

TONY'S CHOCOLONELY®



annual year report
2013

FAIR

woop woop



BEAN TO BAR

2013 was a good year! A highlight is our bean-to-bar-project, now the cocoa mass within our chocolate is fully traceable

We buy our cocoa directly from farmers in Ghana and Cote d'Ivoire. Farmers with whom we've built a personal relationship.

The farmers are certain that they can sell their cocoa to us during a long time against better prices.

So we can tell you exactly where the beans in your bar come from: namely Aponoapono in Ghana and Blaiskero Sud in Cote d'Ivoire.



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HELLO.

Here you go! You have our second annual FAIR report in your hands. Time has flown and we can't wait to tell you what we have seen, done and accomplished in 2013. Why? As a Social Enterprise (yep, that's what they're calling us), we think it's important to share our goals, strategies and results with you.

In this fair report you'll learn what we are most proud of, about our challenges and the mistakes that we've learned from in the past year.

We'll give you insight into slavery in the cocoa sector – the issue which is the very reason for our existence. We'll tell you how this led to the creation of Tony's Choclonely and why it's the basis for our vision, mission and values. We'll also show you how our roadmap is paving the way to a 100% slave-free chocolate supply chain. It's our long standing tradition to present our annual FAIR report at the Tony's Fair, which was organized this year already for the second time. If you missed it, it was on May 15, 2014. Tony's Fair is a day when we throw our doors wide open for our chocolate fans. We welcome and thank our friends, family, farmers, consumers, customers and suppliers and anyone who wants to take the time to hear what we have been doing. Everyone is encouraged to tell us what we can do even better.

See this report as the start of our conversation. Browse, read, ponder and tell us what you think. Turn the page and turn the corner with us. Share our story. If you can, share our chocolate. Short and simple, we cannot do this without you.

Team Tony's

Tony's leads by example

Even today, the number of people working as slaves in the cocoa industry isn't decreasing.

Nearly half a million West Africans work under illegal and often appalling conditions so that you and I can indulge ourselves with a tasty piece of chocolate. In 2001 with the Harkin-Engel Protocol, the major players in the chocolate industry committed to eliminating all 'worst forms of child labor' and forced slave labor within ten years. Time is up and it hasn't happened.

Back in 2005, journalist Teun van de Keuken looked into the industry's progress in abolishing slavery in the chocolate industry. It was readily apparent that no one was doing anything serious about ending slavery in the chocolate industry.

Teun's discovery prompted him to start Tony's Chocolonely to focus much needed attention on the issues of slavery and inequality in the chocolate chain. Chocolate is not shared fairly.

In 2013, we took an important next step on our roadmap to slave-free chocolate. After becoming more aware of slavery in the cocoa supply chain, we can now trace the cocoa process from Bean-to-Bar. The fact that cocoa is traceable in our bar ensures that we can provide long-term partnerships with two farmer cooperatives in Ghana and the Cote d'Ivoire. Being able to follow our beans, means we get to know the farmers well. We can work together to grow the best beans in a socially-sustainable environment. Our ambition is that the chocolate industry recognizes and supports our initiative so that we can realize our vision together.

Our vision is 100% slave-free chocolate. And we do not mean just our chocolate. No, all of the chocolate in the entire world. Tony's Chocolonely's chance of success is slim if we work alone. In 2014, we will continue on our road towards 100% slave-free chocolate. To realize our vision, we will continue to talk with major players and producers of chocolate products and work together with other chocolate brands. We want to be the pioneer and inspire others to follow our example.

For Tony's Chocolonely, 2013 was an important and successful year, one in which we made our chocolate traceable along the chain with Bean-to-Bar¹. We were nominated for the FD Gazelle Award for the fastest growth turnover. We won in the category 'Strongest Brand' at the Marketing Next 2013 NIMA Awards. We were the first European chocolate company certified as a B Corporation (B Corp®). And to top it all off, we were voted #1 Small & Young



Enterprises by Great Place to Work®. So, here we come! High fives to Team Tony's and to all our supporters. We are just getting our feet wet.

I am tremendously proud of the team and extremely happy with our results, especially because I had to overcome some health challenges in second half of 2013. I'd like to express my sincerest gratitude to the management team of Eva, Freek and Johan. When I had to take a step back, they plowed ahead. Together with the entire team, Tony's Chocolonely has managed to achieve more than we had planned. Thank you!

Henk Jan Beltman

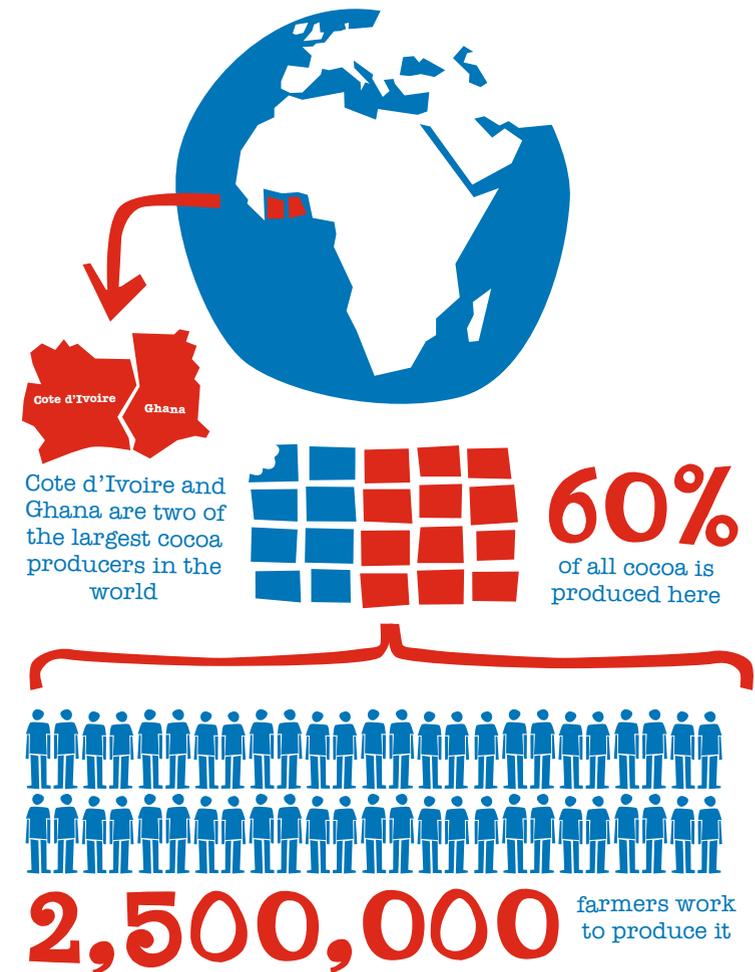
Chief Chocolate Officer, Tony's Chocolonely

¹ Only exception is our cocoa butter, which is not traceable yet – our big frustration!

the problem: let us explain it again

We cannot emphasize enough: modern slavery is one of the most serious consequences of the poverty affecting cocoa farmers. Worldwide, approximately 5.5 million cocoa farmers produce about 4 million tons of cocoa every year. Roughly 60% of the world's cocoa comes from Ghana and Cote d'Ivoire, making these two West African countries the world's two most important cocoa producers. Approximately 2.5 million farmers work in the cocoa industry in these two countries.

Over 1.8 million children work on the West African cocoa plantations, many of them the sons and daughters of cocoa farmers. This is not necessarily illegal. In principle, children helping their parents before or after school with work that isn't dangerous is not a problem. Child labor becomes a problem when it prevents children from attending school, or when children must perform work that is dangerous, too strenuous, or unpaid. This is often the case when they work on other plantations.



Adults can also fall victim to abuse. For example, if a farmer takes out a loan to invest in his farm or to pay off other debts, but the interest on the loan is so exorbitantly high that he is forced to work without any hope of ever paying back the debt.

From xocolatl to chocolate

4,000 years ago, cocoa was discovered by the original inhabitants of Mexico, the Mayans and Aztecs. They used cocoa beans as currency and also to make a drink called 'xocolatl'. It was made from ground cocoa beans and water. In Nahuatl, the language spoken in Mexico at the time, 'xococ' meant 'bitter' and 'atl' meant 'water'.

In 1528, the Spanish conquistador Hernán Cortés brought cocoa to Europe from Central America. The beverage took the Spanish court by storm, and the Spaniards liked to drink their chocolate with a pinch of sugar and cinnamon. In the 17th century, the concoction became so popular that the Europeans wanted more. This prompted numerous European countries to set up cocoa plantations all over the world. From then on, things moved very quickly.

In 1814, the Frenchman Jules Pares opened the first chocolate factory in France. A little over a decade later, the Dutch chemist Casparus van Houten, Sr. discovered how to separate cocoa butter and cocoa solids using the world's first cocoa press. Rodolphe Lindt, in turn, developed a machine known as a conche. We have these two inventions to thank for the delicious chocolate that we enjoy today.

Milk chocolate did not exist until 1875, when Daniel Peter from Switzerland combined a pure chocolate mixture with condensed milk. He was working with Henri Nestlé. Their concoction led to a huge boost in chocolate's popularity. These developments helped fuel a widespread expansion of cocoa production during the second half of the 19th century by the colonial rulers in Africa and Asia at that time. West Africa, in particular, proved to possess the ideal conditions for the cheap production of cocoa on a large scale.

After World War I, the popularity of chocolate continued to grow. Previously a luxury treat for the wealthy, now chocolate was available to everyone who had a taste for it. During World War II, chocolate was even included in the standard rations given to American soldiers. In the decades that followed, more people would discover just how delicious chocolate is, and today it's virtually impossible for us to imagine doing without!

Is there a clear-cut definition that covers all of these abuses? No. Some refer to it as child exploitation, while others speak of conditions resembling slavery. And because there are so many different definitions, the estimates run from 300,000 to 1,000,000.

At Tony's Chocology we use the term 'modern slavery' to refer to any form of forced labor or exploitation, including all forms of illegal child labor. This definition reflects local legislation and international conventions.

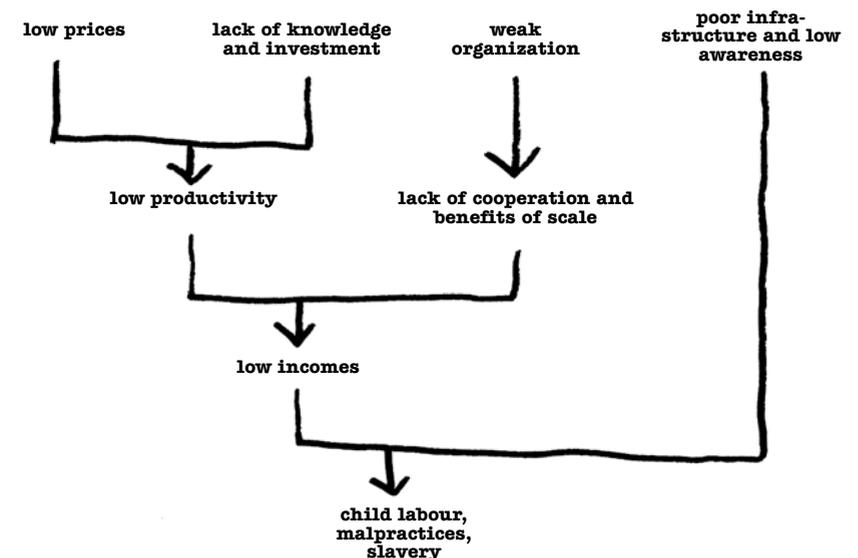
According to our findings, at least 460,000 people are victims of modern slavery in the cocoa sector in Ghana and Cote d'Ivoire. That's more people than the population of a city like Liverpool or Miami. The victims include loan slaves, children subjected to the worst forms of child labor, and between 15,000 and 30,000 victims of the worst type of slavery: human trafficking. No matter what you call it or what your exact figures are, modern slavery is, quite simply, unacceptable and needs to stop.

Modern slavery is one of the worst consequences of the poverty in which cocoa farmers live. Unfortunately, it cannot be eliminated simply by paying a fair price for cocoa. More needs to be done.

What are the causes of modern slavery?

In order to abolish slavery and end the vicious cycle which traps the cocoa farmers, the underlying problems and primary causes need to be addressed. We feel it is important to tell you about the primary causes.

Primary causes of modern slavery



Low cocoa prices

The price that farmers receive for their cocoa today is low. In fact, it has dropped by over 50% in the past 30 years. Nowadays, farmers can earn a lot more from selling palm oil and rubber. When cocoa sales generate so little profit, it's not possible to invest in your farm, or to pay your workers a decent wage at harvest time.

Lack of knowledge and investment

This may come as a surprise to you, but many farmers lack the knowledge needed to grow cocoa. When is the best time to prune a cocoa tree to ensure higher yields in the future? Many cocoa farmers have no idea.

Often farmers are also unaware that one has to do 'something' in order to get future yield on track. Which trees should be replaced with new ones, and when? In addition, communities lack awareness about child labor. They are not aware that it is not normal or necessary. This is how slavery is perpetuated.

Due to low cocoa prices and a lack of knowledge and investment, a cocoa farmer's harvest is often a mere 30% of what it could be.

Weak organization

When it comes to negotiating power, a single cocoa farmer is at a disadvantage compared to those buying the cocoa. Farmers who join forces, for example in a cooperative, have a stronger position. However, in many cases the cooperatives are not run in a professional way, and as a result they are still no match for the other players in the chain.

Lack of cooperation and benefits of scale

Cooperatives can offer members many benefits. They can arrange certification, which increases the attention paid to working conditions and the environment. Thanks to certification, in many cases a premium can be earned for the cocoa. For individual farmers, however, certification is a costly endeavor. It is feasible only when the costs can be shared by all the farmers in a cooperative. Managing a cooperative requires certain skills, and not every farmer possesses these – many farmers cannot read or write. A cooperative must meet minimum size and trade criteria in order to be able to appoint staff and administrators with the necessary skills.

A strong cooperative and productive farmers are crucial factors for a higher income.

Poor infrastructure

Poverty, crises and other instability issues have left the infrastructure in West African countries in bad shape. Rainfall can make the roads treacherous making it hard for farmers to travel to buy the raw materials they need or to take their cocoa to the market. This limits their potential markets, and often leaves them dependent on others.

The bottleneck



All of these issues contribute to the persistence of child labor and malpractices, including modern slavery. But this is only an outline of the primary causes. There are many other factors that play a role, such as local cultural attitudes towards social issues such as women's and children's rights, lack of education, poor access to health care, the government's failure to comply with legislation, and so forth.

What is being done?

To be honest, too little. Everyone in the cocoa sector is aware of the problems. But too many parties hide behind the notion that they are either too far away or too insignificant to be able to change anything. Or they think that the primary responsibility belongs to other parties in the chain, and not themselves.

