

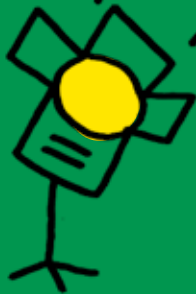


TONY'S

CHOCOLONELY®

FAIR

annual report
2014/2015



look at
'm shine



Ten years of making chocolate 100% slave free

we're now ten years on the way to 100% slave free chocolate. We've been supported, encouraged, challenged and eaten. We now know how difficult it is to change an industry. We have grown enormously and achieved results. Here's our timeline:



2010

Our bars are available in more and more stores, including supermarkets. Our revenue grows considerably from this point onward, which also sharply increases the amount of cocoa beans we need.

2011

None of the objectives of the Harkin-Engel Protocol (2001) are fully achieved. In the protocol big chocolate manufacturers promised to eliminate the "worst forms of child labor" in the cocoa sector.

2009

We started the 'Tony's in Africa' project: a study of the cocoa supply chain and ways to improve Fairtrade certification.



2012

Our bar becomes unequally divided, because it's strange for a chocolate bar to have equal pieces while the industry is still so unfairly divided. We develop our Roadmap on the way to 100% slave free chocolate.



2005

The first Tony's Chocolonely bar comes on the market, after episodes of the Inspection of Value about child slavery on cocoa plantations in West Africa. Milk chocolate in an alarming red wrapper. Fairtrade and '100% slave free.'

2006

Tony's goes official and registers with the Chamber of Commerce.



2008

The Chocolonely foundation is set up. Nowadays 1% of net turnover from Tony's Chocolonely is going to projects that support a slave free chocolate industry.



2007

We learn a hard lesson: fairtrade isn't the same as slave free. Our founding father, Teun van de Keuken, sees in Ghana that the impact of Fairtrade certification is limited. We change '100% slave free' to 'on the way to 100% slave free chocolate'. Another setback: Teun is morally correct in his lawsuit against himself as a chocolate criminal but the court won't prosecute him because they'd have to prosecute everyone who eats chocolate.

2013

We start a long-term partnership with two partner cooperatives in Ghana and Côte d'Ivoire from whom we buy for our first traceable Bean to Bar cocoa beans. We also initiate our first impact study. And we organize the first Tony's Fair where we present our first Annual Fair Report.



2014

In addition to the Fairtrade premium we now also pay an additional Tony's premium to cocoa farmers. We pay 25% more than the farmer usually gets. This is the result of a study by True Price researching the price of cocoa that will pull farmers out of poverty. And Tony's bars cross the border into Belgium and Finland.

2015

We celebrate our tenth birthday and because of our enormous growth over the last 10 years we start a partnership with a third cooperative in Ghana, increasing our impact to 1,200 farmers. We need to grow more to make a bigger impact, so Tony's goes to the USA!



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HELLO.

Proudly presenting our third Annual FAIR Report. You might think the third in a row is a piece of (chocolate) cake. But you'd be mistaken. This time we wrote our report according to (drum roll, please) international guidelines for sustainability from GRI, the Global Reporting Initiative. BAM! BAM! BAM! 3x double word score.

What you've always wanted to know

Let's get started. We investigated which subjects were important for us to report on. What did we hear through social media, from customers, journalists, and cocoa farmers in West Africa? Those conversations are the basis for this Annual FAIR Report. We'll show you what we do (and what we don't). We're open about what worked (and what didn't). You'll read about our goals, our strategies and results. And hopefully our story will inspire other companies and social enterprises.

About the past 21 months

This Annual FAIR Report covers the last 21 months from the 1st of January, 2014 through September 30, 2015. We've shifted our fiscal year to sync with the beginning of the chocolate sales season. Going forward our fiscal year will start in October and end in September.

Doesn't anything stay the same?!??

Geez! You must be thinking, 'that's a lot of change!' Is anything left?! Of course there is! And as always, the Annual FAIR Report makes its debut during Tony's Fair, this year on November 19, 2015. Quite a special day because it's our birthday and it's the premiere of the film *The Chocolate Case*.

We're turning 10 and friends, family, cocoa farmers, consumers, customers, suppliers and anyone who is up for a party is welcome to come celebrate with us! In this Annual FAIR Report we'll also take a brief look back over the last 10 years.

One more thing

As you look through our Annual FAIR Report keep this in mind: we want to hear what you think of our ideas, strategy and results. Our email address is mailme@tonyschocolonely.com. You can find us on Facebook under [TonysChocolonely](#), on Twitter we're [@TonysChocoUS](#) and on Instagram [tonyschocolonely_us](#). Give us a shout!

Team Tony's

“PARTY!”

“It’s party time. I sit in a circle of about 70 Ivorian cocoa farmers under a canopy of cocoa trees. My Tony’s colleague, Arjen, and I have just been crowned “Reine et Roi de Blaisekro”; queen and king of Blaisekro. On behalf of Tony’s Chocolonely, Arjen and I visited a farmers cooperative in Côte d’Ivoire (aka the Ivory Coast) and were presented with gold embroidered clothing, jewelry, slippers and even a chicken and a sheep! An enormous honor and I will never forget the special ceremony. I was awestruck by this unique celebratory honor. Two completely different worlds converged through the decade directly connected to each other through the cocoa in our chocolate.

It’s precisely this direct relationship with the West African cocoa farmers that sets us apart from all other chocolate companies. There are still major problems in the long supply chain of cocoa farmers who can barely live off what they grow, and adults and children who have no choice but to work illegally and under horrible conditions. Tony’s Chocolonely’s aim is slave free chocolate; a living income for the farmer. Unfortunately, we’re not there yet. In fact, the number of slaves working in the cocoa sector illegally in West Africa has reached an all-time high.

Sure, the major players in the chocolate industry committed in 2001 to eliminate the worst forms of child labor and forced labor in cocoa. They signed the Harkin-Engel Protocol. It didn’t help – despite the promised commitment. No one worked seriously to solve the problems. Out of this frustration Tony’s Chocolonely was established, founded by a television show “Keuringsdienst van Waarde: (“Food Unwrapped”). A chocolate company was born. And with a huge ambition: 100% slave free chocolate; not only Tony’s Chocolonely chocolate, but all chocolate worldwide.

And here we are. It’s 2015 and we’ve been around for 10 years. How close are we? 100% slave free chocolate is still far from the norm. Yet we’re proving that it can be done differently and demonstrating how to do it.

Our roadmap to slave free chocolate breaks it down into three pillars: making all chocolate lovers aware of the unfairness in the cocoa sector, setting an example as a business that makes commercially successful chocolate in a responsible way, and inspiring the cocoa world to step up and take action.

Over the last few years we’ve made enormous progress on the first 2 pillars. 2014 and 2015 were (again) years of massive growth for Tony’s Chocolonely; not only growth in revenue, numbers of bars sold and naturally the amount of cocoa we process, but also the number of farmers that we work with in West Africa and the number of people that we reach in and outside of the Netherlands.

We’ve worked for years with two West African cooperatives in Ghana and Côte d’Ivoire. To keep pace with our growth we’ve added a second Ghanaian farmer cooperative, Suhum Union, and we’ve started production of bars in a second chocolate factory in Belgium. We’ve expanded the team in Amsterdam and there’s been a changing of the guard. I’ve taken over the daily management of Tony’s from Henk Jan Beltman. Henk Jan is now responsible for business development, for example the launch of Tony’s in the US!



Arjen and Eva among cocoa farmers, newly crowned King and Queen of Blaisekro.

Next year, we have to succeed with our cocoa butter. And it’ll be cause for celebration because we’ll be able to reach more cocoa farmers... and make our famous white chocolate raspberry with carbonated sugar bar again!

Another one of our challenges is inspiring the cocoa world and chocolate industry to change. Bigger companies have more responsibility because their practices impact the lives of so many cocoa farmers and their families in West Africa. We’re proving that it can be done. Our standard for cooperation between chocolate companies and farmers can be translated into five principles. Not the least of which is mobilizing more people to work towards our mission. In addition to industry and consumers; government, politics, science and retailers play a critical role. Only by working together can we reach the goal of 100% slave free chocolate. Not only in the Netherlands, but worldwide. That’s precisely why the launch of Tony’s in the United States is such an important milestone.

To conclude. I love that I, as the First Lady of Chocolate (though it doesn’t quite have the same ring as Reine) may lead Tony’s Chocolonely; an amazing team of motivated and motivating people, who work daily towards 100% slave free chocolate. I am proud of what we have achieved and even more proud of what we have planned for the future. That’s why Tony’s turning 10 deserves a birthday party. In November we’ll celebrate our birthday with all the people that support us, cheer us on, challenge us, and eat our chocolate. And tomorrow, full of beans, we’ll be back on our way!”

Eva Gouwens, First Lady of Chocolate.

chapter one:

HEY, YOU!

and you, and you, and you, and you

We are very serious when it comes to people, they're fundamentally important to us. It's unique that this also applies to our stakeholders. Ummm... stakeholders?!? Yup. The people and organizations who influence us or who are influenced by what we do.

Tony's is interested in our stakeholders: consumers, employees, cocoa farmers and retailers who sell our bars. Only by working together can we make our vision of 100% slave free chocolate a reality. There's always a chance that we've convinced ourselves that we're on the right track and setting the right priorities. Are we well-grounded? Feedback is critical. That's why we keep the conversation open. It gives us a chance to explain why we made certain choices.

Here's a list of the main players – the stakeholders – within our chocolate supply chain in order of importance:



team Tony's (our staff) **the cocoa farmers and their cooperatives** **consumers** **customers** **suppliers**

Team Tony's

Tony's team is the most important. We put ourselves first, because we believe if the best people come together to work as a team to change the chocolate world, then we build the organization that we've imagined. And with that we'll be able to turn our aspirations into concrete reality. We gather structured feedback from our team from our annual, internal, and anonymous work quest-cheer-naire. We also regularly organize sessions on serious topics and quarterly meetings with our team.

The farmers and their cooperatives

The cocoa farmer and his cooperative take second place. These cooperatives are a special sort of organization that promote the business interests of its members, the cocoa farmers. For example, a cooperative might negotiate the sale of cocoa beans or the purchase of fertilizer.

