. Thanks for the constructive criticism and for making sure we didn't forget anything. You like to move it, move it. We like to move it! When it comes to impact, walking encyclopedia and Impactus Prime **Paul S** is our go-to guy. Adjust the premium here, increase a reference price there.. Our Paul thinks nothing of it! What would we do without you? **Anne-Wil** and her ability to navigate the ups and downs. So good to know Anne-Wil has her eye on things! We mean it! Soooo cool. Seriously! Thank you! **Klink**. The ever-imperturbable, willful and watchful eye over the creation and visualization of our journey to 100% slave free chocolate. Our very own Mr. T.. to know him is to love him. Hug! **Marjolein Baghuis**. When it comes to GRI standards and stakeholder analysis, you're our secret weapon. You tackle the critical issues, create structure and keep us on our toes. We love you just the way

you are. No messing! GRI Content Index mark. Bam! And, uh.. **Henk Jan, Freek, Frits, Femke, Garline, Sophie, Kristel, Nicole, Marieke, Ivan, Paul, Frans, Maudi, Marijntje, Ingeborg** and everyone else for large bits, small bits, input and comments. **Def. graphic design:** composition and layout in three different languages this

year. Pulled it off without a hitch! **Chères Catherine, Gaëlle** et **Ella** et **Korotoum**: Qu'aurait-on fait sans toi? Merci, merci beaucoup! Hands up for **Dena** and **Michelle** in the US and **Nicola** in the UK for the great feedback. Always there despite the time difference.. Peeps of **Livewords**. Thank you berrrry berrrry much!

One last thing before we add the final period to this annual FAIR report.. Please be sure to let us know what you think of our ideas, approach and results.. You can find us on LinkedIn, Instagram, Facebook and Twitter. You can also call us, send us an email or mail us a letter. Or pop into one of our stores. There's one at Oude Brugsteeg 15 and another at Pazzanistraat 1, both in Amsterdam. We'd love to hear from you!

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Hey! Psst! Did you know that – in a former life – the pages of this year’s annual FAIR report grew on fields as sugar cane leaves and corn cobs? After the harvest, the waste product was combined with a whole bunch of other leaves and stalks, and eventually turned into the paper for this annual FAIR report. We think praise is in order here, so we applaud Paperwise! And another thing: the environmental impact of this paper is 47% lower than that of FSC-certified woodchip paper and 29% lower than that of recycled paper.

♥ ♥ ♥ PRINTED ON PAPERWISE ...

The cover is made of uncoated, FSC-certified recycled paper. No china clay or chalk was used in its production and the materials that went into it are 100% recyclable. So you never know; this cover may have been a good book when it was young. Or a terrible one.. Does the paper look familiar to you? Very perceptive! Our chocolate bars are wrapped in the same paper.

So, just like our chocolate, our printed materials are A-OK. Graphius, our sustainable printing partner, uses non-alcoholic and plant-based inks, and its operations are climateneutral and environmentally friendly. Nice and green, in other words! And there’s no alcohol involved (hic).

ClimatePartner^o
climate neutral

Print | ID 11491-1511-1001

how delicious can it get?

Hasta la vista, baby! Our annual FAIR report wouldn't be complete without an update on our insanely deliciously chocolate. 2018/2019 was quite a year!

october 2018

Better ginger nut than a nutcase! In your bar, that is. Creamy milk chocolate with crunchy ginger nut biscuit and almonds. Makes chatting over a cup of coffee in the fall more fun – especially if you're with a nutcase.



may 2019

The relay bar taking over the baton this summer is White Lemon Poppy Seed Crumble! Prepare for a summer love affair with the sweet fresh flavor of lemon poppy seed cake in our creamy white chocolate.



april 2019

For Duty Free & Travel Retail, we launched 300 g bars and extra large bags of Tiny Tony's. Stash them in your carry-on and sneak them past security.



august 2019

Got a great idea for a bar? In the Netherlands, our online choco shop now allows choco friends to create their own Tony's Unlimiteds. Hazelnut with Popping Candy? Pineapple with Pecan White? The possibilities are endless! And they can make it as colorful as they like.

november 2018

Always wanted to create your own Tony's? Well, now you can! Have fun concocting your own Tony's Unlimiteds at Tony's Super Store in Amsterdam (NL). See you there!



april 2019

Go, Shorty! Back by popular demand! Now in a snazzy new Exclusive wrapper: Milk Shortbread Caramel. Crisp shortbread and sticky caramel in our creamy milk chocolate. In January, this Limited Edition emerged as the winner. So, it's back on the shelf!



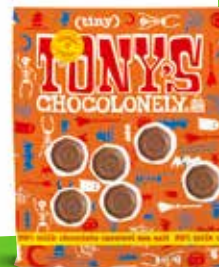
april 2019

Cookie or chocolate? Chocolate or cookie? Now you don't have to choose, because Milk Cinnamon Biscuit is back! A runaway success as a relay bar in 2016. Now here to stay as a Classic.



september 2019

Boo! Did we frighten you? In the US, we're proud to present.. Halloween Tiny Tony's! Perfect for Trick-or-Treaters. Or a treat just for you. Go on! You deserve it. Besides.. They're our best-selling flavor, which just happens to be wrapped in orange, which just happens to be associated with Halloween!



february 2019

Hooray! A new Tony is born! Tiny Tony's. Tiny they may be.. but they make a BIG impact! In 10 delectable flavors. And because our mission matters most, our Tiny Tony's are round – just like our "slave-free" button. Milk, dark and.. all flavors of the rainbow.



february 2019

Our deliciously large mini eggs include an additional flavor this year. Have you spotted it? Yep, it's your favorite Dark Milk.



september 2019

Did you know we tried about 300 combos for the Limiteds 2019? The winners: milk honeycomb thyme, dark chili fudge pink pepper and white turmeric chai coconut. Spice it up!



september 2019

Ho ho ho! Look what's in your stocking! A White 28% Caramel Sea Salt Pepernoot letter bar (or a White 28% letter bar) with a letter "S" that you can break out of your chocolate. Ol' Saint Nick is roaring to go again. You're delighted and the farmers benefit, too!



anyone seen a
magic lamp?



uhm..



no light
comes on