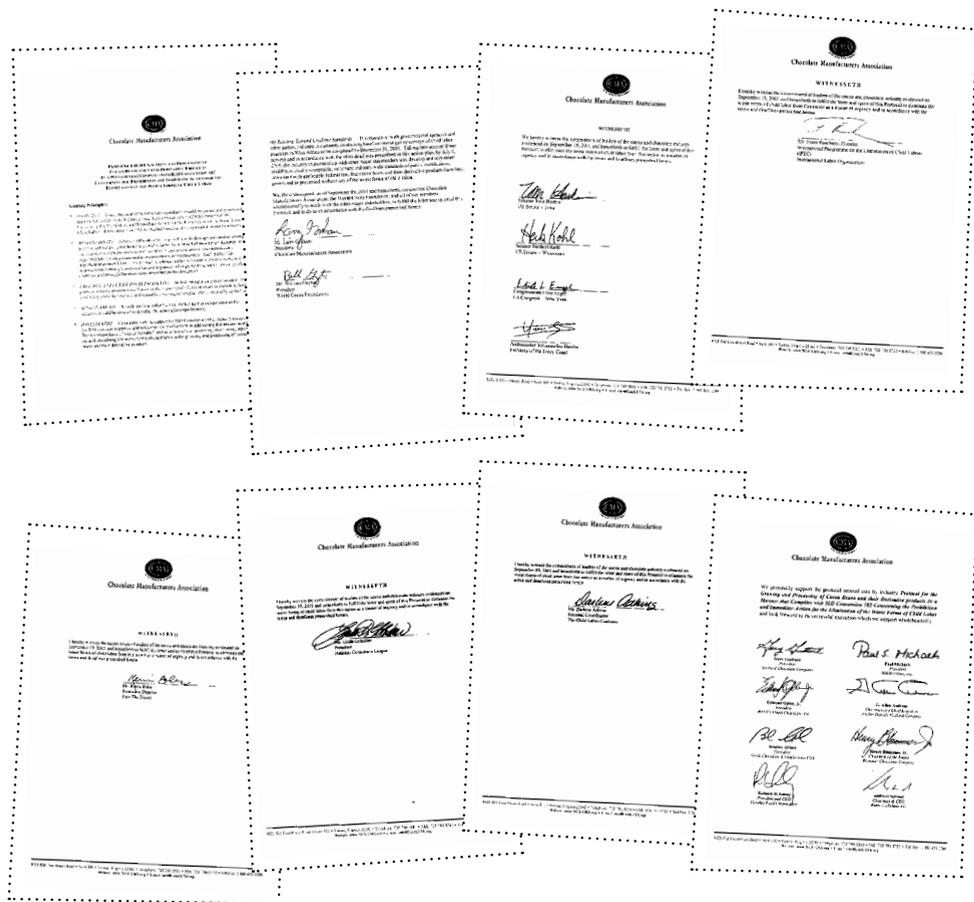
The reality is very different.

The majority of cocoa is bought by a handful of large corporations: cocoa dealers and chocolate manufacturers. In practice an oligopoly of multinationals controls the cocoa chain. It is in their interest to keep the price that they pay to farmers for their cocoa low, and the price that they receive for their cocoa and chocolate as high as possible. For these companies, abolishing modern slavery is not a priority.

12 The Harkin-Engel Protocol for the cocoa sector

The Harkin-Engel Protocol is an international agreement signed in 2001. This protocol against child labor in the cocoa sector was designed to eliminate the ‘worst forms of child labor’ (in accordance with the International Labor Organization’s Convention 182) and forced labor (in accordance with the International Labor Organization’s Convention 29).

The Harkin-Engel Protocol is a self-regulating protocol for the chocolate industry in which the CEOs of the leading chocolate multinationals made a personal commitment to achieve results in six areas. When it was signed, the protocol was accompanied by a promise to eliminate all ‘worst forms of child labor’ in the cocoa chain within 10 years. No sanctions were connected to the agreement.



What is the protocol worth?

A study by Tulane University’s Payson Center revealed that none of the six stated objectives have been fully achieved. Moreover, there is no evidence that the protocol has done anything to reduce child labor in the cocoa sector. In other words: very little seems to be happening in connection with the Harkin-Engel Protocol.

Some will say that this is old news. But in fact the opposite is true: another round of lawsuits were filed against numerous multinationals in 2013 and 2014, the question being whether these giants are responsible for the social issues in the chain in the last decades.

Is there another way? Yes, we think so. We are convinced that we can abolish modern slavery. This can be done if everyone takes responsibility, however large or small your role is. Chocolate manufacturers have been hiding behind others for too long. They hide behind consumers, expecting them to take the first step by increasing the demand for fair chocolate. They hide behind their clients, who do not ask for fair chocolate, or are not willing to pay for it. They hide behind their suppliers, who do not offer cheap alternatives. They hide behind the certification, conveniently assuming that paying the premiums will solve all the problems.

Article	Harkin-Engel Protocol objective	Achieved?
1	a. Acknowledging slavery in chocolate industry and b. committing significant resources to eliminate the problem	yes insufficiently
2	a. Researching labor practices and b. formulating appropriate remedies	yes no
3	Issuing a joint statement that a. recognizes the need to eliminate the ‘worst forms of child labor’ (WFCL) in the cocoa sector and b. identifies developmental alternatives for children removed from labor and makes these accessible	yes no
4	Sign a memorandum of cooperation encompassing a. education b. information exchange c. action to implement joint standards d. provision of sufficient means to ensure the verification/enforcement of, and reporting on, these standards	yes yes no no
5	Cooperation in: a. field projects b. the sharing of best practices in order to eliminate WFCL	yes no
6	Developing and implementing credible, mutually accepted, voluntary and industry-wide standards of certification	no

We believe that, as a chocolate manufacturer, we are the ones responsible for the ingredients that we put in your bar. Just as you are personally responsible for what you eat as a consumer.

We cannot put this responsibility on anyone else's shoulders. We must assume it ourselves.

A few critical considerations

A living wage? Industry and governments have not yet taken a clear stand on what a 'reasonable' income should be for cocoa farmers. Consequently, no consideration whatsoever is given to a living income for farmers when determining cocoa prices.

Oligopoly. Over 70% of the cocoa trade and processing is controlled by a small number of corporations. Mergers and takeovers only serve to strengthen this trend. In 2013, Barry Callebaut took over Delphi; Cargill is talking to ADM about a merger, and Ecom took over Armajaro. Together with Mars, Mondelez, Nestlé, Meiji, Ferrero Rocher and Hershey, these players have an excessive amount of influence when it comes to determining the fate of the sector and the farmers.

Vague promises. Chocolate manufacturers and producers make a lot of promises about increasing the sustainability of their chains or the sector in general. We applaud every step, of course, but unfortunately many of these promises are too vague. There is a lack of clear-cut, impactful objectives, and so far no real wide-scale change has been visible.

1% for the farmers. If every chocolate company invested 1% of its turnover in the farmers, more than 500 million Euro would be available annually. That's enough to train every farmer, invest in plant materials, and to professionalize cooperatives. Is that really so difficult?

Small market for certified cocoa. Farmers in West Africa were only able to sell less than 30% of (Fairtrade-) certified cocoa to Fairtrade customers. Consequently, they were forced to sell the bulk of their cocoa at the regular low price. At the same time, companies complain that there is too little certified cocoa available. We are convinced that the discrepancy comes from the fact that many companies are not prepared to pay a workable premium for sustainably produced cocoa.

Source:
OneWorld
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TEUN
COLUMN

Nothing more than a label

“You don't understand how complicated it is.” I have heard this line hundreds of times – for example when I began urging chocolate manufacturers, 10 years ago, to produce bars that were not made by slaves. The cocoa giants had already

signed an agreement years before to rid chocolate of slavery, but they certainly did not seem in any hurry to make good on their word.

And why not? It was too complicated. There are simply too many parties who must improve their way of doing things in order to solve the slavery problem: supermarkets, competitors, governments, middlemen, buyers, producers and millions of small cocoa farmers who are near impossible to monitor at a distance. It is impossible to get a full picture of the entire chain, let alone clean it up. Too complicated. And so nothing gets done. Nothing happens. Tony's Chocolonely was founded as a response to this apathetic attitude.

The time has come to shorten the distance between maker and brand

Now consider the clothing industry, which is more of a puzzle. A single brand has its clothes produced all over the entire world, relying on a thoroughly mysterious web of middlemen. Many brands – which are, ultimately, little

more than a label attached at the end of a process – have no idea where, let alone how, their clothes are made. They send a designer to a dealer and order the goods by the ton, for an agreed price.

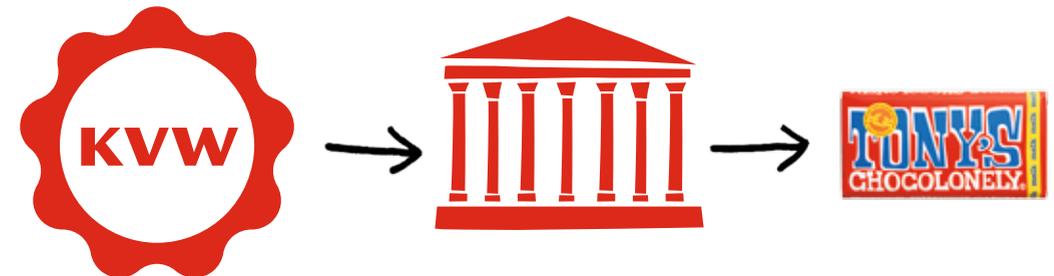
The complexity of the production chain and trade is used as an excuse to avoid addressing malpractices in industries. But if that complexity is the cause of the problem, then we need to address it. Once upon a time, a label in a sweater or a bag meant that the item in question was made by a particular tailor. It was a sign of quality. Today, the label is nothing more than, well, a label. Who actually made the bag or the sweater, is something nobody can tell you these days – not even the owner of the brand. The time has come to shorten the distance between the maker and the brand. Complicated? We can do more than you might think.

Teun van de Keuken is a journalist and producer. He is also a presenter, for example of *Keuringsdienst van Waarde (Food Unwrapped)*, a consumer watchdog program on TV, and the author of a weekly column in Dutch newspaper *Het Parool*.

Production in Africa. Obviously we want to add value in West Africa, for example, by shifting part of the production process to Ghana or Cote d'Ivoire. However, we will only make the move if it has a real impact or is commercially feasible. So far, this has not been the case. Contributing factors include high local import tariffs and bureaucratic issues. The fact that all the large factories are controlled by multinationals in tax-free zones plays a role, too. All of this prevents production in Africa from being commercially feasible or having a sufficient impact for us at present.

Blended versus single origin. It is possible to make chocolate using beans from a single country. But the industry generally uses blends (with cocoa beans from different countries). As Tony's, we want to set an example for the industry and show that the chocolate made from the standard blend can be done differently, too. This explains our choice for a Ghana-Cote d'Ivoire blend instead of a single-origin chocolate, i.e. chocolate sourced from a single country.

who is this Tony's Chocolonely?



Teun and his lonely cocoa struggle: how it all began

Tony's Chocolonely was founded by the creators of a Dutch TV program called 'Keuringsdienst van Waarde' (in the UK broadcasted as "Food Unwrapped") The program's reporters investigate the world behind the products in our shopping baskets and bring amazing things to light. One of them is Dutch journalist Teun van de Keuken.

Teun was shocked when he read that slavery still existed in the cocoa sector. He discovered that in 2001, a number of international chocolate companies had signed the Harkin- Engel Protocol. The promise of the protocol was to eliminate the 'worst forms of child labor' within 10 years. But halfway through the protocol's term, little had been achieved.

Determined to draw attention to these malpractices in the cocoa industry, Teun surrendered himself to the Dutch authorities as an accomplice to slavery. Yes. He got himself arrested for eating chocolate to show that all chocolate lovers are perpetuating slavery. However, the Public Prosecutor would not prosecute him. Teun didn't give up trying to get charged for his crimes. He went in search of witnesses and victims of his chocolate consumption. In Burkina Faso, he found four boys who had worked as slaves on a cocoa plantation in the Cote d'Ivoire. They testified against Teun and against 2,136 other chocolate consumers, who had started following and supporting Teun.

On April 5, 2007, an Amsterdam Court decided that Teun could not be prosecuted on legal grounds. Although innocent, the judge agreed that Teun's arguments were valid. In the end, the court considered it impossible to charge all chocolate consumers in the Netherlands with supporting slavery.

Teun decided to set a right example and make 5,000 bars of Fairtrade chocolate. As you may have guessed, the bars were an instant hit. Teun's chocolate was available only online where the first fans and supporters ordered more than 13,000 bars. And now you know the story of how Tony's Chocolonely was born: Teun's (pronounced as Tony's) lonely fight for slave-free chocolate.

Tony's Chocolonely was established and took hold in the fight against slavery in the chocolate industry. We showed that chocolate really can be made differently. What are we striving for? What do we shout when we wake up in the middle of the night?

Our vision: 100% slave-free chocolate



By slave-free, we aren't only talking about our own chocolate, but all the chocolate in whole world. When there is really no more slavery in the chocolate industry, then we will have achieved our goal.

How do we do it? By leading by example. We are making the best chocolate and we are taking responsibility for how the chocolate is made. Or as we say...

Our mission: crazy about chocolate & serious about people



crazy about chocolate

We love chocolate. We love to eat it, to make it. And we love the way it makes us feel. We know everything about chocolate from growing the beans to savoring the last morsel. We make flavor combinations that captivate your taste buds. We carefully select our ingredients from around the world and we know exactly what goes into each mouth watering bar. For us, cacao isn't just a commodity on the 'stock market' in London or New York, it is a precious product and we must account for how it is made and take care of the people who grow it for us. We know the farmers' names and their cocoa. Our chocolate does not leave a bitter aftertaste. Not for anyone.

Serious about People

We are very serious when it comes to people. People are paramount. From our Team in Amsterdam to the farmers in West-Africa and from our suppliers to our fans, our mission is to give people a fair chance to be happy. We are working towards an honest and transparent supply chain in which we respectfully and responsibly interact with each other and with Mother Earth. Only together can we make a difference.

In 2013 we decided to no longer mention the third element of our mission – Raise the (chocolate) Bar – separately. We set the bar high for ourselves, but also for our chocolate. The bar cannot stand on its own, but is an integral part of the other elements of our mission. It is rooted in our values.

Our values guide us in making choices on our way to slave-free chocolate. In the beginning, these values were clear, but unspoken. Prompted by business activists from the first hour, we've now written them down.

With our willfulness, we have chosen our own way. Sometimes we have walked alone. We are making different choices than others. Our critical approach ensures that 'cannot' does not exist, and 'because' is not a solid reason for us. Each of us is an entrepreneur in his/her own field. So, we are not afraid to try things and learn from our mistakes. Willful, outspoken, entrepreneurial. We almost look like a serious club. Sure we are, but we don't take ourselves too seriously. We enjoy what we do and we don't need to hide it.

WILLFUL

ENTREPRENEURIAL

OUTSPOKEN

WITH A LITTLE
FUN ALONG
THE WAY



Team Tony's

The daily management of Tony's Choclonely is headed up by Henk Jan Beltman. Henk Jan holds 51% of the shares and is also one of the three shareholders of Tony's Factory BV, our officially registered name at the Chamber of Commerce. Maurice Dekkers, one of the driving forces from 'Food Unwrapped' owns 34% of the shares. Eveline Raymans, who was in charge of Tony's Choclonely between 2006 and 2011, holds the remaining 15% of the shares. Founder Teun van de Keuken is still involved as a critical, but independent ambassador.



Together with Henk Jan, we made chocolate out of everything in 2013.

In our annual FAIR report 2012, we rolled out our roadmap pointing us towards our vision. With the roadmap, we also determine the annual goals for every year. In 2013, we tweaked the roadmap making it more detailed and measurable. We can fill many pages when we elaborate on this map. Guess what the next chapter is about?

Besides Serious about People we are occasionally Crazy about Football! That's why we became in Cote d'Ivoire the main sponsor of the team Blaisekro 1 and of the local youth team in Cote d'Ivoire. Unfortunately they lost the annual cup final - despite enjoying our chocolate bars during halftime - but they've assured us that this will be put right in 2014.