We've built direct and long-term relationships with the farmer cooperatives, working together for a minimum of five years. This ensures the farmers in Côte d'Ivoire and Ghana a stable selling market. Our long-term relationship thus paves the way for investment. We pay a better price for our beans than other buyers. And thanks to email, phone and Skype, we communicate almost daily. We make regular trips to Côte d'Ivoire and Ghana and head directly to the management of the cooperatives. They tell us what they think is important and what can be improved. We're also there in person at the annual meeting of the cooperative when all the farmers come together. We can keep things close to our hearts and have earned their trust, which allows us to do independent research on child labor and slavery. Next year we aim to place a more permanent representative of Tony's in Africa.

Consumer

Tony's wouldn't exist without our consumers. Our Tony's fans are extremely important to us. You buy our chocolate, share our story and make us a success. Thanks to you the chocolate industry's interest in our story and our approach is increasing. Open and honest communication guides us. We're transparent and clearly communicate what we're working on. One of the ways we do this is with our Annual FAIR Report. We're also increasingly seeking out dialogue and interaction with friends and fans. We do it on Facebook, Twitter and during Tony's Talks throughout the Netherlands. Every day through email, phone calls and post we receive tons of questions, feedback and encouragement. This feedback is indispensable. Through it we learn what our consumers find important and what we need to communicate more clearly.

Customers

The same applies to the sellers of our bars, our customers. They're also a vital link in the chocolate supply chain. We actively work with them and assist where we can. It's important to us that our customers view us as a trusted partner. If necessary we provide each other with constructive criticism. We reflect on our collaboration and our performance. As a rule we try to visit all our customers. Over the past year many of our large customers visited our office and our new chocolate kitchen! Our customers don't just sell our bars, they're crazy about 'em too!

Suppliers

We also want to be a trusted partner for our suppliers who, for example, make our bars or print our wrappers. We work hard on it. We make long-term agreements with our suppliers and are committed to being the best possible partner for those that depend on us. We regularly ask about their satisfaction regarding fairness, and complete and timely delivery of relevant information. Is that a little too vague? Here's an example: information about new products, required quantity, and delivery dates. This info is the basis of a daily exchange with our customers. Information about our company, our mission and what we find important in our collaboration is the basis for an annual discussion with our largest suppliers.

Other Stakeholders

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

And what do we do with all this feedback?

How do we determine what goes into the Annual FAIR Report and what doesn't? Simple. We listened carefully to the people close to Tony's; our stakeholders. And then we sent a questionnaire to all our email subscribers asking what they'd like to read in our Annual FAIR Report. The response was beyond all expectations: 2,230 people responded. We've consolidated their responses into this report. What did we hear? A lot that was useful or positive, some that was critical, and some folks just wanted to know when the white chocolate raspberry with crackling sugar will be back.

Tony's presents: The Materiality Matrix

The materiality matrix is a useful tool to show which topics are important to stakeholders and which topics are important to us. The matrix is made up of four



quadrants. On the horizontal axis you see the importance to Tony's, on the vertical axis the importance to stakeholders. Topics that fall into the upper right corner, are the most material (It's actually a little more complicated, but that's the gist of it).

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

- Financial results. Good financial results are important for our survival and thus achieving our vision. We are a social enterprise and want to set a good example for other companies. Commercial success and sound financial performance helps us to inspire other companies to follow our example.
- Team Tony's. The quality of our team is crucial for us in achieving our mission, but it's less important for our stakeholders to read about. We've still included a section on the team but it's more concise than in previous years.
- Environmental issues. Communicating our green impact is much more important than we had imagined. Stakeholders have high expectations on all aspects of a company like Tony's. Our focus is 100% slave free chocolate but in addition we deal carefully with nature and the environment. Last year we thoroughly evaluated our green performance and have already begun tightening policies where necessary. And we'll continue in the coming year.
- Chocolate and health. The amount of sugar in chocolate popped up in the news in the past months. In our survey it didn't emerge as an important issue. But we want to be honest: chocolate is delicious, but not healthy. Better to share. We'll develop our policy in the coming year.

The matrix is objective and measurable. The model of gathering info and putting us to the test is new to us and we'll be developing it further in the coming years.

There's a lot in this report, but there is also a lot that isn't. You'll find the focus is on our company in the Netherlands and the cocoa farmers that are the first link in our chocolate supply chain because it's precisely their position we're working to improve.

chapter two:

NOT EVERYBODY IS HAPPY

.. the problem

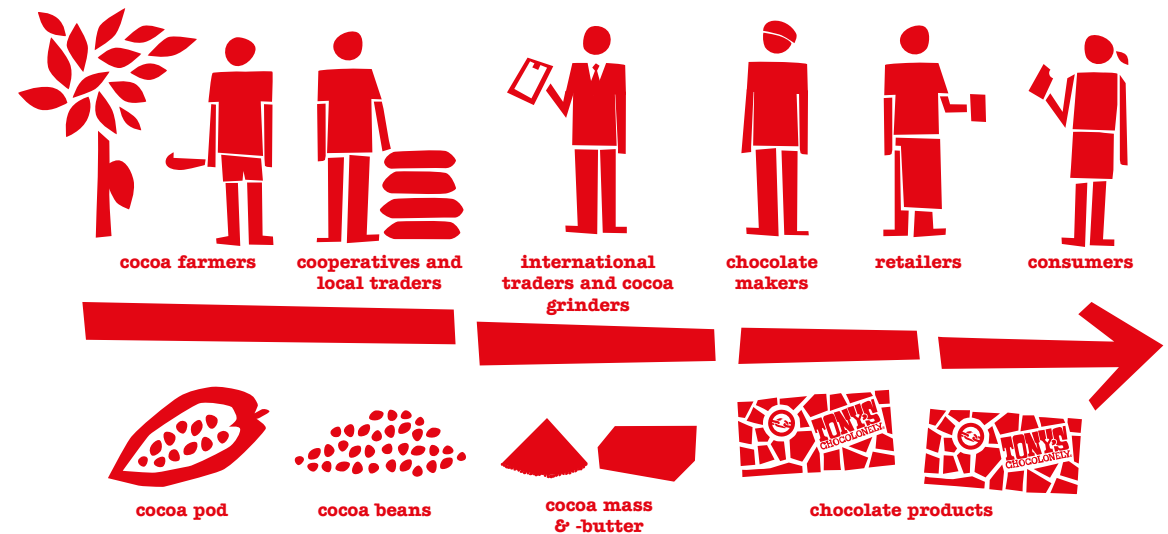
In this chapter, we'll take a closer look at slavery in the West African cocoa sector – the issue which is at the heart of why we exist. We'll reveal how the cocoa chain currently works and how the existing efforts of the industry will not be the solution to the key problems. Finally, we'll address international requirements and standards for sustainable and traceable cocoa. Get ready for Chapter 2!

.. money and power are unfairly distributed

At Tony's we want to make everybody happy with chocolate. Not just you, your BFF, your grandmother and your neighbor. Also Kofi, our cocoa farmer in Côte d'Ivoire and his colleague, Jacob, in Ghana. Right now, the farmers have no reason to be happy yet. Only a small percentage of the amount that you – as a consumer – pay for a bar of chocolate goes to the farmer. Their income is shockingly low. Why?

How does the cocoa supply chain work?

The supply chain is long and complicated so we've simplified it a bit. Each link in the chain is shown as a separate entity, but in practice there are companies which perform multiple steps in the process.



From cocoa bean to chocolate bar

Cocoa grows best near the equator; South East Asia, Central America and particularly in West Africa. West Africa is the main producer of cocoa providing more than 60% of the world's annual production. 4.2 million tons of cocoa come from Côte d'Ivoire and Ghana. These two countries alone are home to approximately 2.5 million cocoa farmers. That is roughly equivalent to 1000 kilos of cocoa grown per farmer per year. Cocoa farmers typically have a very small farm. Over 90% of farmers have less than 10 acres of land to grow their cocoa. Compare that with the average Dutch farm of 100 acres!

Cocoa farmers grow and harvest the cocoa pods. They manually open the tough shell of the pods and extract the wet beans and let them ferment. Then they dry the fermented beans in the sun. You can imagine it's a very labor-intensive process.

Local traders, farmers cooperatives and/or exporters transport the cocoa beans from the farms to the port and buyers.

The dried cocoa beans are predominantly bought by a few large companies: cocoa traders and chocolate makers. Because of mergers and acquisitions, there are fewer and fewer of these companies and those that remain are giants. So yeah, there's an oligopoly of multinational companies dominating the cocoa supply chain.

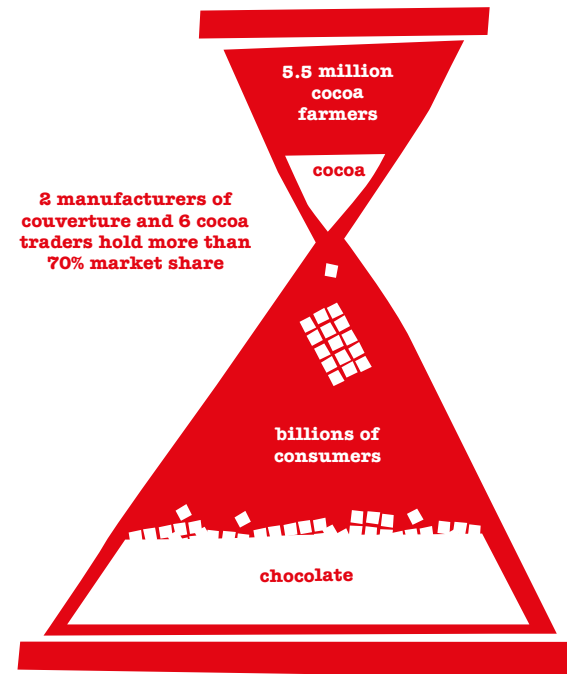
The traders and producers process the dried cocoa beans into cocoa mass and cocoa butter, and finally into couverture (liquid chocolate). Did you know that more than 70% of all couverture is made by only two companies; Barry Callebaut and Cargill?

Manufacturers process the liquid chocolate into chocolate products. To make the chocolate they can add tasty extras like hazelnuts, or caramel and sea salt. Then the liquid chocolate is poured into molds, cooled and packaged for sale; for example as a chocolate bar. In millions of stores worldwide chocolate products are then sold to billions of consumers.

You can see: the supply chain looks like an hourglass.