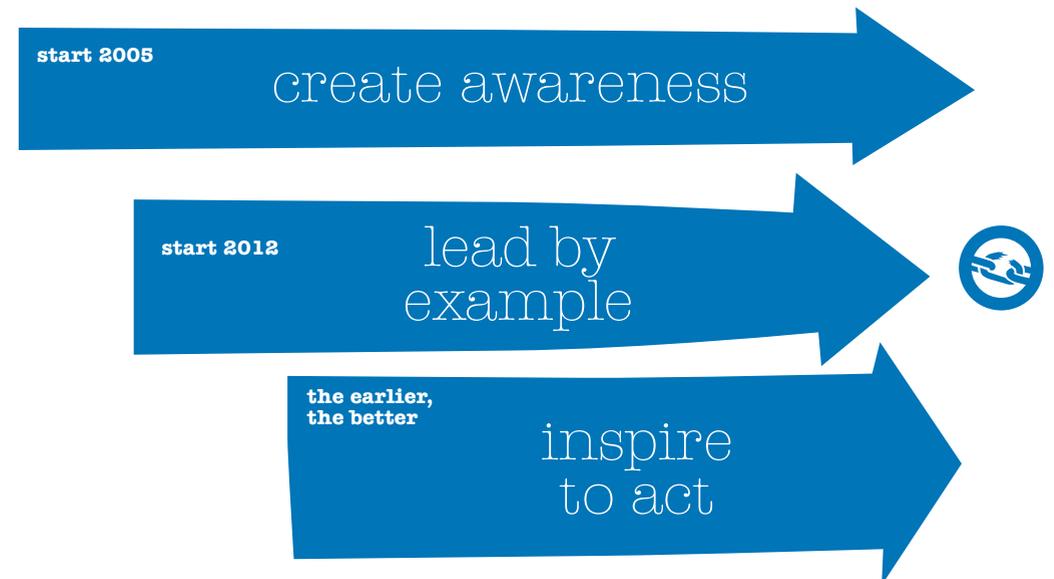


our roadmap to 100% slave-free chocolate

In the last few years, we have accomplished quite a lot, but not nearly enough. Our ambitious goal is for a 100% slave-free chocolate industry. To stay on track, we made the Tony's roadmap to point in the right direction.

On the road to success

Our roadmap is inspired by elements from different certifications and international treaties, such as the United Nations. We have added specific criteria that are important to our vision. The roadmap reflects both our long-term goals and moreover what we want to achieve in practice. Step by step. Year after year.



Signs along the way

The roadmap helps keep us sharp and guides us in setting our priorities. Our focus isn't just on the cacao farmer, our goal is larger. The entire industry must be right. The roadmap consists of three pillars: awareness, taking responsibility and inspiration. If we can reach these goals, we will actually succeed in the battle for a slave-free chocolate industry. We can only achieve real change if we succeed on all fronts. Therefore, we have to tackle all three at the same time; together with as many supporting partners as possible. We cannot do it alone.

Tony's and awareness

"All chocolate lovers need to know about the inequality in the cocoa world and actively choose for chocolate that is fair and inspire others to do the same."

With this step, our adventure began in 2005. We make consumers aware that slave-free chocolate is still a distant reality. The objective of this pillar is to make all chocolate lovers aware of the serious problems in the cocoa world. When consumers demand and actively ask for responsible brands, the chocolate makers will have to make more responsible choices. Together we realize this future of a fair industry. We continue to actively seek new ways to put the problems of the cocoa industry in the spotlight and keep it there.

We need chocolate consumers and ambassadors. Talk to your family, friends and colleagues about the chocolate industry. That's food for thought. If we make more people aware of the misconduct in the industry then more people become part of the solution.

Tony's leads by example

"Tony's shows that chocolate can be made differently. We assume responsibility throughout the entire manufacturing process and we lead in the field. Whether it's the growers of our beans, our customers, our suppliers, or employees of Tony's; we want everyone to be satisfied with the way we do business. If we can do that, why can't everyone else?"

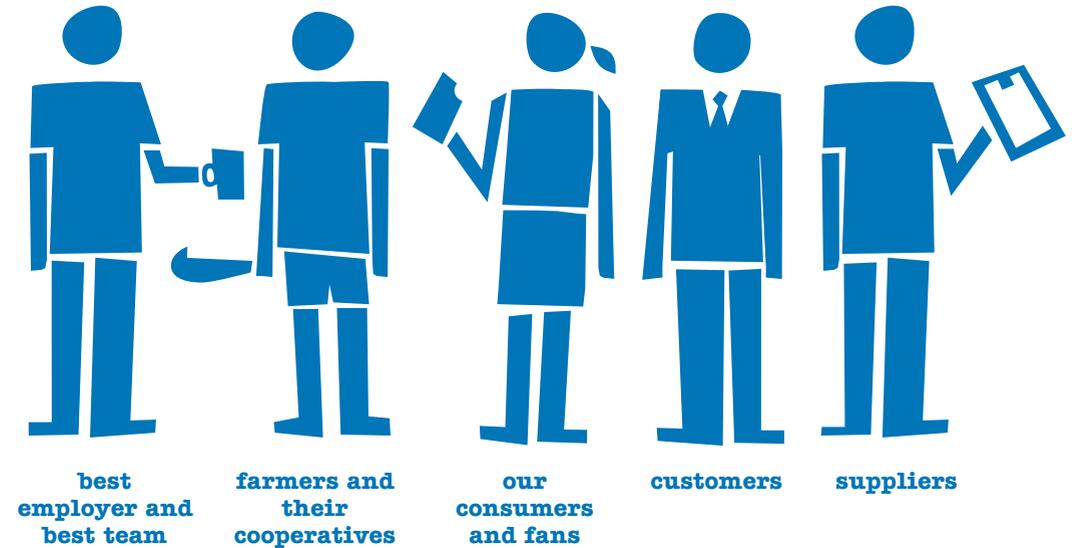
Naturally, the best tasting chocolate for every day

We want to make it easy for the consumer to choose fair chocolate. That's why we make the best fair chocolate there is. Thanks to Bean-to-Bar, we know exactly where our beans come from and who we are doing business with. We always come up with new and surprising taste combinations based on our own unique recipes. We use the freshest ingredients without any artificial flavors, colors or additives. And of course, we do not use genetically modified ingredients or weird chemical preservatives. And that's how we show the world that chocolate can be made differently. In many more ways, we want to lead by example.

Did you know?!

Cocoa can be stored for a long time. A lot of speculators, cocoa traders and processors do this, to have a buffer, but also to influence world market prices. The cocoa used in your bar can be many years old.

Important issues where we lead by example:



The best team

We believe that when our team is motivated and happy, we can do our utmost to work towards a slave-free chocolate industry. That's why Tony's Choclonely strives to be the best employer so we can attract the most extraordinary people who naturally share our values.

The farmers and their cooperatives

Team Tony's put the cocoa farmer and their cooperatives first. As part of our Bean-to-Bar concept, we build direct, long-term relationships with the folks who grow our cocoa so that farmers are assured of stable sales. This stability paves the way for investments in their future. They can develop into professional farmers with higher yields per acre. A well-functioning cooperative has stronger negotiating position with other players in the chain. We also pay our farmers more per kilo for their beans. These are the first steps towards higher incomes and creating more investment opportunities.

We are working together with the farmers to solve the underlying causes of modern slavery. We keep a close eye on abuses in the industry. We monitor wrongdoing in our own supply chain and report it openly and honestly. And we encourage cocoa farmers to work with fellow farmers to prevent misconduct wherever possible.

We continue to support good working conditions for cocoa farmers and want better access to social services such as health care and education. The children of the farmers from whom Tony's buys cocoa must have the chance to go to school. And Tony's also wants to work to ensure that farmers' and their families have access to health care.

Tony's consumers and fans

We wouldn't exist without our consumers. Our Tony's fans are very important to us. Only by working together can we exert enough pressure on the rest of the industry to affect change. Our strength is in our numbers and sharing our story as much as possible. Open and honest communication is our guide. We are transparent about what we are doing. Case in point, this annual FAIR report as well as cultivating media attention. We want to set the very best example because we want to be the world's favorite chocolate brand. We want to be the brand that you'll talk about with your family, friends and colleagues.

Tony's retailers

The same holds true for our retailers, the people that sell our chocolate bars. Through active collaborations, we ask our retailers how we can service them better and we ask them to be critical when necessary. No doubt, our retailers are a vital link in this chocolate chain.

Tony's suppliers

It's also important that we're a reliable partner to all of our suppliers. We're dedicated to that goal. We close long-term agreements with suppliers and we are committed to the best partnerships. Regularly, we ask our suppliers if they are satisfied, if our deliveries are on time and if we're living up to our standard of fair, transparent and complete communication.

Inspire to act

"We are inspiring the cocoa world into action where each link in the chain needs to take responsibility and commit to producing 100% slave-free chocolate."

A conversation

To begin with, we create awareness about social injustice in the industry in countries growing the cocoa. We do this, for example, in cooperation with the Chocolonely Foundation. Tony's wants to have a dialogue with all relevant parties in the chocolate industry. We share knowledge through presentations and publications on Tony's way of working. We learn from and follow with interest the initiatives of other relevant parties. Tony's Chocolonely is always open to dialogue and cooperation with experts and key players in the chocolate industry.

We only work with initiatives that have the greatest chance of creating a positive impact. We actively lobby for changes to the certification systems that will improve the conditions of farmers.

A successful business case

We have a successful business case with a clear profit model, Tony's wants to set the example for all other chocolate makers. Through scalability of our business model, we demonstrate an actual, credible alternative to the major players in the chocolate industry. Thus convincing other companies and organizations to use (a part of) our business model, contributing to realizing our vision of 100% slave-free chocolate. All players need to make meaningful investments in their own part of the chocolate supply chain. And wherever possible, we need to work together.

Tony's responsibility and accountability is not just limited to our own supply chain or our fight to achieve a slave-free industry. We are also striving to ensure that eating a piece of chocolate makes the world a little greener. In the coming years wherever possible, we want to reduce the adverse effects of, and also compensate for, chocolate production. We dream of a chocolate chain that contributes to a better environment in both the chocolate market and in the cocoa-producing countries.

Tony's is also making a substantial annual contribution to the independent Chocolonely Foundation. The foundation funds projects that contribute to a slave-free sector, even if they don't benefit our company or our partners directly.

4

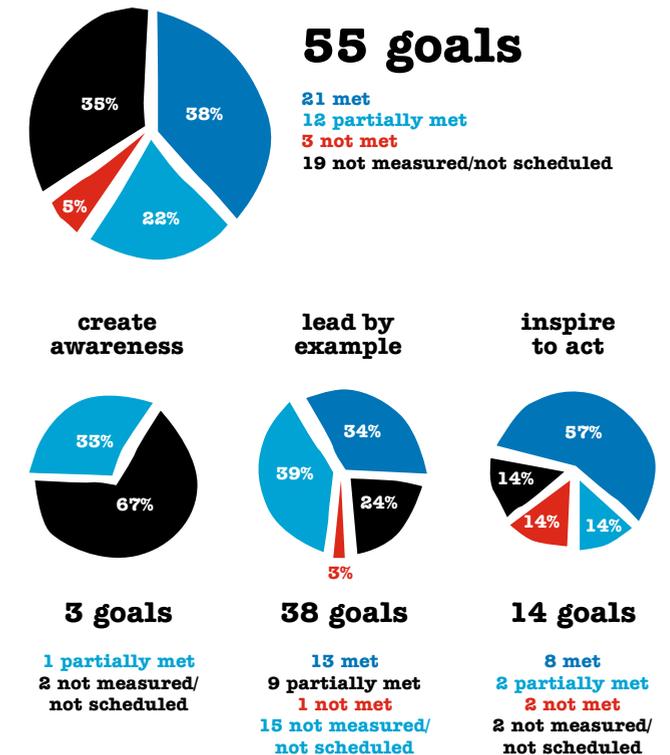
our steps on the road to 100% slave-free chocolate

2013 was an important year for us. We worked out the details in Tony's roadmap. We made our goals and milestones more concrete and measurable. For the first time, we measured the impact of our goals whenever possible. A very big step for us! Read about our scores in this chapter. Some of our goals we'll formulate even better over the coming years so that we can really measure everything!

In 2013 we set measurable targets for 35 of our 55 long term goals. Of these 90% have been fully or partially realized. That's a good start. We found that some targets need to be refined, some stretched and in some cases, the quantification could be improved.

This overview of our roadmap highlights our most significant results.

With independent partner Avance, we looked at our 2013 results on our way to 100% slave-free chocolate. Avance supports companies' with sustainable ambitions like ours by measuring and evaluating our social and ecological impact. MVO Netherlands (MVO = 'CSR' in English) supported our initiative financially by means of an IMVO voucher.



4.1

Tony's creates awareness

All chocolate lovers are aware of the inequality in the cocoa world and actively choose for chocolate that is fair and inspire others to do the same

highlights:

First Tony's Fair

Over 200 publications in the media

Growth in online reach to more than 16000 Facebook fans and over 7500 Twitter followers

lessons learned:

The balance in our communications tipped towards Crazy About Chocolate; in 2014 we will give more attention to Serious About People

Many chocolate fans did not notice the messages in the inside of our wrapper

We admit that the choice to portray Che Guevara on our chocolate milk was not our best decision

We did our best to bump into you in 2013. Have a chat. Find you online. We did this on purpose and with a purpose. To tell you a bit. To increase your awareness and knowledge. To give you food for thought. You can make up your mind, and perhaps think of how you can be part of the solution. Perhaps by buying fair chocolate. Do you remember where you met us?

Maybe you saw us in your favorite magazine or daily newspaper. Or maybe you saw our story on the inside of the wrapper while you were scraping the last crumbs off the paper. Did we slide by on your laptop, tablet or smartphone? Or just maybe you heard about Tony's, live and in person at a presentation, lecture, food conference or marketplace.

Publications & Presentations

In 2013, we appeared in over 200 articles across various media channels in the Netherlands. In our home market, you read about us on a week night in the daily AD or on a Saturday morning in the newspaper Trouw. We flipped passed you in lifestyle magazines like Linda. Foodies came to know us on Culy.nl. People from the snack and confectionery industry read about us in Consudel. Even the supply chain read about us in the Logistics Magazine.

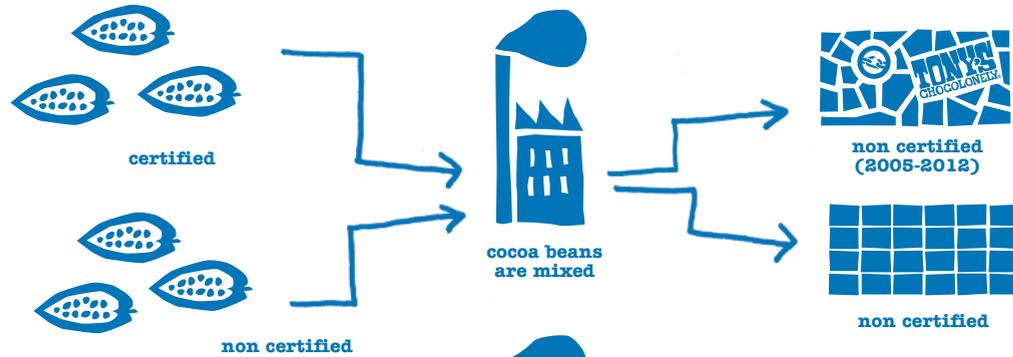
We also talked at primary and secondary schools, which had theme weeks on fair trade in Dutch cities like Heemstede, Amsterdam and Haren. We spoke at universities and student associations in Utrecht and Amsterdam. We were part of a study project by Delft students. We went to visit business clubs and Rotary clubs. And with joy, we welcomed many visitors, chocolate fans and enthusiastic groups at Tony's Chocolonely HQ.