The cocoa supply chain is shaped like a classic hourglass. Millions of cocoa farmers at the beginning of the chain, a few large multinationals in the middle and billions of consumers at the end.

The cocoa traders and processors make little distinction between certified and non-certified cocoa. Most cocoa goes into a big pile to be used by Western chocolate giants. The farmers in Ghana and Côte d'Ivoire receive a standard price per kilo with no benefit for work on issues such as quality and professionalism.

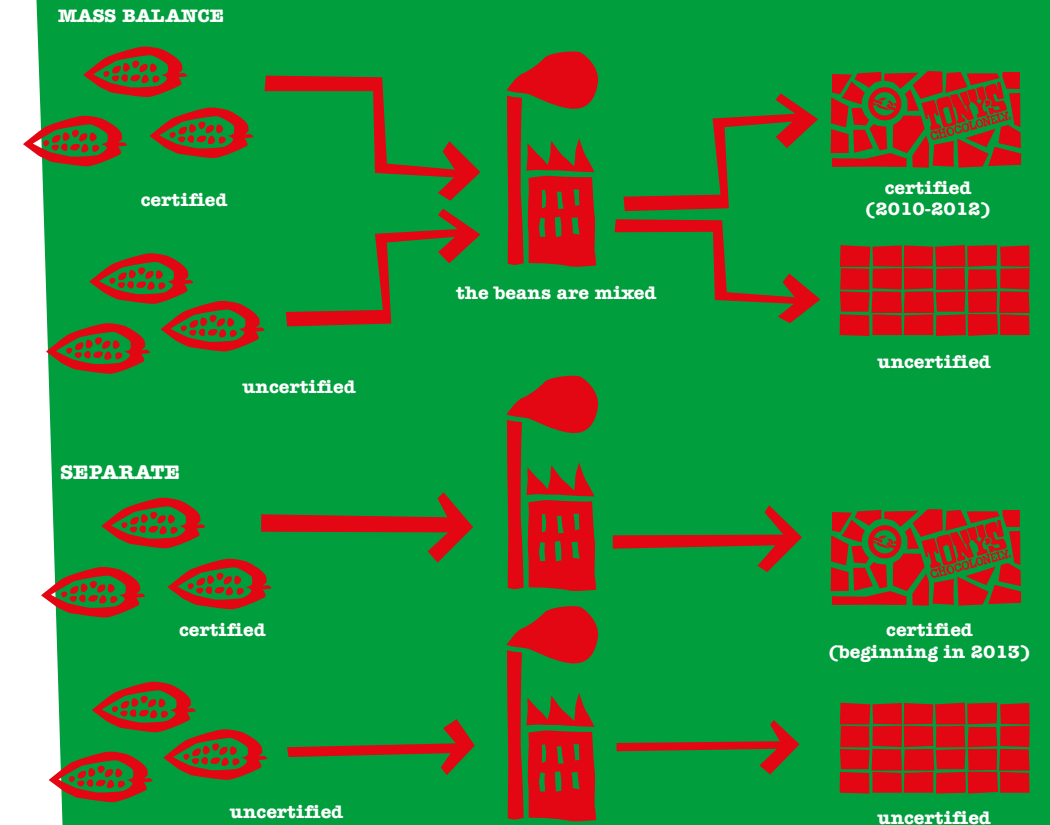


Cocoa prices: who gets what

2014 and 2015 were characterized by a large increase in cocoa prices on world markets caused by the fear of a failed harvest in Ghana. In addition, speculators influenced the price artificially to make a profit. The cocoa farmers noticed the increase in price but unfortunately they saw little benefit from the high prices. Ghanaian and Ivorian authorities fix prices at the beginning of the harvest season. And even though prices for farmers rose in the 2014-2015 season, the effect was largely lost to inflation (especially in Ghana).

Explanation: mass balance and segregation of cocoa beans.

Did you know that certified chocolate bars also contains non-certified cocoa (e.g. Fairtrade.) and vice versa? If you buy certified chocolate, you can be certain that somewhere in the world the quantity of certified beans needed to make your bar was purchased. It's just not physically in your bar. It's really not. They say it doesn't make a difference to the farmers. This applies to almost all certified chocolate sold in the supermarket.



“It’s impossible to separate certified and non-certified cocoa. Not in the country of origin and not in the production of chocolate in Europe. Segregation would make the process so expensive that the final product becomes too expensive. That would be detrimental to the cocoa farmers.”

We disagree.

Of course the separation of certified ingredients takes time and money, but that applies more to the European producers. In the country of origin the additional effort and associated costs is minimal. We believe that the many benefits of a direct relationship outweigh the costs.

Last season, the price of cocoa in Ghana and Côte d'Ivoire was fixed at approximately € 1.30 per kilo of cocoa beans. With an average annual yield of between 800 and 1000 kilos of beans, many farmers do not earn more than € 1300 per year. That's about € 110 a month. In a family of five to seven people this is less than one euro per day per person. That is well below the poverty line of two dollars (about € 1.80) per person per day! And it stands in stark contrast to the billions in profits earned by a handful of traders and cocoa processors.



This is how the cocoa farmers live (Blaisekro, Cote d'Ivoire).

What portion of the value of a chocolate bar should go to the farmer? Well, opinions differ. We believe that everyone in the chain deserves a fair share of the value of a bar. But that's not the case. The major players in the chocolate chain work with fixed percentage margins. They don't look at what's a fair price for a product. No. Different parties in the chain calculate a fixed percentage of the total price. This actually also applies to all products in the supermarket.

Here's a clear, yet painful example. If Tony's pays 10% more to the West African farmer, the cocoa factories and supermarkets maintain their percentage margin and earn an additional 10% over and above their previous profit. You guessed it: the chocolate bar increases 10% in price throughout the entire supply chain. The final price increase at the end of the chain is much higher than the amount that reaches the farmer.

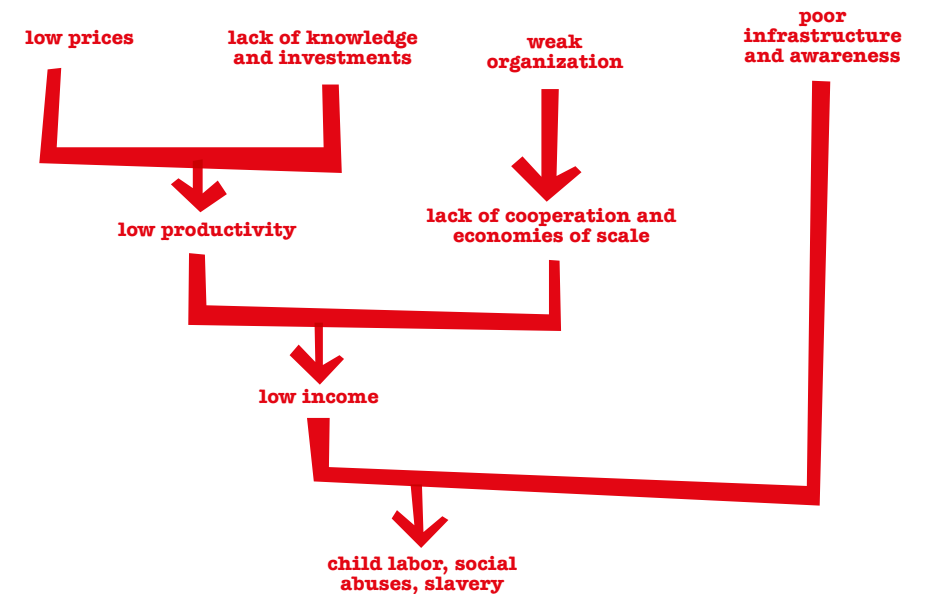
Our position: we shouldn't use percentage margins, but consider what is a fair compensation for each partner.

The farmer is part of a vicious circle

And it only gets more complicated, because the West African farmer has a relatively low production. Most farmers only harvest 30% to 40% of what they could potentially produce. They don't have the right knowledge to properly cultivate cocoa and maximize the harvest. But even with professional farming technology, the current cocoa prices would not be sufficient to pull a farmer out of poverty. Not even if we include the additional premiums farmers can get for certified cocoa.

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

The cocoa farmer's poverty trap



Poverty, crises and instability affect the infrastructure in West African countries negatively. After rain the roads are impassable making it difficult for farmers to travel in order to purchase raw materials or to take the cocoa to market. Thus their sales opportunities are limited and they are often dependent on others. In short, the cocoa farmer is trapped in a vicious circle: low productivity, extreme poverty, lack of teamwork, child labor and slavery. Wait a minute ...child labor and slavery? Yes, you read that correctly.

How big is the problem?

It's difficult to make an accurate calculation of the number of people working in the cocoa industry in West Africa. Farmers aren't required to register. There is no county clerk or record keeper and there are no ownership documents. Many people are not even registered when they're born and have no birth certificate. But thanks to investigation by, among others, Tulane University and the US government we have good estimates:

In Ghana and Côte d'Ivoire, there are about 2.5 million farms in the cocoa sector. 2.3 million children work on these farms (Tulane report 2015), often on their own family's farm.

Child labor

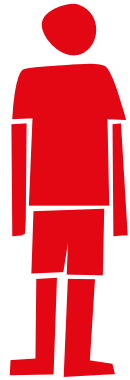
Of the children working on cocoa farms 90% work under illegal conditions. That's more than two million children; more than ever before. And although there was a slight improvement in Ghana in recent years, this is largely offset by increasing illegal child labor in Côte d'Ivoire.

2.26 million children working, legally and illegally



2.03 million of these children are victims of dangerous work and illegal child labor

source: Tulane University 2015



90,000

children (and adults) are victims of forced labor and modern slavery (our estimation is based on multiple sources a.o. general numbers of Global Slavery Index 2015)

The fact is that not all children work illegally. A child working safely on his parents' farm before or after school is not an issue (e.g. gathering cocoa pods from the ground). In fact, he or she helps the family while learning the ins and out of the family farm. But it becomes a problem when a child is doing hazardous work or can't go to school because of work. Often children have to carry heavy loads, use dangerous tools (large machetes) and are exposed to chemical pesticides. They do work which prevents them from going to school or work for which they are just too young.

Most children don't work full time but a few hours per week, or only during the main harvest period. The fact that there is so much illegal child labor in the year 2015 is shameful. More than 90% of all West African children who work on cocoa plantations work under illegal and dangerous conditions. For our chocolate! Let that sink in. We're talking about more than 2 million children.