Passionately, we told you about our latest flavors and the art of chocolate making and tasting. But we also talked about the abuses in the cocoa sector. About our Bean-to-Bar chain. About the traceable beans in our chocolate. About how extraordinary it is to know as a chocolate maker where your beans come from. It seems so simple, but it is still far from common.

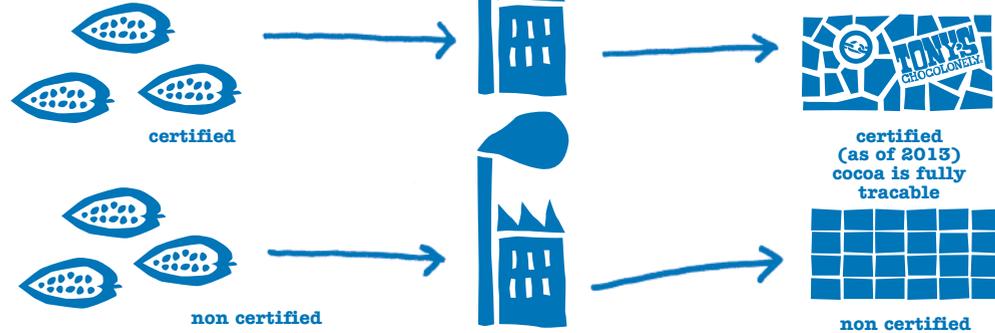
Mass balance vs segregation

Did you know that the vast majority of certified chocolate bars still contain non-certified beans? And non-certified chocolate can contain certified cocoa beans. What? Really. Yes. Certified and non-certified beans are thrown in together. The guarantee is only that for the amount certified chocolate sold, the volume of purchased certified cocoa beans is matched somewhere else in the world. This process is called mass balance and is used in almost all certified chocolate sold in the supermarket. For farmers it makes no difference, they say. For us, it does.

MASS BALANCE



SEGREGATION



It's been said that it is not feasible to segregate certified and non-certified beans. Not in the country of origin nor in chocolate production in Europe. Bean segregation would make the process and the final product too expensive. They say. That would be at the expense of cocoa farmers. They say. We disagree.

Of course, separating certified ingredients takes time and money, but the costs apply mostly to the chocolate producers in Europe. For the farmers in the countries of origin, keeping certified beans separate may be an additional activity, but the farmers should not have to bear all the cost of maintaining the segregation throughout the whole chain. We believe the benefits of a truly direct relationship outweigh the costs of segregation. We'll tell you more about it in the next chapter.

Uneven bar & wrapper

We introduced our unequally divided bar in 2012. We wanted to make clear, in a tasteful way, that the chocolate world is unevenly divided.

Have you noticed the West African countries hidden in our bar? Look again. The long piece is the Gulf of Guinea. From left to right: Cote d'Ivoire, Ghana, Togo and Benin, Nigeria and Cameroon. Well-spotted if you noticed. The combination is not very politically correct as we merged Togo and Benin. We know. But this let's us fit in a hazelnut.



We still get a lot of comments on our unequally divided pieces. It takes some getting used to that not everyone can break off an equal piece from our bar. Some pieces are big, some smaller. When we explain why we have created the unequally divided bar, people embrace the concept. The nicest thing is that the bar tells its own story.

Isn't it weird that all pieces in a chocolate bar are of even size when in the chocolate chain things are shared so unequally? Even today an estimated 460.000 people work illegally as chocolate slave. Something we want to change for the better!

The infographic features several icons and text blocks. At the top left, an icon of two people is accompanied by the text: 'We build long term relationships with farmers in Ghana and the Ivory Coast, from whom we buy our cocoa directly.' Below this, an icon of a cocoa pod is shown. To the right, an icon of a bus is accompanied by the text: 'This ensures the farmers they can sell their cocoa to us at a fair price, so they can invest in the future.' Further right, an icon of a ship is accompanied by the text: 'And this way we can tell you exactly where the beans in your bar are from: Apospono in Ghana and Blaiskero Sud in Ivory Coast.' At the bottom, a blue banner contains the text: 'CRAZY ABOUT CHOCOLATE, SERIOUS ABOUT PEOPLE'.

And if you didn't get it, the wrapper also explains the story of the unequal distribution in the chocolate supply chain.

34 Tony's Annual Fair

In May 2013, we held our first Tony's Fair and presented our very first Fair report. Tony's Fair gives us a chance to thank everyone who contributes to the mission of Tony's Choclonely. Everyone – including consumers who buy our bars. During the fair, we share the progress in the chocolate chain, our progress, and detail the latest goals and steps along our road to 100% slave-free chocolate. Famous journalists like Miki Mistrati (The Dark Side of Chocolate) and Teun van der Keuken (Mr. Tony himself) shared their thoughts with us. We try to include anyone and everyone who wants to come support Tony's and who wants to meet us face-to-face. It's not all just dull numbers talk. It's a celebration, a fabulous party with DJs



all pictures
Reinier RVDA
© 2013



35 Branding and promoting Tony's

In the past year we launched and participated in several branding and promotional activities. In November, we opened our doors to the Fair & Delicious Blogger event. We taught bloggers about the origins of cocoa, chocolate making, creative tasty combinations and the choices Tony's is making with our chocolate. Of course, they also made some extraordinary chocolate creations themselves.

On the International Day for the Abolition of Slavery (December 2), we presented a new Dutch Sinterklaas story that fits our times. We worked together with Food Cabinet and Pepijn Lanen. In the story, we drew attention to the slavery still existing in the cocoa sector. What did you say? You missed it? Well, this promotion was not our greatest success of 2013.

Our red packs of rich chocolate milk got a temporary makeover. That was to show that Tony's uses the best of two worlds: organic milk from Dutch cows and the best Organic Fairtrade cocoa from Ghana. But also to make clear that we are paying our Ghana partner cooperative ABOCFA a fairer price, which is revolutionary in the cocoa sector. And not forgetting, Tony's chocolate milk is just dang delicious.

We did receive many comments on the new packaging. Makes sense. We are critical about business, so we will also have critical fans. And we are happy with that. We received a flood of questions and comments on the image of Che Guevara. And we must admit, the choice to portray him on our packaging was not our best decision. We are revolutionary on the store shelf and used his image as a symbol of revolution. That was our reasoning.



Tony's also shows up regularly at various food markets. For example, the Amsterdam NeighbourFood Market and Achmea Christmas Market. If we can't make it ourselves, then we will let people borrow our big red Tony's costume. Attention is guaranteed plus you have the fun-filled bonus of hanging out as a big red bar in chocolate pants. And, it's warm.

36 Social media

Our Facebook page has over 16,862 Tony Chocolonely Facebook Fans. On Twitter 7,643 people follow @TonyChocolonely. Add our own blog and e-mail newsletter, and our fans and followers are chocolate-covered.

Examples of stories we published about in 2013:

- the first-ever Global Slavery Index, a report of the Walk Free Foundation that puts modern slavery in the spotlight. In our opinion, it's a defensive assessment, but a good stage for the problem.
- a farewell article to our white bar. As it cannot yet be made from our own beans. Dutch journalists from the Volkskrant Magazine wrote of this loss with regret.



**knetter
goed**

Deze witte knetterreep van Tony's Chocolonely heeft ons in het hart geraakt. Witte chocola met framboos en een smaakbombarde-ment in je mond. Echt superrrr. Maar ja, het was een limited editie. En inmiddels beke-maal uitverkocht en niet meer leverbaar. Vol-komen oeterecht want we hebben het hier over een eerste klas topproduct, de Marilyn Monroe van het snoepgoed, een smaakbom-mette in optima forma. Tony, lees dit vooral als een hartstichtelijk pleidooi voor de herin-troductie. (Wouit vervolgd.)

(Met bij voorkeur supermarkten (zo bij- het bezochthout van de Volkskrant in Amsterdam), 43, tonyschocolonely.com

37

- an article in the Newspaper Parool that Fairtrade chocolate letters are less honest than imagined. Why? Most chocolate makers cannot guarantee that their cocoa beans are from Fairtrade certified farmers. That's because they use Fairtrade mass balance beans and not traceable Fairtrade beans. Traceable beans are segregated in the chain from the farmer to the bar.

Other important topics we covered were:



- farmer Jacob from ABOCFA and farmer Dennis from Agro Eco came to tell us about their fellow farmers.
- our Ghanaian intern Kennedy traveled from Amsterdam to the farmers' cooperative ABOCFA to help write a real business plan, bringing their independence one step closer.
- our own cocoa seedlings in our office, grown out of our very own cocoa pot brought by some colleagues from a trip to Ghana,
- a charity walk by 't Maartenscollege in Haren sponsored the construction of toilets at schools in the farming community of ABOCFA.

We have other proud moments and many more stories; but far too many to mention here.

Balance

We are doing well – if we do say so ourselves. But some things can be done better, such as the balance between Crazy about Chocolate & Serious about People. Both are important. Having passion and humor about chocolate is easy. It is more difficult to strike the right balance with the seriousness of our message.

To help with the balance, we spoke to several chocolate fans early in 2014 to understand what they already know about us, the chocolate chain, and our view on the world.

From our fans, we learned that not everything that we see clearly is immediately obvious. For example, still very little is known about modern day slavery. And it's not understood nor obvious why we think a direct relationship with the farmers is so special. Although in the cocoa sector, actually knowing the farmers is exceptional. Enlightened and motivated by our fan talks, we have plenty of work to do. Seriously.

4.2

Tony's leads by example

Whether you grow cocoa for our chocolate, are one of our producers, consumers or suppliers, or work directly for Tony's: we want everyone to be happy with the way we do business. And if we can do it, why can't everyone else?

highlights:

the very first traceable beans in the bar

the first premium was paid directly to the farmers

winning the NIMA "Marketing Next" Award 2013

Great Place to Work. (We scored a 9.4 out of 10, Yeehaw!)

lessons learned:

pre-financing the farmers cocoa is even more important than we previously thought. Because of a lack of resources, the cooperative in Ghana couldn't purchase enough cocoa from the farmers.

as our team grows, we'll benefit from streamlined procedures and clearer processes.

having an emergency stash Bean-to-Bar cocoa is not so bad.

In 2012-2013, we bought cocoa directly from 128 cocoa farmers in the Cote d'Ivoire and 289 farmers in Ghana. In 2013-2014, we will buy cocoa directly from at least 340 farmers in Ghana and 486 farmers in the Cote d'Ivoire.

It can be done: the Bean-to-Bar chain

In 2012, we entered into agreements with two West African cooperatives: ABOCFA in Ghana and Ecookim in Cote d'Ivoire. In the next five years, we will buy as much cocoa from them as we can. We are doing our best to be the best possible customer for the cooperatives. 2013 was an important year for this partnership. For the first time we made a fully segregated cocoa chain a reality. We call this our Bean-to-Bar chain. And we used, for the first time, (traceable) beans from our partners in our own recipe. Much easier said than done, but we proved it CAN be done!

A fully segregated cocoa chain of several West African countries is unique. It's an extremely important step along our road to 100% slave-free chocolate. We'd like to explain what so special about this.

Where do the beans come from?

There are virtually no chocolate brands in the retail market that know exactly where and how their cocoa is produced. The cocoa farmers often don't know what is being made with their cocoa. We showed this in "How the chocolate industry works" on page 32.

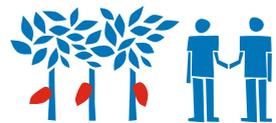
If cocoa farmers knew what products were made with their beans it would help them to better understand why good cocoa is important. It's a motivation to invest more time and energy in the plantations. We're convinced that they'll take pride in their product, leading to a higher income.

And thanks to Bean-to-Bar, chocolate makers have a better insight into their chain and understanding of how to influence the conditions in which cocoa is produced. And they can offer support when needed.

We'd love to explain the Bean-to-Bar chain, step by step. Walk with us.

Tony's Bean-to-Bar chain

Physically traceable beans are important, but it's only a first step. Building long-term, supportive relationships with cocoa farmers is just as important to Tony's. Farmers must feel secure in what the future brings before they will invest in their farms to ensure a better harvest. Building direct and long term relationships with the farmers make it possible for chocolate makers to invest together with the farmers in better productivity and quality. The impact of the investments gives tangible results. And if you know this, you can take the necessary steps to change the supply chain for the better.



With the farmers

We have direct relationships with the two farmer cooperatives where our beans come from. Our partner cooperatives Kapatchiva – Ecookim in the Cote d'Ivoire and ABOCFA in Ghana.

Kapatchiva – Ecookim, Cote d'Ivoire

The independent cooperative union Ecookim is a partnership of eight cooperatives in the Cote d'Ivoire. The union is Fairtrade and UTZ Certified. We buy our cocoa from the member cooperative Kapatchiva. Ecookim defends the interests of its members and does not accept the often poor working conditions of large traders. The cooperative is assertive and a prime example of how a cooperative should do business. At the same time, being assertive makes selling cocoa internationally more difficult. Their assertiveness deters many companies and they often refuse to enter into a long term commitment.

An extensive analysis was done of the cooperative's situation. Because of the analysis and Tony's promise to buy as much cocoa as possible from this cooperative in the next few years, the Dutch foundation Progreso pledged to finance a training initiative for the cooperative. The training would help develop skills locally (Kapatchiva) as well as in the union increasing the professionalism of both Kapatchiva and the union.

The Chocolonely Foundation also supports a project of the cooperative to create more awareness about child labor and women's rights. The awareness project will continue until the end of 2014 in collaboration with local radio stations and the NGO Solidaridad.

In the past year, we've made some good progress in our collaboration with Kapatchiva. Through Ecookim, we bought more than seven sea containers of beans (175 Mt). Wonder how big a container is? Big! These kinds of shipping containers are being converted into very popular student accommodations in Amsterdam and Utrecht. Imagine seven containers stacked high and filled with Tony's Chocolonely bars.



ABOCFA, Ghana

Our partner ABOCFA cooperative was founded in 2009 and is Fairtrade and Organic certified, but ran into trouble when a major international buyer withdrew as a customer. ABOCFA was left with high costs for the organization, training and certification. The cooperative is currently fully dependent on the development organization which founded ABOCFA. Due to our long-term relationship, we can help the cooperative where possible to develop into an independent organization that can find good export markets.

This past year, for the first time a business plan was written for ABOCFA. Improvement is needed, especially in the area of productivity of farmers, management capacity and the financial situation. Only then can the collaboration with Tony's have a real impact in the coming years. The first training activities were started to strengthen the organization, with the support of the Progreso Foundation.

Part of Team Tony's traveled to ABOCFA for the Annual General Meeting to share our own plans, but also to show our commitment. In February, a small delegation of ABOCFA visited Europe and we warmly welcomed them inside at Tony's Choclonely HQ with some sweet and hot chocolate milk. Especially since it was bitter cold outside.

Last year, ABOCFA exported their first 35 Mt of beans which made it into our bars. That's almost two full shipping containers.



Local traders and storage

Our cocoa beans are labeled locally and stored separately. In the Cote d'Ivoire this process runs smoothly because the cooperative already has an export license. They sell directly to our dealer.

For our beans from Ghana (with an Organic certificate), we have to work with a specific local trader. In Ghana, there was unfortunately disagreement between the cooperative and the merchant. We had to change to another trader who bought exactly the same beans from ABOCFA but without the desired Organic certificate.

Also, the Ghanaian export system is not quite used to a small chocolate maker who wants to export its own beans. Normally, the Ghanaian government buys all the beans and sells them with the same standard of quality on the world market. Because we do it differently, we require more attention and more permits. Each container now gets special permission to be shipped. So you see, no slacking or lack of attention for our beans.