And it's not only children. Adults are also victims of labor abuses. In recent years there have been no new reliable studies on human trafficking and slavery in the cocoa industry. But based on general studies and observations of slavery in Ghana and Côte d'Ivoire we estimate that there are around 90,000 victims of human trafficking, forced labor and extreme exploitation. That would be 1600 city buses full of slaves for our chocolate! The vast majority of which are children.

What is modern slavery?

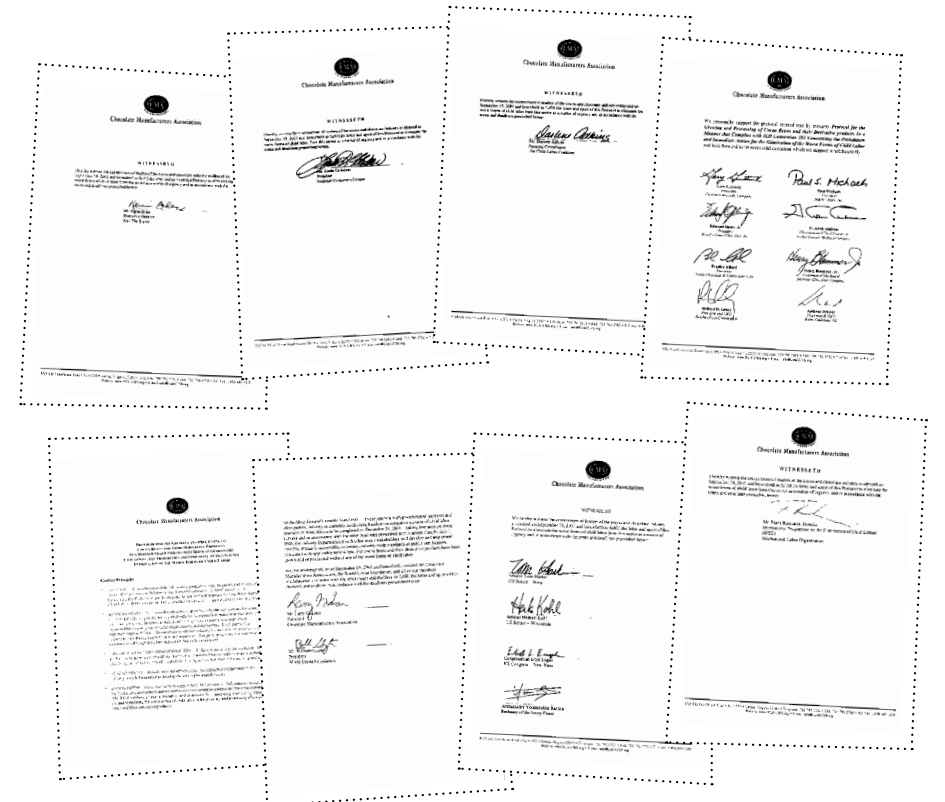
There is no international consensus about modern slavery. One calls it slavery, the other forced labor or slave-like work. Many organizations count the worst kinds of child labor as defined by the ILO, and some only include human trafficking in their definition. But one thing everyone agrees upon is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

We consider all forms of forced labor or exploitation to be modern slavery, including the (unconditional) worst forms of child labor.

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

Efforts and Solutions in the Cocoa Industry

The cocoa industry is showing some progress when it comes to tackling slavery. There are initiatives such as CocoaAction and the International Cocoa Initiative. The latter derives partly from the commitments made in the Harkin-Engel Protocol.



The Harkin-Engel Protocol was signed almost 15 years ago. The goals are far from being reached.

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



Mural against child labor in the Côte d'Ivoire by Kapatchiva.

Last year, independent experts in the field of child labor and cocoa investigated child labor and slavery in Tony's cocoa supply chain. This research was carried at our request. The experts collected information through interviews, for example with Ghanaian teachers, who told that during the harvest season sometimes children were absent from school. In Côte d'Ivoire, there were group discussions with children of farmers (with parental consent of course). In addition our trained internal inspectors visited 90% of the cocoa farmers from our farmer cooperatives. All of the information was analyzed with the help of a digital data collection system.

And what did we find?

Within Tony's partner cooperatives we can say with almost complete certainty (yeah, we almost scientists) that there is no slavery. But we do know for certain that especially in Côte d'Ivoire (in the region where we cooperate with farmers) there are still many indications that slavery and forced labor are present. Though it is emphatically not an issue in our cooperatives.

Unfortunately, there may still be cases of child labor in our supply chain. Our own research revealed at least 11 farms where children worked with their families under

conditions that are technically not permitted. In many of these cases children couldn't attend school because of the death or illness of a parent. These children work on the farm out of sheer necessity. Other cases are from lack of knowledge. The farmers didn't know that the work their child was doing is considered dangerous.

What do we do if we suspect child labor? Together with the community and the cooperative we search for a solution. For example, farmers get extra training about work safety with a focus on how children can safely contribute outside of school hours. We also support education in the area so children have better access to education. We do this together with the Chocolonely Foundation, the charity through which we support many different projects.

We effectively brought the 11 cases of child labor in our supply chain to light. Although we've never seen it, 12.5% of the children interviewed in our study report that they have used a machete. This isn't permitted for children under 15 years. To put it in perspective, more than half of all children working on cocoa farms do this sort of dangerous and illegal work according to the most recent research on the state of affairs in the cocoa industry. It's good news that our farmers are doing better than the average in Côte d'Ivoire and Ghana, but that's no reason for us to rest on our laurels. In fact, it motivates us to continue working towards our goal of no child in the cocoa industry working under illegal or unsafe conditions.

Harkin-Engel Protocol

In this agreement from 2001, the directors of the major chocolate multinationals take personal responsibility for eliminating the worst forms of child labor including child slavery in the West African Cocoa Industry. The protocol laid out a non-binding agreement for the cocoa industry to self-regulate with no legal implication for violation; and the protocol is now almost 15 years old. In 2010, Tulane University investigated the protocol's effectiveness. The conclusion was harsh: the goals were far from being reached. It's time for additional commitments. One of these is the Framework of Action to support the implementation of the Harkin-Engel Protocol.

Framework

The Framework is the less ambitious supplement to the Harkin-Engel Protocol. Its goal is to reduce the worst forms of child labor 70% by the year 2020. Is it going to work? In 2015, Tulane University put it under the microscope. The conclusions are bleak. Although there is a small but measurable improvement in Ghana, the situation in Côte d'Ivoire has deteriorated when you look at aggregate numbers. With the current approach and industry practice there is no chance of success. Child labor is at an all-time high and a lot needs to be done to enact change.

CocoaAction

The World Cocoa Foundation working together with the 11 largest cocoa and chocolate giants launched CocoaAction. This is a collaboration to train 300,000 farmers by 2020. The partnership is focused on improving productivity and the livelihoods of the cocoa community. We applaud the cooperation of the cocoa industry on a larger scale, but unfortunately their goals are not very ambitious. 300,000 farmers is only 15% of all farmers in Ghana and Côte d'Ivoire. For now, it's just a drop in the bucket..

International Cocoa Initiative (ICI)

Het International Cocoa Initiative dates from 2001. It's a cooperative partnership of cocoa companies, developmental organizations and governments that arose from the Harkin-Engel Protocol. ICI's goal is to eliminate the worst forms of child labor and forced labor in cocoa cultivation and chocolate production. When Tony's was founded we were skeptical about ICI. We thought (and still believe!) that ICI was used by the cocoa industry as a cover and produced little results. In recent years the organization did obtain a new mandate, with more funds, more active partners and better plans.

Certification of chocolate

And now turning to certification. Certification of chocolate is increasing worldwide. There is an increasing amount of Fairtrade chocolate or chocolate with a sustainable label. You would think that this is a good development. Unfortunately the extreme poverty of the cocoa farmers and slavery in the industry isn't not satisfactorily addressed.

Certification means that an independent party has confirmed that farmers and other companies in the supply chain work according to certain minimum requirements. These certifiers could one be many parties and each has its own name. You have the Fairtrade label, UTZ Certified, and Rainforest Alliance.

In the end all certifications work more or less in the same way. For a certification there may be absolutely no illegal child labor and cocoa cultivation must be carried in an environmentally responsible way. The differences lie in the vision and background of

the various initiatives. Fairtrade focuses primarily on the strength of farmers cooperatives and fairer market prices for their crops. Rainforest Alliance pays more attention to environmental conservation. UTZ focuses more on education and the professionalization of the farmers.

We've made a lovely overview of the major certifications. Curious? You can find it on our website.

Certification is only the beginning

From the moment our very first bar saw the light of day we've been Fairtrade certified. Ten years ago Fairtrade / Max Havelaar was the only initiative that worked for a fairer supply chain and better conditions for the farmers. Sadly it soon became clear that certification alone was not enough. Certification isn't changing the industry.

Still we see certification as a positive starting point. A number of minimum requirements are met that are the basis for further development; a bit like a high school diploma or a driver's license. With just that slip of paper you're not all the way there, but you've got a good foundation to build on. We believe that we, as chocolate makers ourselves, are ultimately responsible for our chocolate and our supply chain, not the certifier.

Certifications can conflict with each other sometimes at the farmer's expense. This costs the farmers a lot of time. Our partners in Côte d'Ivoire and Ghana spend two to three times a year weeks in a row answering the same questions and completing the inspections of the various initiatives. Though one inspection should be sufficient for all of the various certifications.

And most of the cooperatives sell only about 30% of their crop as certified (for example with a Fairtrade stamp from UTZ). Most cocoa is still combined and sold without a premium. This limits the impact of the additional premiums that are paid for responsibly grown cocoa.

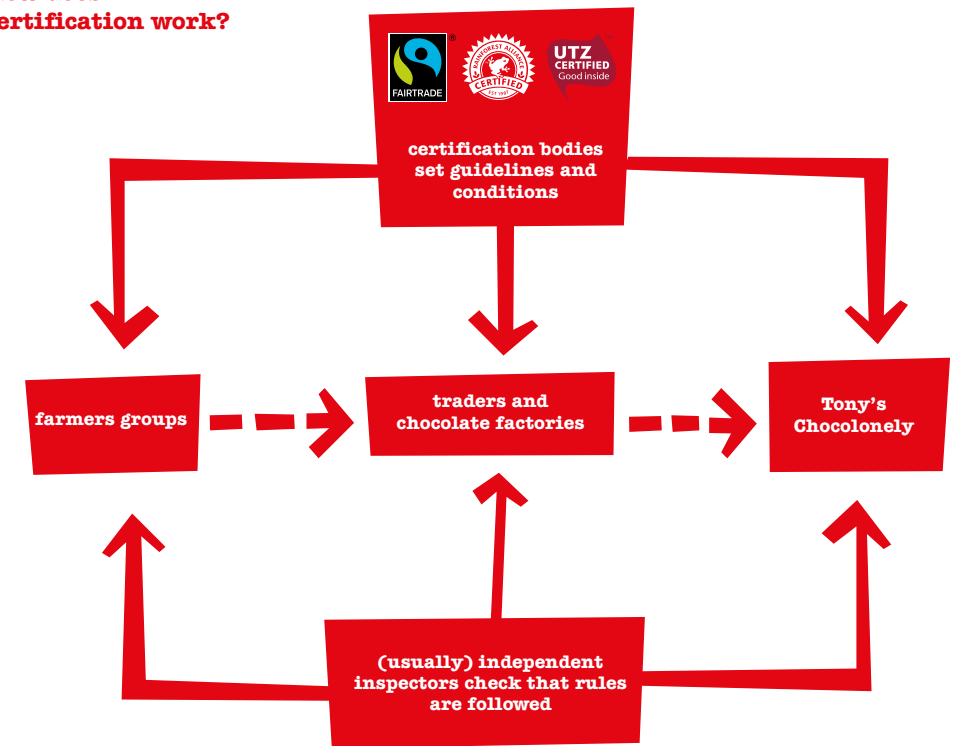
So how does it work in practice?

For instance, a cooperative receives a premium of \$200 per 1,000 kg. Because they're only able to sell 30% of their harvest as Fairtrade they're forced to sell the remaining 70% at the lower market rate without a premium. Within a cooperative income is divided equally among the members. So a farmer won't receive the full \$200 premium per 1,000 kg, but a proportion of it, about 30% or \$60 per 1,000 kg. Of the remaining premium, a share (the exact amount varies by cooperative) is reserved for overhead and projects, leaving even less for the farmer

There isn't anything better (yet)

Tony's is a critical member of the international Fairtrade movement. Independent of the established Fairtrade premium for the farmers, we pay a licensing or membership fee. Part of this fee is earmarked for the farmers. Last year it amounted to just 11% of our total membership money. That has to increase. And the percentage of cocoa sold under the Fairtrade label on the world market continued must increase substantially. We want to see more demonstrable impact of the Fairtrade system at farmer's level. Thus we're in constant dialogue with the Fairtrade organization. So we had a critical breakfast meeting in 2015 with the director of Max Havelaar Netherlands and we participated in several international meetings to promote our perspective.

How does certification work?



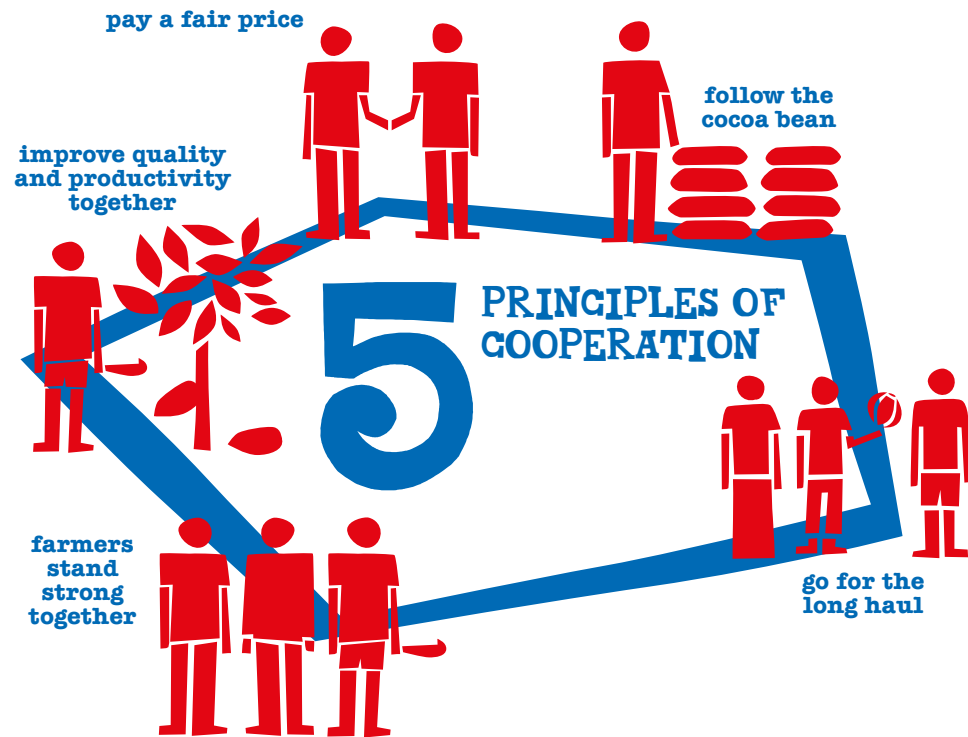
Standards and requirements

To date there are no official European (CEN) or international (ISO) standards for sustainable cocoa, but it's being addressed in the so-called CEN initiative. They're drafting a code of conduct regarding working conditions, environment, trade and other issues. The code needs to ensure sustainability in a more efficient way. This ISO / CEN standard is developed with input from many players in the industry. One critical point: the interests of the farmers – which lies at the heart of the matter – needs more attention. A partnership of all development organizations and trade unions did their utmost to represent the farmers' interests through the VOICE network. Over the past year, the VOICE Network has received support from the Chocolonely Foundation, including support for lobbying and advocacy in cocoa organizations and the CEN initiative.

Too many parties hide behind the excuse that they're too far removed from the problems or are too insignificant to be able to make a difference in the pervasive abuse within the chocolate industry. Or they shift responsibility to other links with the supply chain. It bears repeating. We believe that, as a chocolate maker, we are personally responsible for your chocolate and the entire supply chain that produces it.

Our 5 principles

We take responsibility and believe that every company should also honor the following principles in their relationship with the cocoa farmers (of course this applies to the suppliers of other ingredients too). In chapter 5.2 you'll read more about this and the extent to which we've already put it in practice.



Governments can also take responsibility by improving roads.

This walnut? Or this one?

We just want to make the most mouth-watering, best quality chocolate. And all of the ingredients for our chocolate are purchased as much as possible under Fairtrade certification. And we don't throw these ingredients willy nilly into our bars. Are you crazy? In our chocolab we test and taste with sweet delight. But there's a chance that your run of the mill French walnut tastes a lot better than a Fairtrade walnut from Tajikistan. What to do?! We for quality and use the French nut. Max Havelaar gives us a dispensation and we use the tastier ingredient until we can find a better quality one with the Fairtrade label.



The role of others

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

Governments in consumer countries can do much more to eradicate modern slavery. Just imagine a child in Amsterdam unloading cocoa from a ship. Feathers are gonna fly. But if a child is loading that same cocoa onto a truck in Côte d'Ivoire, there's no problem. In short, European governments must set clear requirements for businesses and enforce the consequences, to analyze the risk in the supply chain and be transparent about the manufacturing conditions of the products. The Global Slavery Index, a leading report on slavery, praised the Dutch government for its fight against slavery in the Netherlands. But in the same report they get a big unsatisfactory when it comes to addressing slavery in international supply chains.

As we say at Tony's: don't walk away from responsibility. Even as a consumer. Because that gives away your power. Fortunately, there are an increasing number of educated consumers who make a conscious choice. Eventually, by working together we can sway even the biggest giants to make structural change in their operations. Maybe it just sounds a bit naive or arrogant, but we are certain it can be done.

chapter three:

WE ARE TONY'S

and this is our story

We are no ordinary company. We're a company solving a big social problem in the world. We aim to make as many people aware of slavery and exploitation in the chocolate industry so that together we can achieve 100% slave free chocolate. That means that we continue telling our story. In this chapter we'll show you how we do it. You'll also read about what's changed over the last year and a half at Tony's. But you can still count on us to love: a good bit of humor, good conversation, and an enthusiastic game of foosball.

It's been 10 years since our company began. Do you remember how it started? No? Well, you're not alone. That's why it's important that we keep our story alive. And that doesn't just apply to Tony's start but also to the problems in the cocoa chain and how complicated it is to really change the industry. Our challenge is keeping the story short and simple so that it's easier to share. We tackled this in 2014 and 2015. Lots of talks with fans, co-creation session and reactions from our social media gave important input. From the input we gathered 4 important recurring themes:

'Give me a concrete story that I can share with my friends'

'We want to help! You Tony's, me Tony's - give me tools'

'Show us what you're doing and what you've achieved'

'Keep surprising me'

'Give me a concrete story that I can share with my friends'

The story behind Tony's is touching but not everyone knows it. For many the story is still too abstract. Tony's Chocolonely does a good job, but um...what do you do exactly?

'We want to help! You Tony's, me Tony's - give me tools'

Consumers are an important link to create change, it comes up over and over again. We now know that our fans and friends want to mobilize to spread Tony's story in every possible way.

'Show us what you're doing and what you've achieved'

That we're on our way to 100% slave free chocolate is clear. But how? We should do this by giving insight into our roadmap and showing what we've already accomplished. This includes sharing our successes.

'Keep surprising me'

Keep up the good work: for the cocoa farmers, but also with your awesome flavors. Keep surprising us with your crazy chocolate flavors. And... lucky coincidence! - through our chocolate we can tell our story.

And that's exactly why we've very clearly how we plan to reach our goals, what we do and why we're here.

Our reason for being

Tony's Chocolonely was founded because there are slaves working on West African cocoa farms. Many of them are children. This is not acceptable. We dislike inequality and exploitation. Chocolate should be 100% slave free. Not just our chocolate. No. All chocolate worldwide.