Beans, lost and found

Our beans are shipped in separate containers to guarantee traceability. In the spring, our shipment time and time again didn't find its way onto the boat to Belgium. In fact the container seemed to have disappeared. Our supply chain manager made it a personal mission to find our lost beans. He spoke to top authorities until he found our containers in Tema, a port of Ghana. After a three-day search, the container of certified Tony's beans could continue on its journey.



Chocolate making

For our chocolate maker Barry Callebaut, making traceable chocolate whereby we deliver our own beans separately is a new concept. We've developed a special recipe with our own beans to guarantee taste and quality. After more than a year of planning, our recipe has its own separate preparation line in the factory. And that makes us really proud!

But that is still not enough. We are ready for the next steps. We want traceable cocoa butter and sugar. We also know exactly who is producing these ingredients and under what conditions.



Team Tony's visiting the annual general meeting of Abocfa

44 The first lessons of Bean-to-Bar

Admittedly, not everything went smooth as melted chocolate in our first year with our direct trade relationships. We had to deal with plenty of delays. The first bean containers arrived too late in the port of Antwerp. As a result, we had to resort to using mass balance beans from mid-August to mid-October. Just a short set back. To keep a small stockpile of traceable beans isn't such a bad idea.

Despite the late start in June and a shortage of traceable beans in August, September and October 2013, we still made 40% of our chocolate with beans from our partner cooperatives. The production slowdown was also an advantage. We had traceable beans left over at end of 2013. We used those beans to make all of our chocolate letters and seasonal chocolate bars. You could find them in the specially designed Bean-to-Bar wrapper. Monumental.

Own recipe, same taste

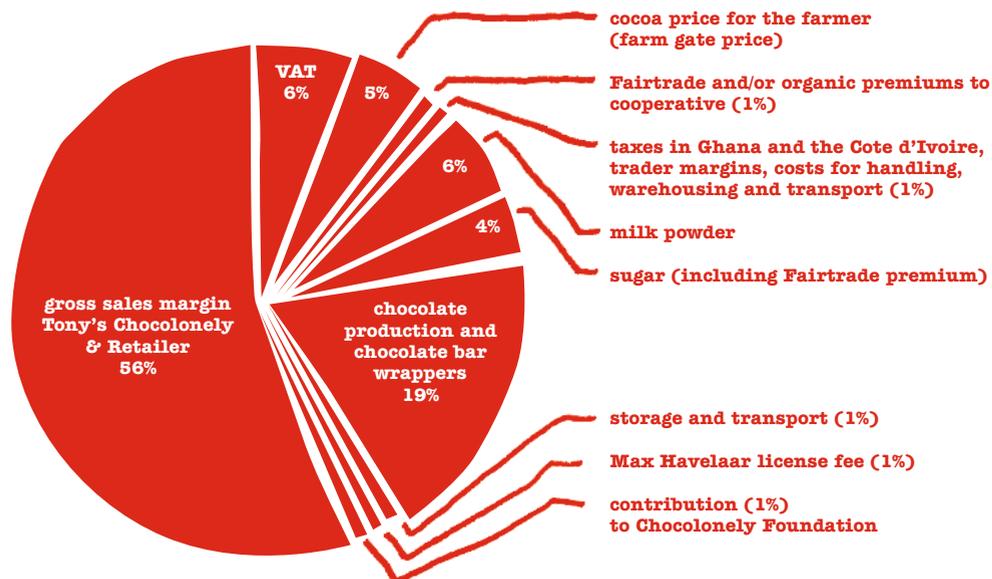
Only using beans from our partner cooperatives affects the taste of our chocolate. We've adapted the original recipe to maintain the same high quality and consistent flavor of the first Tony's bars. Because we certainly don't want to lose that original, unique taste of Tony's.

Not just counting beans

As in many international trade chains, profits in the chocolate industry are unevenly distributed. In our view, profit should be more fairly distributed along the chain. We are working on a chain with the shortest lines possible where, for example and for a change, more money is earmarked for the farmer.

How is the price of a chocolate bar actually divided?

Let's look at the cost/price break down of percentages based on the end retail price in the Netherlands of a Tony's 180-gram bar of milk chocolate with 33.5% cocoa.



We made these same chocolate bar calculations in the Tony's fair report 2012. Then, the calculated percentages were different. Thanks to our new Bean-to-Bar chain model, we now have more and better insight into the structure of the chocolate costs. But there are also other causes.

One of the causes is a miscalculation. The percentages for storage and transport costs and the Max Havelaar license fee were calculated last year as a percentage of our net revenues. That should have been calculated as a percentage of the average consumer price. Sorry. Now that the mistake has been corrected the gross margin for Tony's Chocolonely and the reseller increased (but in actuality it remains unchanged).

Other causes are exchange rates and market prices. There is almost no difference in farm gate price in local currency when comparing last year to current year, but in Euros there is a difference. That's the exchange rate. The prices of cocoa, milk (powder) and sugar on the futures markets in London and New York are constantly moving. The prices on the futures market influence the tax income of Ghana and Cote d'Ivoire and also a portion of the production costs of our suppliers.

A fair premium for all farmers

The average cocoa farmer yields of 800 to 1000 kilos of beans per year. Many farmers earn no more than 1,000 euros per year or about 80 euros a month. The average farmer has 5 to 7 family members which amounts to less than 1 euro a day per person. The cocoa farmers have an income far below the poverty line. In 2013, we investigated what a fair premium for farmers should be. As soon as possible, we want to ensure that the farmers get 25% more cash for each pound of beans sold. If the farmers could dramatically increase their harvests, then they can rise above the poverty line. Additionally, 25% more cash for the farmer is an investment of approximately 1% to 2% more from the current chain. A feasible investment if the whole chain participates.

Fixed price + additional premiums

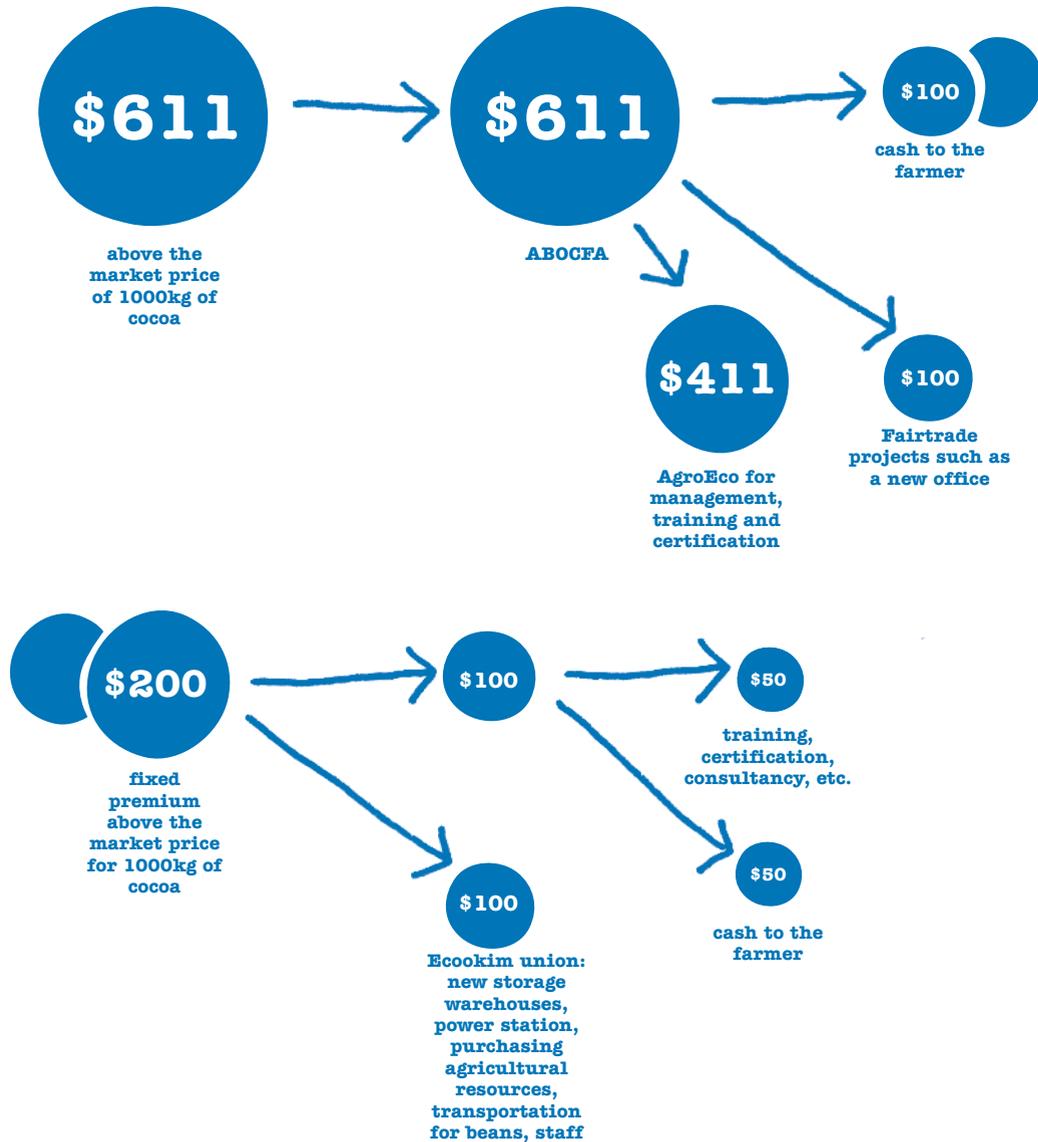
Last year we paid the cocoa prices set by the governments in the Cote d'Ivoire and Ghana. We also paid additional premiums. In Ghana, we paid 25% more than the export value of Fairtrade organic cocoa or USD 611 per 1,000 kilos beans. In the Cote d'Ivoire, we paid the Fairtrade premium of USD 200 per 1,000 kilos of beans to the cooperative.

Because we find it strange that our partner farmers receive a different price in different countries, we are working on a system that makes our contribution equal in both countries. If possible, from 2014 we want all the partner farmers to get a 25% premium on top of the local farm gate price.

In total we paid 98,367 euro in additional premiums on top of the normal cocoa price. We paid 14,430 euro for our sugar contributions. These premiums are partially used by the cooperatives to pay farmers a better price. They are also invested for the benefit of the farmers. For example, a new cocoa storage warehouse was built in the Cote d'Ivoire. Also, on the cooperative level new

agricultural products were purchased. In Ghana, the premiums covered the costs of training, certification, and building a new office for the cooperative. More cocoa cooperatives benefited from our Fairtrade premiums. The Fairtrade premium for the cocoa purchased as Fairtrade Mass Balance supported the cocoa cooperatives Kavokiva and Coopagrig in the Cote d'Ivoire. The Fairtrade premium for sugar (mass balance) went to Coopecañera in Costa Rica. The premium for our cane sugar in the chocolate benefited the UBPC Rodrigo in Cuba.

Tony's premium paid to ABOCFA, season 2012/2013



Collect the right information with Cropster

In 2013 we took the first steps with the ABOCFA cooperative to begin using Cropster. Cropster is a data collection and analysis system used for the benefit of producers with the aim to empower farmers to achieve a strong position in the supply chain. It collects data about the farmers' organization and productivity. Cropster analyzes all kinds of data, such as how much land a farmer has, how many cocoa trees, how many people work his land, his relationship to them, when does he prune or fertilize, and the quality of the beans.

With this information, the cooperative may, for example, give targeted advice to farmers with the aim to increase the farmers' income and strengthen his position in the supply chain. Cropster also serves as Internal Control System. The collected data is needed for the audits of the certification organizations.

Cropster also collects social information. For example, household composition, the age of the children, whether they go to school and what the distance is to healthcare facilities. All this helps the cooperative and their trading partners while developing improvement measures and measuring impact. The cooperative still owns the property rights of the data and decides what information they share with third parties.

At the end of 2013, the first data collection took place in Ghana. It also gave us a lot of input for the baseline of Tony's roadmap. The data collection revealed how difficult it is to get reliable information. The farmers overestimated their forecast compared to their actual harvest and plantations. That's because no data had ever been officially documented. In 2014, Cropster will be rolled out in the Cote d'Ivoire.

At this time, the Cropster System is currently managed with the help of Tony's from Amsterdam. With our partner cooperatives, we are organizing more IT training, purchasing computers and teaching more about managing large databases. We hope that in two years both Ecookim and ABOCFA are able to independently manage and use the data to support their own development.

Discovered abuses

The importance of direct relationships and collection of data quickly became clear: for example, when two cases of illegal child workers were found. These were children who were doing hazardous work and whose parents were genuinely not aware that their children's development was at risk. Here we need to be clear. We have not started this adventure to control symptoms, but to address the underlying causes and that takes time. By recognizing the situation, we can, together with the cooperatives and farmers, take measures to stop it.

We now get our ingredients from all over the world:

hazelnut from the Netherlands, Italy, Germany: conventional

milk from the Netherlands: organic happy cows

granulated sugar from Europe: Fairtrade mass balance

milk powder from Europe: conventional

cherries from Poland, Serbia, Turkey, Bulgaria: conventional

nougat from Belgium: Fairtrade & organic

cake from Germany: conventional

meringue from Belgium: free range eggs

almonds from Uzbekistan: Fairtrade & organic

caramel from Italy: conventional

cane sugar from Cuba: Fairtrade & organic

sea salt France: conventional

chili peppers from Ghana: Fairtrade & organic

coconut from Vietnam: organic

cocoa from Cote d'Ivoire: Fairtrade

cocoa from Ghana: Fairtrade & organic

cinnamon from Sri Lanka: Ghana: Fairtrade & organic

carrageenan: somewhere in the ocean...



50 **We want to be the tastiest**

At this point, we could now try to demonstrate with a lot of charts and numbers that we are the very best tasting. However, we did not put time and energy in 2013 to measure if we are really the best. We were just trying to be extremely delicious. And when we watch what is being said about us on Twitter, Facebook and Instagram, we can conclude we're on the right track.



Along with taste expert Dr. Peter Klosse, owner of the five-star hotel and Michelin Star restaurant De Echoput, we have developed our flavor wheel. We can taste test our own chocolate and that of our fellow chocolate makers. The latest and most delicious chocolate creations are made in our chocolate kitchen almost every week. We assess new tastes and creations using the flavor wheel. Thus, we can optimize recipes with a pinch of salt here, or small crispy nougat there.

In 2013, we invited a number of bloggers and journalists to a workshop with Mr. Klosse about chocolate making flavors and asked them to be judges. After explanation from Mr. Klosse and Tony's about the flavor wheel, the bloggers and journalists participated in a chocolate letter test. They took the tests very seriously and were very silent and focused. And guess what? The bloggers and journalists named Tony's the most delicious!

Welcome to the family!

In 2013, we expanded our family of bars. Our family portrait looks like this:



In February our small members of the family, milk and dark, were blessed with two sisters. The little milk hazelnut and milk nougat bars made it to the shelves. The little Tony's are predominately found at gas stations, restaurants, business centers and airports. Many more big and little opportunities for Tony's!

In early 2013, we added the milk caramel sea salt bar to our permanent assortment. The addictive caramel sea salt bar was voted the most popular flavor of the three limited editions of 2012. And secretly also ours.



In October, with tears in our eyes we said our farewells to two products; the kilo bar and the chocolate heart. Since we are now working with our own Bean-to-Bar chocolate, production of these products was proving too complicated.