How do we achieve 100% slave free chocolate:

We lead by example and show the choco giants it's possible to be commercially successful without exploitation and slavery. We make chocolate from traceable cocoa mass, we invest in long term relationships with cocoa farmers, we agree on better prices, train them to increase productivity on their farms and make them aware of the importance of schooling for children. We are honest and transparent about how we operate, what we achieve and what's not going well. Because... hey, we're not perfect. Our cocoa butter, to our great frustration, is not yet traceable. We're working hard on it.

What we do:

With our chocolate we touch the hearts and minds of our choco fans. We make incredibly tasty chocolate with funky flavor combinations that leave you craving more. Our strikingly, colorful wrappers jump off the shelves. With chunky bars that are unequally divided to illustrate the inequality in the chocolate industry. And that's how our chocolate tells the story fair and square: it can be done differently. And so it must be done differently.

Our why, how and what is summarized in Tony's manifesto. That's the story we tell everyone. And the story we ask everyone to share.

What do we shout when we wake up in the middle of the night?

our vision:

100% SLAVE FREE CHOCOLATE

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

How do we do it? Now, we have to ensure that 100% slave free chocolate becomes normal.

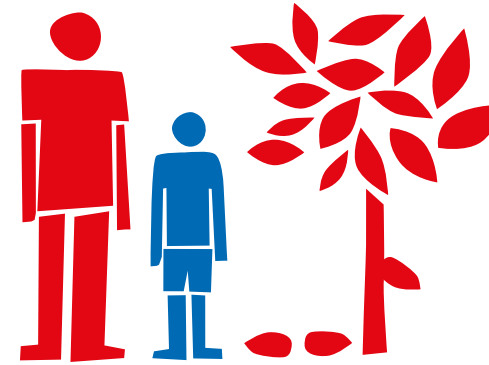
our mission:

TOGETHER WE MAKE 100% SLAVE FREE THE NORM IN CHOCOLATE

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

Tony's manifesto

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



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

With incredibly tasty chocolate we lead by example and show the world chocolate can be made differently: in taste, packaging and the way we treat cocoa farmers. 100% slave free, fair and transparent.



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

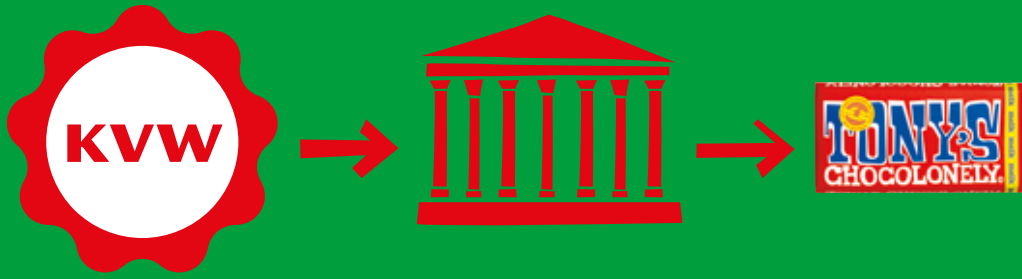


The more people that choose slave free and share our story, the sooner 100% slave free becomes the norm in chocolate.

The choice is yours. Are you in?

**CRAZY ABOUT CHOCOLATE,
SERIOUS ABOUT PEOPLE**

How did it all begin?



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 surprising things to light. One of these reporters is Dutch journalist, Teun van de Keuken.

Teun was shocked when he read that slavery still existed in the cocoa sector. In 2003 he traveled to the cocoa farms in West Africa and saw child slaves at work. They were exploited, sometimes kidnapped from their families, they can't go to school. All of this despite, a number of international chocolate companies signing the Harkin-Engel Protocol in 2001, a protocol which detailed agreements to eliminate the 'worst forms of child labor' within 10 years. But halfway through the protocol's term, little had been achieved. Teun rings the alarm bells and called all the major chocolate companies but no one would take his calls. Teun stepped up and took action. He ate a couple of chocolate bars and then turned himself in to the authorities as a chocolate criminal. By eating chocolate he was complicit in slavery. But the public prosecutor wouldn't prosecute him. Teun didn't give up and went looking for witnesses; victims of chocolate consumption. He found 4 boys who had worked as slaves on a cocoa farm in Cote d'Ivoire. They provide evidence against

Teun and the 2,136 other chocolate consumers who have since joined Teun in his stride.

On November 29th, still awaiting the judge's decision, Teun decided to lead by example and make 5,000 Fairtrade chocolate bars. Tony's Chocolonely was born. Milk chocolate in alarming red wrappers to bring attention to Teun's (Tony's) lonely stride towards slave free chocolate. The bars were only available online and were an instant hit. More than 13,000 bars were ordered!

In 2007, a court in Amsterdam decided Teun couldn't be prosecuted on legal grounds. The judge ruled that although Teun's arguments were fundamentally valid, it would be an impossible task to prosecute all the chocolate consumers in the Netherlands. Tony's Chocolonely's stride is full steam ahead and can't be stopped. A chocolate company founded as a tool in the stride towards slave free chocolate. With 100% slave free chocolate as our guiding light.

We are: crazy about chocolate & serious about people

We're a chocolate company that's crazy about 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. Cacao isn't just a commodity on the 'stock market' in London or New York, to us. It's a precious product and we must account for how it is made and take care of the people who grow it for us.

We are very serious when it comes to people. People are paramount. This applies to our team in Amsterdam and in Portland, Oregon, to the cocoa farmers in Ghana and Côte d'Ivoire. And we're just as serious when it comes to our chocolate fans, clients and suppliers.

'Crazy about chocolate & serious about people' it sums up who we are and what drives us. We use it in all of our communications.

Our Values

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

What are our values?

WILLFULL

ENTREPRENEURIAL

OUTSPOKEN

MAKES YOU SMILE

Outspoken

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

Entrepreneurial

We are a commercial organization, a company that wants to make the world a better place. Money is not our goal, but a means to realize our vision. We have guts. We dare to reach for the stars, exploring new grounds and breaking barriers to get things done.

Willfull (a mind of our own)

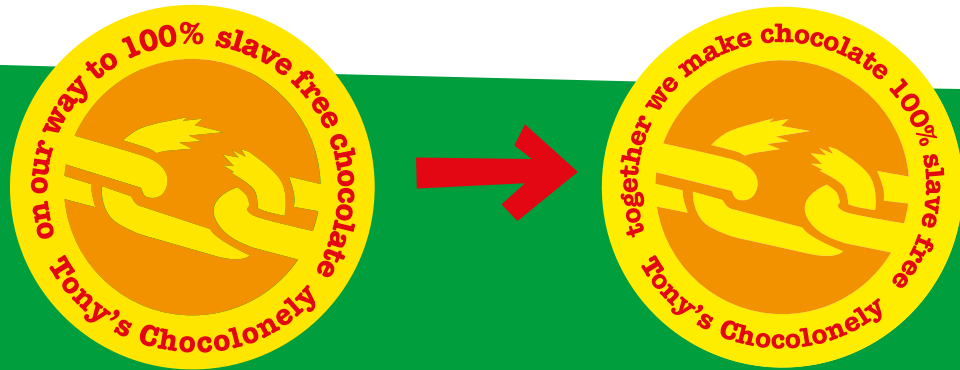
We are pioneers. We believe in taking the freedom to do things differently, reinventing ourselves and inspiring others. We explore new routes, which keeps us fresh to create breakthroughs for a better and fairer world.

Makes you smile

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

Making 100% slave free the norm in chocolate together

If we imagine a world where our vision is a reality, 100% slave free chocolate is completely normal. Anything else would be not normal. We achieve our vision by making 100% slave free the norm in chocolate together. We realize that just setting a good example isn't enough to make the industry change. We're increasing on the pressure over the coming years. In fact, we've already started by engaging in dialogue with politicians, NGOs (non-governmental organizations that are independent of governmental policy or political lobbies) and science. The bar must be raised, so that chocolate tainted with the bitter aftertaste of exploitation and slavery becomes a thing of the past. Let's raise the bar!



We've been on the road towards slave free chocolate for 10 years now. We've been supported, encouraged and eaten! We've learned a lot, not the least how difficult it is to change the industry. After 10 years we're still not there yet. Our chocolate is still not 100% slave free and slave free chocolate is still far from normal. We can't do it alone. In the coming years our focus will be on creating a movement of friends who want to join us. We're actively looking for partners who follow our model and we want you to join us. In 2016 we plan to turn our social network of friends into a force to be reckoned with as we explore the power they have to encourage change. Together we will make chocolate 100% slave free. You can already see it in the text of our new button.

Team Tony's is on track

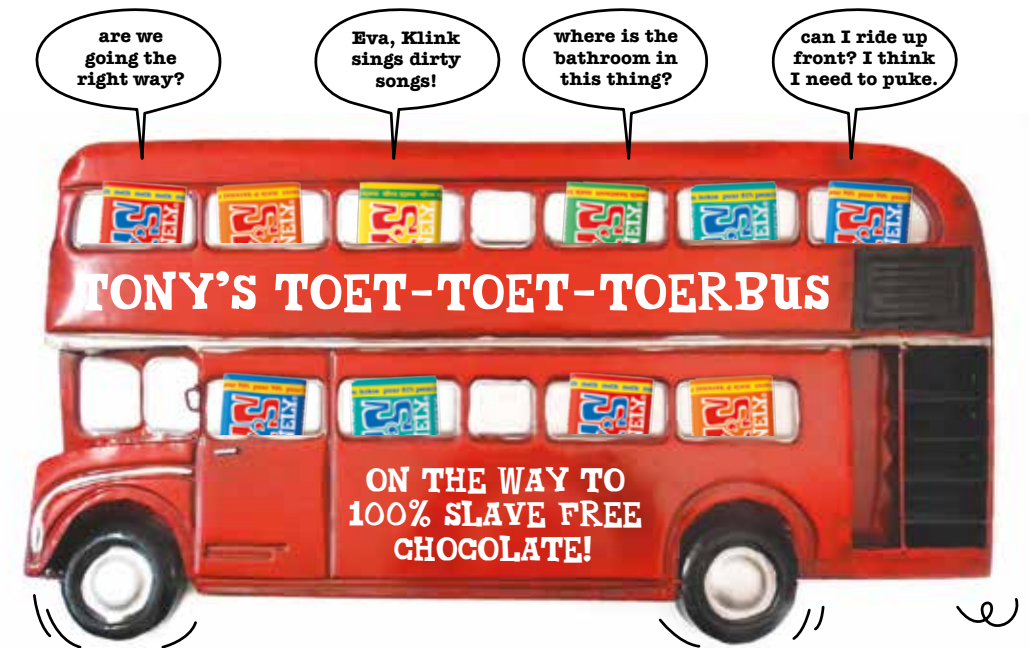
So we're the chocolate makers with huge ambition, crazy about chocolate & serious about people. Serious about people begins with ourselves. We believe that if the best people come together to work as a team to change the chocolate world, then we build the organization that we've imagined. And with that we'll be able to turn our aspirations into concrete reality. And we're well on the way.