The Sinter Bunny

Seasonal products are really important for us: Easter eggs, chocolate letters and their holiday relatives. The holiday seasons are times of sharing and when Sinterklaas (the Dutch Santa) and the Easter Bunny help us make new acquaintances with chocolate lovers. Tony's is finding a place among traditional chocolate but we also have additional distinctive products. The Easter eggs and chocolate letter bars are a good example. The chocolate letter bar 2013 had a new look with fun games and craft tips on the inside wrapper. Guaranteed happy times on Sinterklaas night!



Our limited editions

We love scrumptious chocolate and surprising combinations. So every year we raise the bar higher and come back with three limited editions. The limited edition bars are made especially for our distinguished and passionate customers to differentiate themselves from the supermarkets. In 2013, we sold out on these three awesome (if we can say so yourself) flavors within two months: Milk Biscuit & Chili, Dark Cherry Meringue, and Milk Coconut Almond & Cinnamon.

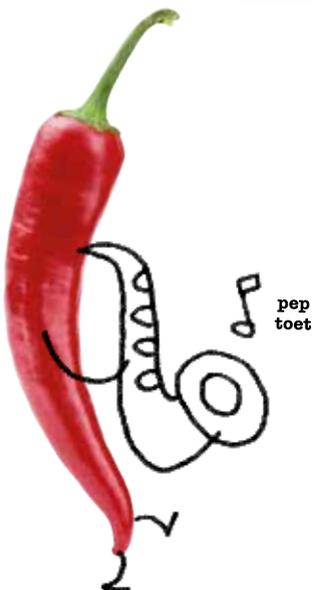
2011



2012



2013



Pepper in your...

Early 2013, we were visiting a farmer cooperative in Ghana which also grew chili peppers in addition to cocoa.

When we later that year wanted to make the biscuit chili, it seemed fun to us to use the chilies of this coop. As such we brought the chilies as hand luggage to the Netherlands. With the proper documents, of course...

pep
toet

Happy chickens

The bar with meringue was quickly figured out, but there was no meringue from free-range eggs on the market.

After a long search and many talks, we could convince one party to make this especially for us.

Fortunately, otherwise there never would have been the cherry meringue.

Brand new sweetness

Did you know that 31% of Netherlands know about Tony's Chocolonely? Of the people who know us, 44% also buy our bars! And that makes us really proud. (Source: Consumer Survey conducted in October 2013 by Metrixlab)

NIMA AWARDS

Winning the 2013 NIMA (Dutch Institute for Marketing) award in the Next Marketing category also showed that we're doing pretty good! The winner of this prize displayed a distinguished brand, namely with an increase in brand awareness and market position.

Consumers

We have also participated in various consumer promotions. For the second consecutive year, we hosted a successful Easter promo in sustainable supermarket Marqt called: "Find the golden egg worth 600 euro."

This time, the golden egg (made from real Fairtrade gold) was found by Lineke Ouwendijk, a teacher at the Rotterdam EuroCollege Management School. For a lesson on Fairtrade, she had bought two boxes of Tony's Chocolonely Easter eggs at Marqt Binnenrotte. And yes! Lineke found the hidden golden egg. In her own words, she had "never won anything." That's golden.

Customers

In 2013, we made some important steps with our clients. In order to inspire other companies and show them that our business model can be scalable and commercially successful, we need to be to be sufficiently visible in the market. We have to be available at points of sale where other chocolate brands are sold.



We have worked hard to ensure our chocolate has more shelf space and visibility at many supermarkets and other stores. In order to enjoy our bars, consumers can find us in a growing number of places. You can find Tony's Chocolonely in more gift shops, gas stations, hotels, airports, delicatessens, hospitals, company cafeterias, in schools, cinemas and theaters, amusement parks, zoos, in the hospitality industry and wholesalers.

The award for the best shelf goes to Marqt Haarlemmerstraat!

Not only has the number of available outlets and sales been growing rapidly, also the number of Tony's Chocolonely products in the outlets has increased sharply. High five! Today, it's easier to find more of your favorite flavors outside the supermarket, when not so long ago, you could only find our milk chocolate bar.



We are quickly gaining more fans and our chocolate is flying off the shelves faster. We are having a blast encouraging our customers and getting inspired by them too. Last year, we came up with some really cool promotions together with our customers.

In a number of stores, chocolate lovers could have their picture taken with a life-size, big red Tony's bar. In April, we greeted the finder of the golden egg and in December we made some people happy with chocolate gift boxes. Also in the area of point of sales materials, we have been busy in 2013. Our products got extra attention through promotions, posters, displays and pavement signs. We also brought the Tony's gift box to market.

We are stamping our name, message and brand on the Dutch chocolate market. We are getting noticed, growing stronger, sharing our story and as such, getting more attention for the chocolate chain and our business model.

Suppliers

We already had multi-year cooperation agreements with key suppliers. And, 2013 was the year when we planned regular evaluation check points. We discussed what is going well and what can be improved.

2013 was also the year we entered into an important collaboration. We now have a three-year collaboration with Barry Callebaut, the world's largest chocolate manufacturer. They are turning the beans from our cooperatives, using a transparent and traceable process, into our Bean-to-Bar chocolate.

But smaller vendors are equally important. Without the chili peppers from the cooperative Elikem from Ghana, our Milk Biscuit Chili would have never been so full of spicy goodness. And without the free-range eggs from Smilde Bakery we would have no fluff in our flavorful meringue.

Very Great Place to Work

We want to be the best employer that anyone could ask for, and we did it, too. Based on research in 2013, we were named Best Workplace in the category Small & Young Enterprises. We scored a 9.4. Nine-point-four! Yes, out of 10.



Last year we grew from 10 to 20 enthusiastic Tony's. Every new Tony starts with one-on-one introductory meetings with each team member, a crash course about the abuses in the cocoa industry, and a visit to the Belgian chocolate factory. The whole team is trained to be chocolate experts by Eva W, our own chocolate guru.

We did a lot in 2013 with and for Team Tony's. We organized our first Chocademy for internal training. We made personal development plans with and for everyone, started a green retirement plan, stood together on the slopes, built our offices into an even more pleasant workplace and improved our IT environment. We also made a handbook detailing our entire plan for the whole team to read. Handy.

Regularly, we held discussions or "critical sessions" on topics such as certification, modern slavery and other hot topics. We invited an inspirational speaker for a "breakfast session" once a month. These morning wake up talks were about the differences between the Netherlands and Ghana, Greenpeace activism and product innovation. Or, for example, also on conceptual art.

This year, five Tony's gained the (internal) Tony's Award; Tony's appreciation for a special contribution. Also two Tony's won a Tony's scholarship, a sum of money for a non-work-related, personal goal.

Besides the Great Place to Work survey, we also executed our work-fun survey, our critical internal counterpart. There, we scored an 8.4. What did we score highest on? On the family feeling within the team: 'solidarity' and 'trust'. We get it. We run weekly through the Westerpark, we also build team strength during the Dam-to-Dam run and we've developed more stamina with the Westergas football team. Via our WhatsApp group we share our lives, not only during business hours, but also on the weekends. Team Tony's has loads to be proud of. And that's what we are: super proud.



4.3

inspire to act

“We are inspiring the cocoa world into action where each link in the chain needs to take responsibility and commit to producing 100% slave-free chocolate.”

highlights:

over 62% sales growth

publication of our first annual FAIR report

lessons learned:

in the Ivory Coast, we fulfilled all agreements on premiums to be paid,, but did not make our internally set ambition of getting a +25% cash increase for the farmer

it's unlikely that we will achieve a 100% market share ourselves, so we have to take steps to continue as a serious partner to inspire big chocolate players to change.



Based on our 2013 financial year, we were selected for the FD (Dutch Financial Times) Gazellen Award. Our 2013 revenue growth was 62.9%

We want to inspire the industry and show that chocolate can be made differently. Where others see money and revenue as the main target, we see making money and profit as a means to achieve our vision. How's that working for us? Working just fine, happy to say. Last year, we achieved a sales growth of over 62%, and now even more people know our brand and our story.

Tony's inspiration

In 2013, we consciously thought about how to further shape our pillar 'Inspire to Act.' We want to inspire companies and players all along the chain. Last year, we had three months of support from Nathalie Rey, a Policy Advisor at Greenpeace. Together, we made a power analysis of the various players and force fields in the cocoa sector. It appeared that, among other things, we must focus on a specific number of players in chocolate forums and search for new ways to create dialogue. We also realized that we need to look for partners, for example, to gain more political influence. Since money still talks, we could not overlook the banking sector as financiers of the cocoa trade.

Awareness in Africa

Together with our partner farmer cooperatives and local development organizations, we have undertaken various activities in the field of awareness about child labor and slavery. For example, as proposed by Tony's partner Ecookim in Cote d'Ivoire an awareness campaign was started focusing on child labor and professional farmer entrepreneurship. This was made possible with support from the Chocolonely Foundation.

In the communities around the Ghanaian farmer cooperative, we used posters in the national language of Twi to bring attention to education, labor rights and women's rights. Representatives of the various cooperatives attended sessions to discuss how to create maximum impact and gain full attention on these issues locally. From the results, new awareness activities are being developed in 2014.

Presentations and publications in the Netherlands

We are actively searching for ways to reach other businesses with our story. In 2013 we received attention in various trade publications, from Logistics Magazine and business magazine Baaz to interviews on Business News Radio. We have also given presentations about our business model and our philosophy at Rabobank, KLM and Ahold among others. And along the way we've met other chocolate makers during informal events.

The presentation of our first annual report at Tony's Fair was a happy highlight. In this report, we looked not only at our own company, but also at the sector in general.

We were the subject of a McKinsey business case on Social Entrepreneurship, which is being used in colleges and universities. And because you can't start early enough with inspiring the leaders of tomorrow, by popular demand, we developed a presentation packet for secondary schools.

Finally, we are trying to build our influence. In 2013 for the first time, we got involved in political and strategic sessions in the cocoa sector. We participated in a Dutch hearing in the House, became members of the Dutch Choco Working Group and participated in open discussions with Fairtrade International.

Social Enterprise NL

At Tony's we are working hard to raise awareness about abuse in the sector and to inspire people in the industry to work differently. Fortunately, we're not only the company trying to make the world a better place. By joining forces, we can increase our effectiveness. Hence, we are proud members of Social Enterprise NL, a platform that represents, connects and supports social enterprises in the Netherlands.

A new word for some, Social Enterprise is primarily a company on a social mission (impact first!) with the following characteristics:

1. An independent company providing a service or supplying product.
2. Is financially self-sufficient, based on commercial or other value exchange, and therefore barely, if at all, dependent on donations or grants.
3. Is social in the way it is governed:
 - a. profits are good, but the financial goals are subordinate to the mission. Shareholders get a reasonable slice of profits.
 - b. all stakeholders have a balanced say in strategy and management.
 - c. is fair to everyone.
 - d. is aware of its environmental footprint.
 - e. is transparent.

The purpose of Social Enterprise NL is to support, strengthen and increase the societal impact of social enterprises in the Netherlands. Last year, the network had huge growth and we have actively participated in developing the strategy and activities of Social Enterprises so they reach a broader audience.

B-Corp

Un-B-lievable. In December 2013, we were the second Dutch company and the first European chocolate company authorized by the international network of B-Corporations. In the International arena this is one of the most ambitious networks of Benefit Corporations. Member companies are in the business of creating value for their stakeholders, but also for consciously creating advantages for society as a whole.

We made it through a difficult assessment, where we earned 96 out of 200 points. To qualify for membership in the first year companies need 80 points a target that most companies can't hit. We did! Based on the annual B-Corp assessments, each year we can see where we stand and where we can improve in the future.



Certification as a starting point, not a finish line

Basically, certification means that an independent party confirms that farmers are working according to certain minimum requirements. Certification combined with a good training and support package can have greater impact. Unfortunately, in recent years the effects of certification in the cocoa sector in West Africa have been very limited.

Illegal child labor has not substantially decreased, poverty is still very present and cooperatives are not receiving enough credit and funds to purchase enough cocoa beans. These findings correlate with our research from 2007. We see certification as a starting point whereby a number of preconditions must be met. Certification builds just one part of the foundation for further development.

				
main distinguishing topics	social development with, for example, minimum prices and focus on producer organisations	environmental protection and environmental friendly production methods	professionalization of agriculture and management	100% organic agriculture and processing
certification on farmer level?	no, per organisation	yes	yes	yes
additional premium for farmer groups	yes, always	negotiable	negotiable	no
minimum price for individual farmers	no	no	no	no
attention for professionalization of individual farmer and higher yields	very limited	limited	limited	very limited
attention to strengthen independent farmer organisations	yes	limited	limited	no
even the poorest and unorganized farmers can participate	no	de facto not	not yet, pilots being executed	no
certificate in hands of the producer organisation	yes	not required	not required	not required
can traceability being checked	own responsibility of buyers	centralised system	centralised system	own responsibility of buyers
label may be used on final product, while having only 1 certified ingredient	per 2014 through Fairtrade Sourcing Partnership	yes	yes	no
attention for nature and environment	limited	yes	yes	yes
% of certified produce sold as being certified on world market in 2012/2013	28%	37%	43%	not known

From the beginning, Tony's has been Fairtrade certified. Both parties fight for a responsible, honest and fair supply chain from which farmers can build a decent life. Much more is needed to actually create substantial change, such as investments in cooperatives, higher cocoa prices, training for farmers and direct relationships between farmers and chocolate makers. Only then do we see the full picture. Companies can't turn their backs and hide behind the label of certification.

In our view, a few things have to change in the international Fairtrade organization, too. For example, a much larger portion of our license fee, which is separate from the premium we pay to farmers, should be used at the farmers' level. The percentage of Fairtrade cocoa sold in the world needs to increase sharply. And, we want to see a significant impact of the Fairtrade system benefiting the cocoa growers. This is why we are constantly in discussions with the Fairtrade organization and why we were actively involved in a critical review of the current and new codes of Fairtrade International in Bonn, Germany.

Tony's Foot... err... Foodprint

Showing that chocolate can be manufactured differently and still create a positive impact is fundamental. Tony's is looking beyond just being certified. That's really not enough. We are closely inspecting our entire chain for inspiration and insight. Asking ourselves, how can our activities contribute to a 100% slave-free chocolate world? We have to consider our social and economic impact, but also with a view to nature and the environment to get a full understanding of Tony's Foodprint.

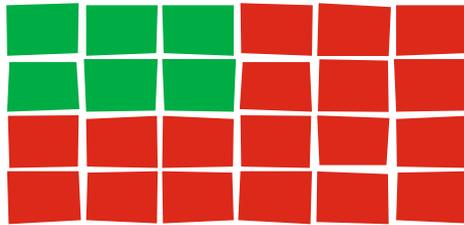
Insight into our chain

Last year, we participated in a pilot project with the True Price Foundation. The project mapped and measured our supply chain. For the first time, we could calculate the negative impact of Tony's cocoa on the environment and society, from bean to bar. The good news is that our foodprint in 2013 was about 40% lower than a conventional chocolate bar. In the coming years, as our goals become a reality, we aim to reduce our negative impact to zero in the next five years. ZIP. ZILCH. NADA.

The True Price study underlined again the fact that being Fairtrade certified is not enough and more investment is needed. We have a lot to accomplish in the areas of land use, productivity and cocoa prices. In addition, there is more work to be done regarding health and education for the farmer and in the community.

The results confirmed that using our roadmap as a guide we're headed in the right direction. We are committed to a direct and traceable chocolate trade, investing in the farming communities, and will continue to strive to pay a premium of at least 25% at the farmers' level.

Impact of Tony's bar on society and the environment



conventional bar



Tony's bar now (60%)



Tony's bar in 2016 (51%)



Tony's bar in 2017 (13%)



Tony's bar in 2018 (0%)

True Price; environmental and social impact

Last year, True Price developed the first method to measure both the environmental and social impact of products, companies and investments. It allows True Price to show the impact of production and consumption along the supply chain. For the first time the damage caused by slavery, poverty or lack of education in cocoa production can be measured and translated into a monetary value. By using the True Price method, companies like Tony's Chocolonely can examine points in the chain and improve the production of a bar of chocolate.

N.B. The True Price method can calculate social and ecological profit and loss at the company and portfolio level. The method looks at impacts on society during production and consumption. The monetary value of this negative impact is not an additional consumer price which should be paid for in the supermarket. It allows a company to examine the supply chain to mitigate the negative effects of producing, for example, a pair of jeans or a bar of chocolate.

The complete True Price report is more than 40 pages long; you're welcome to come to Tony's HQ if you'd like to read it. We'd like to hear your feedback!

 impact on environment
 impact on society

Tony's green heart

More than 70% of the total environmental impact of the cocoa supply chain is placed on the farmers in the growing process. Together with local experts, we will be working to lessen the impact on the land and nature in the coming years. When farmers have access to more professional methods, they can make more responsible choices about pesticides and fertilizers. Better cocoa growing methods also mean less land is used and deforestation is minimized.

In addition to our efforts in Africa, it's only natural that our chocolate is made in an environmentally friendly way. We already use 100% recycled paper wrappers. And, at Tony's headquarters, you'll find latest LED light bulbs made in Ghana. By 2018, our goal is to reduce or compensate for our green gas emissions so that each Tony's bar contributes to a better environment.

The Chokolonely Foundation

The Chokolonely Foundation, just like Tony's Chocolonely, has a goal of eliminating slavery from the cocoa industry. The foundation finances activities that support this goal. Tony's Chokolonely reserves 1% of its net sales for the Chokolonely Foundation. In order to guarantee independence, the Foundation has an independent board. The board determines the strategy of the Foundation approves all projects and is ANBI certified.

In 2013, two new projects were approved for the Cote d'Ivoire. One project worked along with local radio stations in the Cote d'Ivoire to support a campaign against child labor. The other project supported the construction of a school in Cote d'Ivoire. The school will be built in the community of partner farmers of Tony's Chokolonely in 2014.

In 2013, Teun van de Keuken left the board of the foundation. Hans Perk, an expert on cocoa, Ghana and sustainability, has taken his place. The Board now consists of: Louise van Deth, Peer Swinkels, Henk Baard, René de Jong and Hans Perk.

Want to know more about The Foundation?
 Check out chocolonelyfoundation.org.

CHOCOLONELY foundation

two thousand thirteen
in numbers



What is an annual report without figures, tables, charts, and other incomprehensible financial terms?

We are a Social Enterprise

Combining business goals with social and societal goals makes us a Social Enterprise. Creating social and societal impact comes first, profit or shareholder value maximization is secondary. Profitability is not a goal in itself, but generating profit is a means to achieve our goals. We do strive for a reasonable profit. The Tony's business model lets the industry see that growing, making, producing and selling fair chocolate can be a healthy, sustainable business with profitable returns.

Net sales

Our net sales in 2013 grew to 7,381,336 euros. That is an increase of 62.9% compared to 2012.

Wait a minute.

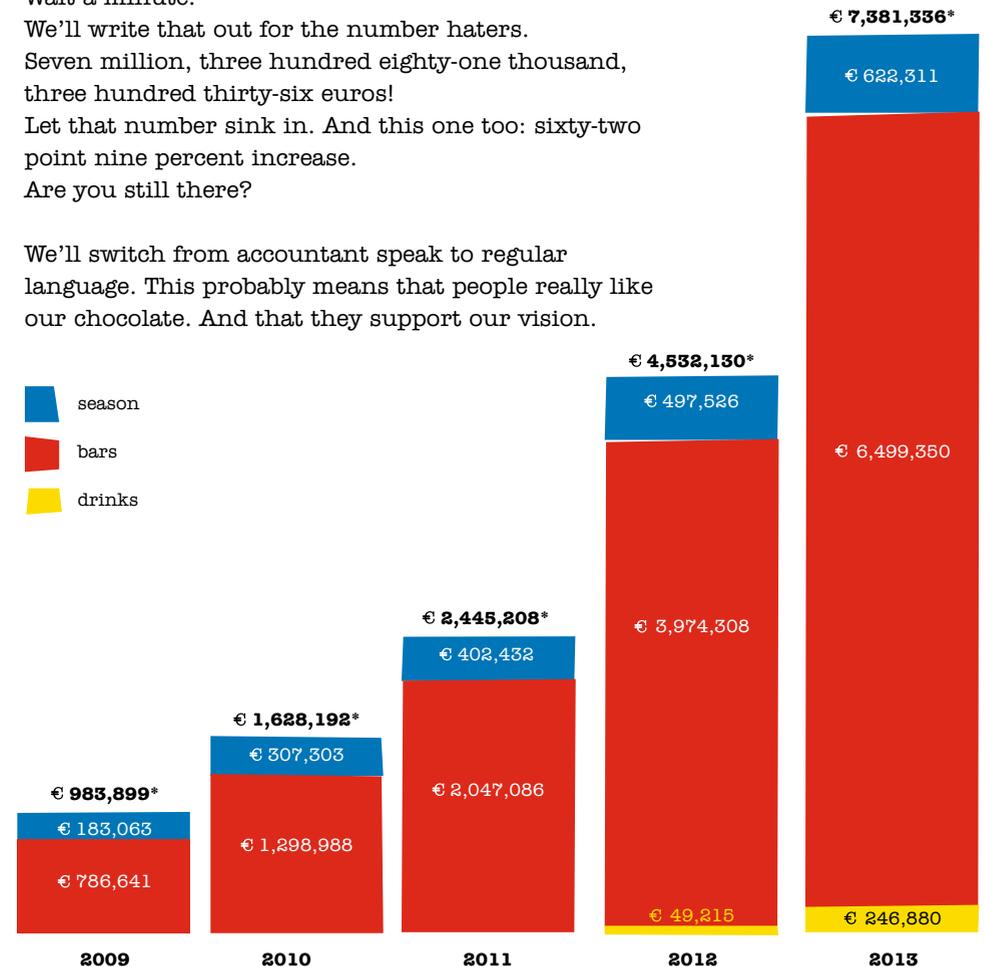
We'll write that out for the number haters.

Seven million, three hundred eighty-one thousand, three hundred thirty-six euros!

Let that number sink in. And this one too: sixty-two point nine percent increase.

Are you still there?

We'll switch from accountant speak to regular language. This probably means that people really like our chocolate. And that they support our vision.



* including miscellaneous

Balance

Now, following the fireworks, here's our balance sheet all the way up to December 31, 2013.

	2013	2012
Fixed assets		
Intangible fixed assets	215,849	143,700
Tangible fixed assets	202,788	125,174
Total fixed assets	418,637	268,874
Current assets		
Inventories	373,833	300,846
Trade and other receivables	882,171	629,187
Cash and cash equivalents	1,201	1,733
Current assets	1,257,205	931,766
Total assets	1,675,842	1,200,640
Shareholders' equity		
Issued and paid share capital	32,000	32,000
Share premium reserve	314,125	314,125
Legal reserve	127,140	57,781
General reserve	-39,740	-150,862
Result for the year	82,007	98,474
Shareholders' equity	433,525	351,518
Current liabilities		
Total current liabilities	1,242,317	849,122
Total Liabilities	1,675,842	1,200,640

Profit and loss account

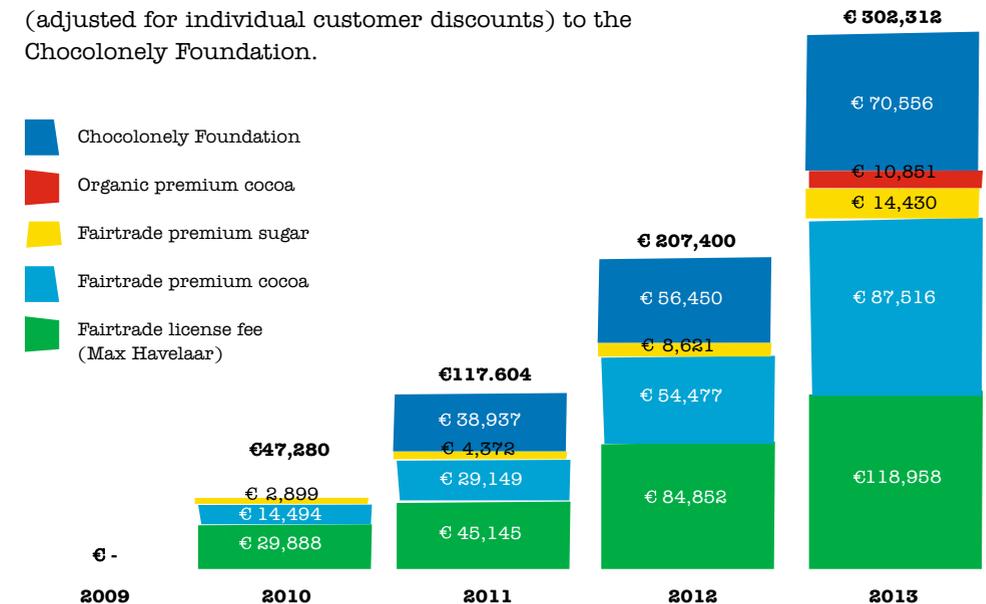
	2013		2012	
Revenue	7,381,336	100.0%	4,532,130	100.0%
Cost of Goods Sold	-4,269,195	-57.8%	-2,617,836	-57.8%
Gross margin	3,112,141		1,914,294	
Wages & Salaries	939,258	12.7%	443,509	9.8%
Depreciation	86,309	1.2%	61,321	1.4%
Other operational expenses	1,962,052	26.6%	1,268,280	28.0%
Operational expenses	2,987,619	40.5%	1,773,110	39.1%
Income from Operations	124,522	1.7%	141,184	3.1%
Interest and financing	-24,237	-0.3%	-18,120	-0.4%
Earnings before taxes	100,285	1.4%	123,064	2.7%
Taxes	-18,278	-0.2%	-24,590	-0.5%
Net income	82,007	1.1%	98,474	2.2%

Our 2013 profit before taxes amounted to 100,285 euros or 1.4% of our net revenues. We did not achieve our target of 4%. Our current and future growth required large investments in the company and team.

Voluntary contributions

In 2013, we gave a total of 302,312 euros in voluntary contributions and donations. An increase of 61.9% compared to last year. Voluntarily, because we chose to use certified materials and share our profits.

Tony's consciously and purposefully makes many different types of voluntary contributions. We are licensed to use the Fairtrade logo with Max Havelaar. The license fees are used to finance the Max Havelaar organization in the Netherlands and in cocoa producing countries. We also contribute to Fairtrade premiums which benefit the farming cooperatives and the farmers. In addition to our cocoa, we use other Fairtrade certified ingredients and products, especially sugar. For the cocoa from Ghana, we pay an organic premium of 25% because these beans are certified organic. The organic premium includes the Fairtrade premium, so we do not count that twice. Finally, we contribute 1% of our annual turnover (adjusted for individual customer discounts) to the Chocolonely Foundation.



For the benefit of our cooperatives, we continue to invest even more of Tony's Chocolonely money. For example, a portion of our funds supports the development of organizations through the implementation of the database system Cropster. But we do not count this as additional voluntary contributions. We think this should be part of our "normal" business expenses.

Have you seen enough figures, tables, graphs and incomprehensible financial terms? Good. Then onward to our plans for 2014.

ambition 2014

In 2014 we want to show even more folks that chocolate really can be made in a different way.

We want to grow our net sales to over 10 million euros. That will allow us to be buying more than 350 metric tons of cocoa beans from our farmers at Ecookim and ABOCFA. We want to achieve a healthy profit of 4%. That'll give us a little extra padding and more importantly prove that our business model is a viable alternative to the ones of the traditional chocolate companies.

We plan to reach these goals by taking the following steps:

1

Brand for thought

Through unique chocolate bars and quirky promotions we want to engage the Netherlands and beyond further in our goal of 100% slave-free chocolate. So we continue to strike the right balance between 'crazy about chocolate' and 'serious about people.'

2

Inspire to act

We continue on our way in achieving the ambitious goals on our roadmap. Specifically with the pillar "lead by example" we want to make great strides to inspire others to follow our example. Because we can't do it alone.

3

Go international

We're crossing borders to share our vision. So we've formulated our goals in English for our distinguished foreign colleagues.

4

Direct to consumer

We will strengthen our direct relationship with consumers by selling new products through the web shop.

5

Grow strong

In order to maintain our strong growth, we're investing in our internal infrastructure where it's needed.

Interested in the results? We are too! You can see if we've done it in the next annual FAIR report. And... do you want to convince us that we should create a cotton candy flavored bar? Do you have a funny story about your neighbour who's covered her entire bike in Tony's wrappers? Or do you want to chat about more serious matters? It's all possible; friend us, tweet with us, send us an old-fashioned letter, stop by or just peek through the window. We'd love it. You'll find us here:

Tony's Chocolonely

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mailme@tonyschocolonely.com

OUR ROADMAP

Want to know in detail what else we have done? Grab your magnifying glass and look with us at the following pages. These three chapters describe exactly what we have achieved per pillar in our roadmap during 2013. Wherever possible, we have formulated our long-term goals and objectives for 2014. We think this is seriously important.

start 2005

create awareness

start 2012

lead by example

**the earlier,
the better**

inspire to act



Create awareness

“All chocolate lovers need to know about the inequality in the cocoa world and actively choose for chocolate that is fair and inspire others to do the same.”

Theme	Part	Our standard	Variable (what we measure)
Tony's engages consumers	Tony's is actively looking for new ways/channels to communicate to consumers about misconduct in the cocoa sector	Tony's conducts appealing activities annually related to Serious About People	# Annual consumer campaigns regarding social issues in the supply chain
Consumers know how it is	All consumers are aware of the misconduct in the cocoa sector	Annual survey of consumer awareness as part of Tony's strategy;	% Chocolate consumers in Tony's markets that is aware of abuses in the cocoa sector, as evidenced by our own research
Fans are ambassadors	Our fans know our vision and actively share it with others	Tony's informs consumers as honestly and completely as possible, therefore they know what is happening in the cocoa chain and they actively participate in this work	% Of fans that know why and how Tony's chocolate is made

End 2012	Goal 2013	Achieved 2013	2014	Goal 2018
unequally distributed bar	N/A	Tony's Annual Fair, 200+ articles in press, 6 activities with (high) schools and universities	Tony's Fair, 2 project farm visits with consumers, 10 presentations; 2 large consumer campaigns	determined annually
Publication plan; Tony's Annual Fair, various publications	Publication plan up to date; monthly activities	publication plan not finished, various activities carried out at the consumer level	First measurement done, KPIs established, after the results are measured then the marketing plan is adapted	80%
N/A	First online meeting; Goal Jan 2014	(in January 2014 the first co-creation sessions were conducted with consumers)	First measurement done, KPIs established, after the results are measured then the marketing plan is adapted	100%

Lead by example

“Tony’s shows that chocolate can be made differently. We assume responsibility throughout the entire manufacturing process and we lead in the field. Whether it’s the growers of our beans, our customers, our suppliers, or employees of Tony’s; we want everyone to be satisfied with the way we do business. If we can do that, why can’t everyone else?”