Over the past year and a half Tony's Chocolonely has grown in size and professionally. Our management structure has changed. Tony's management team has taken over the daily management from Henk Jan Beltman. Henk Jan remains shareholder and is responsible for our future growth and impact, like our launch in the US. Henk Jan is one of a kind and a true entrepreneur.

Our founder, Teun van de Keuken, is still involved as a critical but independent ambassador. And turning our attention to the future: in 2016 we'll set up a Board of Directors handling advisory and regulatory tasks. A major milestone!

We're growing like a weed

In the meantime our team is growing like a weed. At the end of September 2015, the counter stood at 24 Tony's (we were only 17 at the end of 2013). We now have two offices: one in Amsterdam and one in the Portland, Oregon. In Amsterdam we have 23 Tony's hard at work and in Portland just 1. The one and only Peter Zandee prepares Portlandian Americans for our long awaited crossing. There are 13 women and 10 men at Tony's. The daily management is in the hands of Eva, our First Lady of Chocolate. In Tony's management is composed by two ladies and two gentlemen.



Work fun

After winning "A Great Place to Work" in 2014, we've raised the bar again. In our annual, internal work quest-cheer-naire we ask specifically what we do well and especially what we can improve. We were aiming to score a 8.2, but alas, alas, it was only a 8.1.

We did a lot more for and with the Tony's team last year. We held discussions sessions with our team on issues like certification and modern slavery. Breakfast sessions with outside speakers opened up new ways to think about the role of government in combating slavery, the (im)possibilities of reducing your impact on the environment and how we as Tony's even outside of the chocolate world and contribute to a slave free world. But also we got inspired by ocean sailors, conceptual art and presentations about the Plastic Soup.

The entire team has been trained by our own chocolate guru Eva W. to be chocolate connoisseurs. Even better, we now have an official training budget so that everyone can continue learning. And of course a great program for our new Tony's. It includes one-on-one introduction meetings with the whole team, a crash course on the abuses in the cocoa sector and a visit to the Belgian chocolate factory.

Everyone votes for the Employee of the Quarter. And we've had enough cause to celebrate with a traditional Dutch treat, beschuit met muisjes (biscuits with candy mice!) because in the past 18 months four tiny Tony's have been born. The new parents can put the € 1,000 Tiny Tony bonus to good use. We haven't had a team member name their new bundle of joy Tony yet, but it's worth an extra bonus!

Can we have a little more quiet?!!

Where can we improve? Well, we all sit in one large room, which can be quiet chummy. On the days that we are all there it can be hard to concentrate. Fortunately, there are now two quiet zones in our office. Our IT environment can sometimes cause minor inconvenience. It can be a bit like a dark cloud over your head if there's a wrench in the machine. Fortunately, our friends at ZML get us out of most trouble.

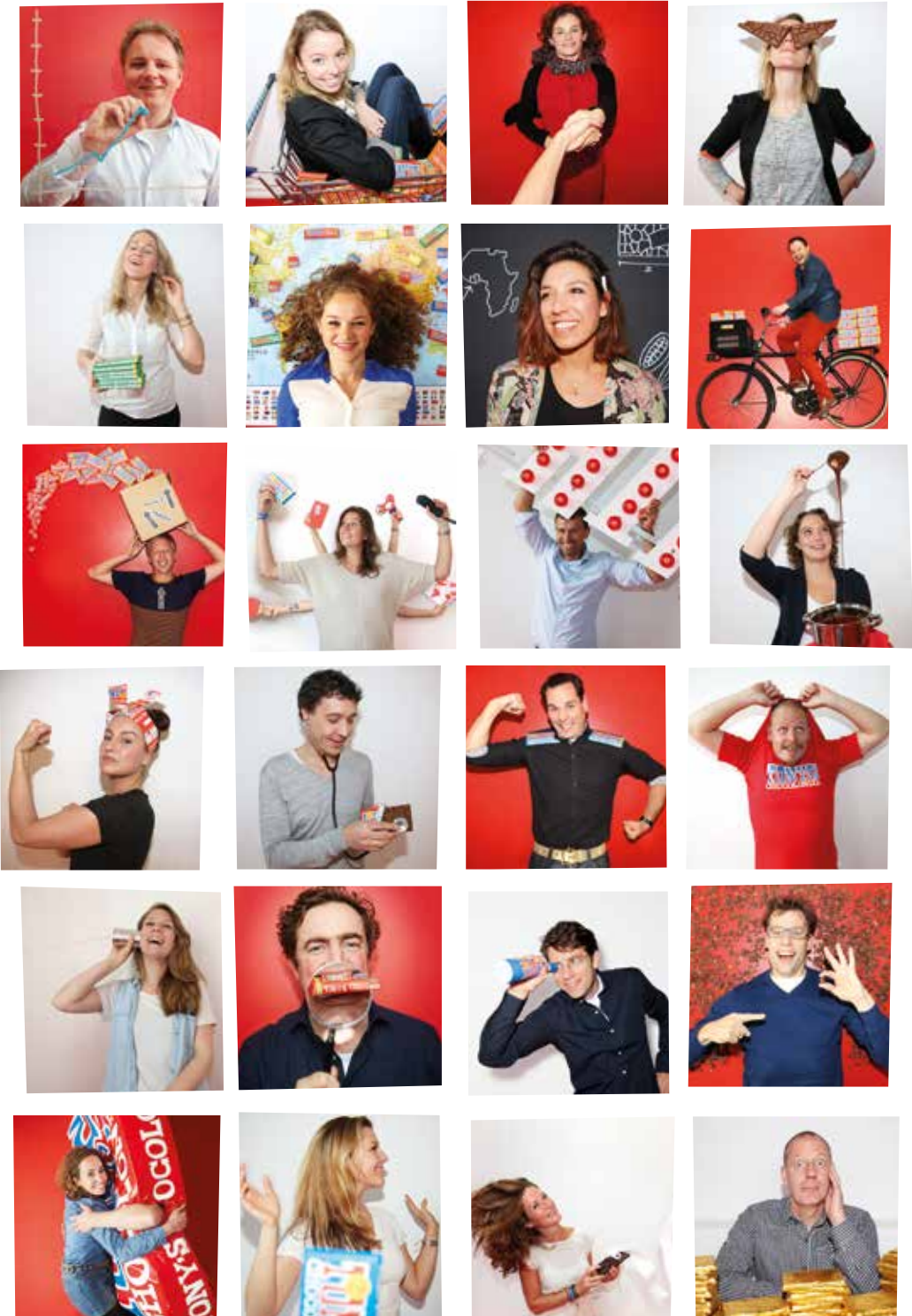
Personnel

Carline is now our official People's Champion. Under her leadership, personnel matters got the attention they were due. Thus, the contracts of all Tony's are reviewed and updated. We've also updated our salary structure. It states what each Tony earns per function and what is expected of him. Based on performance it's possible to move up the scale to the next rung. The highest-earning person in Tony's earns 2.5 times more than the lowest-earning Tony. In Dutch companies highest earners make on average 19 times more than the lowest-earning. And in comparison with other companies: in international companies the director can earn 1000 times more than workers at the lowest levels. A thousand times!

The job profiles have been adapted, we are trained to give feedback (and that helps us to work better together) and implemented the new work costs rule (werkkostenregeling). We have room to improve in communication and direction given by the management team. More structure and process will help, but in moderation because we love our flexibility and freedom.

Did you know that we moved? Polonceaukade 20 is now the place to be; with a bigger chocolate kitchen including a bean roaster, more workplaces and in 2016 we'll even have a chocolate store! And did you know Arie went gliding, Sanne learned to cook and Klink had skateboarding lessons? Made possible thanks to Tony's scholarship for non-work and chill-personal development.

This is Team Tony's (September 2015):



Column Teun van de Keuken: Slave free

Ten years of Tony's Chocolonely. 10 years of the chocolate bar that still – whether I like it or not – bears my name. And not just any 10 years. Hugely successful years. According to Tony's Arjen Boekhold, the same Arjen Boekhold who is number 9 in the sustainable 100 published by Trouw, over the years between 20 and 25 million bars have been sold. Tony's Chocolonely has become the 2nd largest chocolate bar brand in the Netherlands and since 2015 their bars are sold in 6 countries. Last year the turnover from the beloved bar was around € 17 million, with a profit of 4%. So count your winnings. Our original intention was to bring attention to slavery in the chocolate industry. To go up against them, I once turned myself in as a chocolate criminal, we asked Nestle to bring a slave free bar to the market, and for the same reasons we started Tony's. We wanted a bar we could wave in the face of the face of the slave bar manufacturers, we'd protest and make noise, and we would not be stilled if any company was profiting from ill-gotten gains or Max Havelaar got egg on his face again. And we would never, never let the financial profit prevail over the cocoa farmer.

How do things stand with that?

First, the bar itself. Over the past years there was a yellow seal with the text "on the way to slave free" on the bar. How long can we be on the way? When can Tony's finally guarantee that the bar is actually slave free? When can the cocoa farmers finally earn enough for a living wage and remove the pressure to put children to work. In Tony's first years, little was done. Most work was done on building the brand and talking with category manager to get the bar into supermarkets. Nice to create a successful company, but the cocoa farmer didn't see much benefit. 'If we're big enough than

the rest of the industry will eventually follow us,' was the oft used argument. A bit ridiculous, to say the least.

Only over the last two years have steps been taken towards the slave free promise. Especially with the bean-to-bar project, in which Tony's established long-term relationships with two cocoa cooperatives in Ghana and Côte d'Ivoire; an attempt to finally trace where the cocoa comes from. The farmers on these cocoa farms should be able to earn enough to rise about the poverty line, but that applies at most to half. Most of the farmers still don't produce enough because they are not yet efficient or professional enough. Through training and investment Tony's hopes to change this. But we're not there yet. If we look at the total amount of beans that Tony's purchases for cocoa mass and cocoa butter, half comes from the two cooperatives in Ghana and Côte d'Ivoire. The origin of the other half is unknown. Whether farmers are fairly compensated can't be said for certain. Are they really producing slave free?