Theme	Part	Our standard	Variable (what we measure)
The best chocolate	Complete taste profile	Recognized by expert taste-testers for having a professional, complete flavor	Professional tasting panels choose Tony’s
	Our own unique recipe	Tony’s has our own unique recipe for all products	% of the volume produced is based on our own recipe
	Fresh cocoa	Tony’s only uses fresh cocoa beans for couverture and chocolate	% from the volume produced per year is made with beans produced in the same or last season
	Quality beans	Tony’s uses high quality cocoa beans	Cut test scores
	Traceable ingredients from our partners	Tony’s ingredients are 100% traceable to and from the farmer	% of the main ingredient within Tony’s system is traceable to the farmer
	Only ‘clean label’ ingredients	All ingredients are natural and pure, so no artificial colors or fragrances, no artificial flavor additives and no genetically modified ingredients or strange chemical preservatives	% Products without artificial additives
A successful brand	Tony’s the favorite brand of chocolate lovers	Tony’s Chocolonely is the favorite chocolate brand	Awareness measured by tracker; Fame (spontaneous, assisted, suits me, fits 4 weeks usage
	Consumers think Tony’s is the tastiest bar	Consumers think we are the tastiest	% in consumer taste panel selects Tony’s in a (blind) test
Motivated team	Tony’s is the Great Place to Work	To achieve our mission, Tony’s Chocolonely has the best people in the team. All team members are highly motivated and satisfied. Tony’s aspires to be the best employer	Great Place to Work Survey (Credibility, Respect, Fairness, Pride and Camaraderie) on all components Tony’s scores 8.5 or higher
Good farmers	Tony’s own chain is slave-free	No forms of modern slavery have a place in the Tony’s chain	# misconduct found in the chain
			Number of active monitoring activities of Tony’s to exclude slavery
	Dangerous child labor has no place in the family farms working with Tony’s	# Of cases of illegal child labor	
	Strong cooperatives	Tony’s partner cooperatives are supported to become stronger and to be in a better position compared to other players in the chain	
			% Farmer organizations with clear and functioning governance structure
			% Farmers’ organizations with clear policies
			Number of activities organized by the cooperative for members
			% of the premium paid for the cocoa beans is cash paid to the individual farmer

End 2012	Goal 2013	Achieved 2013	2014	Goal 2018
flavor wheel set	blind chocolate letter test	test is carried out; Tony’s chosen as best tasting by journalism panel	professional taste panel composed	?
a) 2%	a) 65%	64%	100% of all recipes	a) 100%
chocolate milk (0.5%)	70%	40%	70% of the cocoa in the cocoa mass	100% of all beans
Not measured	Specs Barry Callebaut	general specs and analysis of cocoa beans for mass available	We have the origin and up to date reports and specs	own reports
beans:0.5% (beans from the chocolate milk and the milk), sugar 0, milk powder: 0	Beans: All cocoa beans in the 180grams bars, + results 2012 maintained	Bean to Bar cocoa mass (not yet Mass Balance Volume, 2013), cane sugar and milk chocolate, chili peppers	100% from the cocoa mass	100%
100%	100%	99% guaranteed (1% of inclusions still not guaranteed)	100%	100%
N/A	starting point	pack test done; 31% of Dutch consumers know Tony’s Chocolonely.	First measurement done, KPIs established, after the results are measured then the marketing plan is adapted	NTB
Not measured, test panel should be composed	50%	Of these, 44% are buying our bars	taste panel selected and first tests done	70%
8.9 Trust Index (79 Credibility; 82 Respect; 97 Fairness; 98 Pride; 96 Camaraderie)	8.5	9.4 Trust Index (89 Credibility; 91 Respect; 98 Fairness; 98 Pride; 99 Camaraderie)	9	9
0 (based on FLO reporting)	0 (based on multiple reports)	0	0	0 (based on multiple reports)
–	NTB	3 own visits, FLO inspection and 3 monitoring visits from Tony’s consultants	3 own visits, FLO inspection and monitoring visits from Tony’s local consultants	full monitoring and impact methodology is operational
0 (based on FLO reporting)	0 (based on number of inspections, reports)	0 based on FLO reports, 2 reports of illegal child labor from their own research	0 based on its own data collection and FLO reporting	0 (based on number of inspections, reports)
Abocfa: 100% Ecookim: NTB	Abocfa: 80% Ecookim: 30%	Abocfa: 75%, Ecookim less than 20%	Abocfa: 50% Ecookim: 15%	Abocfa: 0% Ecookim: 0%
Not measured	50%	Abocfa has no independent governance structure and no policy plan, but that is under development. Ecookim: does	All partners have a clear policy documents and approved vision, Abocfa; building a governance structure approved by members	100%
Not measured	NTB	Ecookim organizes various training, purchase of agricultural products, etc. Abocfa: Annual number of training through local NGO	Abocfa; agricultural training for all members, AGM and seedling distribution. Ecookim; agricultural training, school facilities for students, fertilizer and seedling distribution	NTB
Not measured	NTB	Abocfa: 15% from approx. 550 USD premium. Ecookim 25% from 200 USD premium	Abocfa: 25% of at least 600 USD premium. Ecookim 25% of 350 USD premium	lokal price + at least 50% of the premium

Theme	Part	Our standard	Variable (what we measure)
Good farmers	Long-term relationships	Tony's has long-term and direct trade relations with as many farmer organizations as possible	number of partners with which long-term (more than 3 years) contracts/ MoU is finalized
	A fair price	The price that farmers who are Tony's suppliers receive for their cocoa is better than the national average	Farmgate total price including premium paid is comparable to average farm gate price for cocoa farmers in country
		The additional premium that farmer organizations receive is based on Tony's Pricing Theory	There is a private independent foundation created for the amount of the additional premium. % Surcharge paid by Tony's to producer organizations based on Tony's Pricing Theory
	Adequate (social) services: working conditions, health care and education	All raw materials purchased for Tony's are according to the requirements of the certification standards in the ISEAL and where possible we go above standards	% Ingredients that is certified or meets requirements certifications
		For the farmers who work with us and their families, Tony's ensures they have access to health care	% Families of Tony's farmers have enough resources to go to the doctor if necessary % Families at a reasonable distance (x) to medical facility
		From the farming families where Tony's buys cocoa, more children go to school than the national average	% Children up to age 15 of Tony's farmers going to school. % Children up to age 15 that can read, write and count
	Yield per hectare	Tony's contributes to improving production (so the farmer has more to sell and we can make even more delicious chocolate)	% Trained by cooperative farmers in sustainable production. Average Productivity in kg/hectare per cooperative
A close relationship with suppliers	Satisfied suppliers	Tony's does an annual satisfaction survey with suppliers and our vendors are very satisfied with Tony's	Score from the research
	Well informed	Honest, complete and timely as possible with relevant information	periodic supplier research on what they need to be better informed and aware
	Reliable partner	Tony's keeps long-term cooperation agreements with its major suppliers	# Long-term relationships and an alignment of terms and conditions
		Tony's Choccolonely committed to our partners who depend on us to be the best possible partner	Satisfaction, as part of the periodic investigation for clients of relevant partners
A good relationship with our customers	Satisfied customers	Tony's takes periodic customer satisfaction surveys and our customers are very satisfied with Tony's	Scores on research
	Well informed	Tony's informs its customers as fairly, fully and timely as possible	Periodic customer research on what they need to be better informed and aware
	Reliable partner	Tony's has long-term relationships and cooperation with its key customers	# of meetings
		We are actively working together, and are critical when necessary, even to our customers	number of customers that actively participates in Tony's initiatives; All account managers are trained in critical approach
Loyal consumers	Satisfied consumers	Tony's does a yearly consumer satisfaction survey and our consumers stay Tony's fans	Scores on research
	Trustworthy brand	Open and honest communication (low or no hurdles, easily approachable, open to interacting with consumers)	(Review by 3 rd parties) # media effectiveness measurement of interaction and subject
		We are transparent (and show what we are doing)	according to GRI annual standards, # media statements about developments in the chain
Tony's responsibility doesn't stop with slavery alone	Tony's contributes	Tony's makes an annual contribution Chocolonely Foundation	% of net revenues contributed to the Chocolonely Foundation, and/or other charities
	Tony's has a positive impact on the environment	We measure our environmental impact throughout the supply chain, we reduce and offset for the entire chain and contribute to a better environment	The extent to which the current environmental footprint of Tony's entire chain is compensated. Measures taken to reduce the environmental footprint of Tony's

End 2012	Goal 2013	Achieved 2013	2014	Goal 2018
2	2	2	3	NTB
Report from 2012/2013 season	Report from 2013 available	2013; Abocfa; 10%, Eocookim 5%	Abocfa and Eocookim get an additional 25% premium compared to National Farmgate price	25% on top of national average
-	25%	Research done with True Price. Target 25% premium to current FOB price. (Ghana does, Cote D'Ivoire does not)		
80%	80%	75%	90%	100%
AgroEco-study	local research; baseline study	distance known to both cooperatives	baseline study on doctor visits. It is known how many farmers have enough resources to go to the doctor if necessary	Doctor visits: 80% (tbc) reasonable distance: 100%
AgroEco-study	local research; baseline study	distance known to both cooperatives	in both coops, it is clear how many children go to school	local research; baseline study
Not measured	at Abocfa and Kapatchiva 30% of farmers have been trained. Average harvest of 450kg/hectare	Kapatchiva; 500kg/hectare and Abocfa 350kg/hectare	100% of the farmers have received training. Productivity has increased by 25%	00% trained farmers in Abocfa and Kapatchiva, production is on average 900kg/hectare
Not measured	TBD	Not measured	results based on first known questionnaire	TBD
Not measured	TBD	Not measured	results based on first known questionnaire	TBD
Not measured	TBD	All our chocolates are made by suppliers with whom we have long-term agreements	All our chocolates are made by suppliers with whom we have long-term agreements	Tony's sourcing plan is complete and, on request, available to all stakeholders
Not measured	yearly feedback	-	results based on first known questionnaire	yearly feedback
Not measured	TBD	based on annual interviews: retail customers are very satisfied	KPIs established, external research partner chosen	TBD
Not measured	TBD	no complaints (not measured)	KPIs established, external research partner chosen	TBD
Not measured	TBD	-	KPIs established, external research partner chosen	TBD
-	TBD	-	20 customers at the fair, the entire sales team trained on feedback given	TBD
Not measured	TBD	Not yet complete, first co-creation sessions were based on results of 2013 were done in Jan 2014	First measurement done, KPIs established, after the results are measured then the marketing plan is adapted	TBD
-	TBD	Nima Award	KPIs established; first measurement done	TBD
-	TBD	Annual Fair Report, blogs about bean to bar and certification	Annual Fair and report, blogs and progress on measurable targets	TBD
2%	0.50%	1.00%	1.00%	1%
improved packaging	Understanding CO ₂ /life cycle cocoa	DMV True Price examination of the entire environmental footprint cocoa chain as its known	Multi-year plan designed to reduce environmental footprint as much as possible	Environmental costs are > 0

Inspire to act

“We are inspiring the cocoa world into action where each link in the chain needs to take responsibility and commit to producing 100% slave-free chocolate.”

Theme	Part	Our standard	Variable (what we measure)
Tony's support awareness in West Africa	Aware everywhere	Tony's creates awareness about social misconduct in the industry and in producing countries	Number of activities supported by Tony's Chocolonely (and/or Foundation) in West Africa with attention on awareness raising
Tony's in talks	Learn from other initiatives in the market	Tony's is always open to new ideas and critical feedback, also from competitors	Tony's expert panel is operational and # meetings. Tony's following a % advice expert panel advice
	Actively seek dialogue with other parties	We are always open to dialogue and feedback from experts and key players in the chocolate industry	# Discussions with relevant players on our supply chain and slavery in the sector
		We actively participate in industry meetings in order to engage in dialogue with competitors	Active participation in national and international industry meetings
A successful business case	Turnover	By scalability of our business model, we can show a credible alternative	Revenue growth compared to previous year
	Profit	With a clear profit model, we demonstrate how to be credible alternative	Net profit per year
Tony's publishes and presents its knowledge	Presentations and publications on Tony's business model and way of working	We share our vision and business model with many parties as possible	# Presentations on Tony's model for relevant partners and leading media
			# publications Tony's model and social issues in the supply chain for relevant and/or leading media.
	Active collaboration with other industry partners from government to business	To have maximum impact, we go as far as possible to cooperate with other parties to work together to have more leverage	# collaborations
	Annual Fair Report	We present our annual results as openly and transparently as possible	Tony's Annual Report published on June 1
Beyond certification	Certification creates impact	Certification is a tool for development; We only work with the initiatives with the best impact opportunities and actively lobbying for impactful changes in certification systems	Annual Analysis impact of different systems. # Changes in international certification systems where Tony's has contributed
	Tony's Premium works	The premium paid to Tony's cooperative/farmers creates more impact than certification premium only	% Price premium received by farmers over conventional price (farm gate price) and the impact of premium utilization by cooperative
	Certification efficiently	Our contribution to certifiers and other control mechanisms must be spent efficiently and deducted where possible	% Of net sales to be paid; % Of payment paid to Producer development
Companies follow the example	We inspire others to fight for a better chain with us!	Other enterprises and initiatives to share and support Tony's business philosophy	# companies/initiatives which have embraced (part of) Tony's business model

End 2012	Goal 2013	Achieved 2013	2014	Goal 2018
-	Media campaign Cote D'Ivoire	Media campaign Cote D'Ivoire (Foundation) campaign posters Ghana (Tony's)	Support 2 campaigns	Support a minimum of two annual campaigns
0	Expert panel created	Plans made on how to work together	Panel has been assembled and gathered at least 1 time	Panel will meet at least two times per year
0	NTB	B-corp, Social Enterprise; True Price research, diverse informal talks and collaboration with SED	participation in international conferences	NTB
1	2 x active participation	Choco Group working in NL; hearing in congress (Tweede Kamer); participation Restoration Value Chains.	WCC meeting, chocolate workgroup and member of WCF	Actively organizing events and with an active voice on stage
86%	50%	62%	50%	50%
4%	4%	1%	4%	4%
4	6 presentations for companies and relevant media	Rabobank, Ahold, Universiteit Amsterdam and Utrecht, Barry Callebaut	8 presentations for influential and relevant companies; divided by sector	TBD
Not measured	TBD	diverse publications	4 publications in relevante media	TBD
Not measured	TBD	Max Havelaar, Progreso, Barry Callebaut	cooperation in sourcing with two companies. Member WCF	TBD
no	yes	yes	Annual Fair before 1 June	yes
NTB	Max Havelaar contribution declines, approval and commitment of more efficient FT premium in West Africa	Conversations with FLO Cert on Premium payment in West Africa; meeting on code revision in Bonn	publishing opportunities and different systems, clear conditions for FLO	Certification System Tony's uses are assessed by the farmers as the most efficient model
FT premie betaald	Abocfa: 25% for cooperative; 15% on top of farmgate, Eeookim: 25% for cooperative; 20% on top of Farmgate	Abocfa 25%, Eeookim 200 USD/Mt; premium spending is clear.	Depending on quality and certification; at least 10% premium	25% voor coöperatie,
1.88%	1.88%	1.88%, of which 6% is spent on producer development	1.5%, of which 15% is spent on producer development	0.5%, where 50% is spent on producer development
own business model shared for the first time		0; active communication; initial interest from companies	3 companies with which we cooperate actively	NTB

THANK YOU:

to everyone who cultivates cocoa for us
to everyone who grows sugar for us
to each cow that produces milk for us
to everyone who makes chocolate for us
to everyone who wraps our chocolate bars
to everyone who sells our chocolate
to everyone who eats our chocolate and drinks our chocolate milk
to everyone who works with or for Tony's Chocolonely
to everyone who has helped us – in any shape or form
to everyone who embraces our vision
to everyone who takes action
thank you
we can not do it alone
if we can return the favor, please let us know.

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