So we can say that now, 10 years after the establishment of the first Dutch slave free chocolate bar, we're only certain that for a quarter of the cocoa farmers are receiving a fair price and one that will allow him to stay about subsistence level. This can't be said about the other three quarters. Is this cocoa slave free? Can you guarantee that the bar is slave free? How long are we still going to be on the way? And then the bigger task: has any progress been made in tackling slavery in the chocolate industry over the last 10 years?

I'm afraid not.

The Harkin-Engel protocol, that promised its first results back in 2005, has been postponed time and time again. Now the

requirements don't need to be met until 2020. And the requirements have been relaxed. The original goal was the total elimination of slavery, the watered down version aims to eliminate 70% of the worst forms of child labor. More than 90% of all cocoa farmers in West Africa are still living under the poverty line of \$2 a day. There are more children now than ever before working in the cocoa sector. More than 2 million of them do dangerous and illegal work. Certifications, as confirmed by a report from Fairtrade, have little to no impact on the situation.

In other words, the situation in the cocoa sector is significantly worse than when Tony's began. How bitter. If it was our mission to address slavery in the chocolate industry, then we have failed.

Meanwhile, the slogan "on the way" has been replaced with "together we make chocolate 100% slave free". A nice slogan, but what does it mean? Who are the "we" in this together? As I understand it, the intention stated here doesn't just apply to Tony's bars, where there is still some room for improvement, but to address the entire chocolate industry. It would be nice if in the coming 10 years the original goals that were ignored over the last 10 years were finally achieved. We would certainly have reason to celebrate, but then let's get started!



Teun van de Keuken is a Dutch journalist, columnist and producer. Teun is the presenter of television programmes De Monitor and Keuringsdienst van Waarde. He writes a weekly column for the Volkskrant on current social issues and rhetoric, and he wrote the book Pure and Honest.

WHAT'S UP WITH THE CHOCOLATE?

(January 2014- September 2015)

exclusives

The winner of the Limited Editions from now on (in a striped jacket) will be part of an exclusive assortment: The Exclusives. Available year round at Marqt, the Wereldwinkels, WAAR and the Bijenkorf (not in grocery stores). And all the goodness comes in twos: dark meringue cherry and milk coffee crunch.



stylish black & white

In September 2015, we presented our – now well-known – Limited Editions. This time in a stylish black and white jacket with the flavors banana walnut milk, dark orange rosemary and milk licorice. The latter had some doing because of the E number in the licorice. That sounds scary, but it wasn't too bad. E-153 is in fact a natural, plant-based carbon. You can find it in almost all licorice and gummy candy, and it also occurs when you grill zucchini. There was 0.0019 grams of E-153 in the bar. Very little, but crazy for the taste!

pepernoot in your bar

In the fall of 2014 we came out with Sinterklaas treats. And what delights.. Pepernoot in your bar! But our critical fans had already cracked the nut: on packaging is a kruidnoot! How about that? There are pepernoten inside the chocolate, so what you see is isn't what you eat. But because kruidnoten are commonly (and in most Sinterklaas songs) called pepernoten (gingerbread cookies) we have chosen to follow suit. Despite the confusion, one thing is for sure: it's so delicious that you'll want to set your shoe out twice!

this is the way it is



relay bar

In the fall of 2014 our first "relay bar" appeared on the shelves of Albert Heijn. Every six months the relay bar passes the baton to another surprising flavor that captures the spirit of the season. The milk chocolate with marshmallow and pecans was a combinations to warm you up during cold winter days.



little caramel

The orange bar (caramel sea salt) is going through the roof. A crowd favorite that's here to stay. We thought it was time for the family to grow, and a little one was born. We're proud as punch of little 47 gram caramel sea salt.



winner Limited Editions

In March 2015, our 2 Exclusives were joined by the winner of the Limited Editions 2014: dark orange rosemary. Spicy and sweet in the 51% couverture. Unlimited availability!

a whole hill of beans

Chocolate sales were great which meant that we needed a whole hill of cocoa beans. You might think that's good news, but we didn't have enough traceable cocoa to make all of our bars. For the dark bars we had to temporarily switch to Fairtrade beans from other West African countries. Not entirely traceable, but certified. For the chocolate milk we used organic Fairtrade cocoa powder from Peru. Luckily you couldn't taste the difference from our traceable cocoa mass, though we'd understand if secretly it was just a little less yummy. After a few months we were back to the traceable beans.

traceable Tiny's

Hooray! Beginning in June 2015 we made the dark Tiny Tony's from traceable Bean-to-Bar chocolate and from October the milk variant. That's a big win for the little guys.

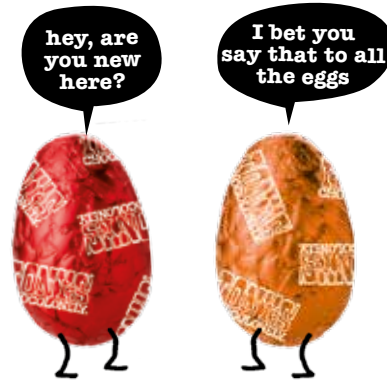


ready to crumble

De estafettereep melk marshmallow pecan draagt het stokje over aan de zomerse melk rabarber crumble! In mei 2015 ligt hij bij Albert Heijn tussen de andere chocoladerepen. Goeie timing, want net op dat moment komen bij de groetenafdeling de rabarbers binnen.

chocolate milk 2.0

The price of organic milk and sugar climbed so much that our organic chocolate milk got too pricey and sales dropped. And then the farmers couldn't sell us as much cocoa, sugar and milk. So we decided to buy the same organic cocoa, for the same price but without the organic certification. That saved us a bundle. We found alternatives for the remaining ingredients that have at least as much impact. Vera, our sugar babe, researched the sugar system, because how do you define sustainable? Is sugar from the Netherlands and Germany, produced locally without child labor more sustainable than sugar from sugar cane from distant lands? We opted for traceable Fairtrade sugar from Mauritius. And the milk comes from a group of German farmers that follow the "Faire Milch" concept.



Easter 2015

Easter wouldn't be complete without the famous caramel sea salt, so beginning in 2015 we've hidden orange eggs in our cartons.



dark pecan coconut

Fans of dark chocolate had a good year: the 6th classic was molded from dark chocolate. Dark pecan coconut, a true tropical surprise. Wake me up before you coco!



festive Limited Editions 2015

Making chocolate bars is sometimes harder than it looks. Making a milk chocolate bar with fig and walnut was on our wish list for a long time. But it was tricky to produce it with the factory we work with. Fruit generally needs to be freeze dried, otherwise it sticks during production. But we didn't want a freeze dried fig, a dried fig already has such a unique crunchy texture. After a lot of searching we finally found the perfect fig for our festive Limited Editions! The dress rehearsal in the factory went off without a hitch, the disco balls were about to start spinning until... The phone: 'Yikes! We spotted a moth and he flew out of the bag with your figs.' How in the world?!

Dried fruit is an entirely natural product and no matter what you do there are risks involved. Like the "Plodia interpunctella" or the Indian Meal Moth. As much as we know you love surprises in your chocolate bar, we thought figs with moths might take it too far. We decided not to bring the bar to market, and breaking with tradition we started with just two festive bars: milk popcorn discodip and dark almond sea salt. But no party is complete without cake: the new 3rd limited arrived at the party fashionably late: milk lemon cheesecake.



chapter four:

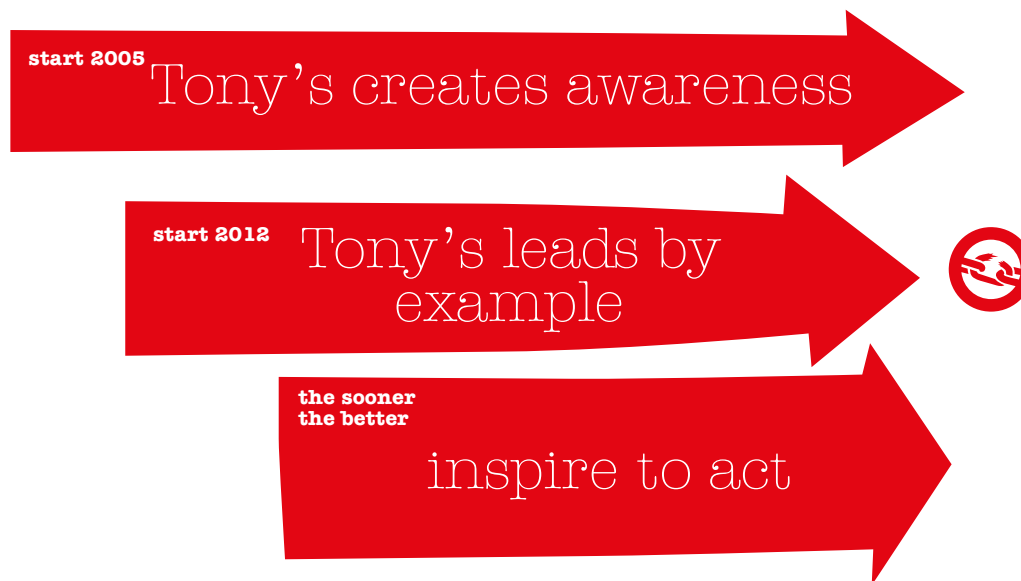
ON THE WAY

to 100% slave free chocolate

In 2014 and 2015 we've done a lot, but not nearly enough. On Tony's roadmap you find our long term goals and our concrete activities per year. On the following pages you can read more about it and we'll tell you exactly how far we are.

Through our roadmap you'll see what we have done over the last 21 months to bring a slave free cocoa industry a step closer. We also look at the impact on our stakeholders (all the people we work with): employees, cocoa farmers, consumers, retailers and suppliers.

De bottom-line: we'll only reach 100% slave free chocolate worldwide by working together. Our model has to be scalable and practical for the large volumes of the chocolate giants. Awareness, commercial success and inspiring others to follow our lead are critical. We've put it all down in our roadmap:



Tony's creates awareness

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

Tony's leads by example

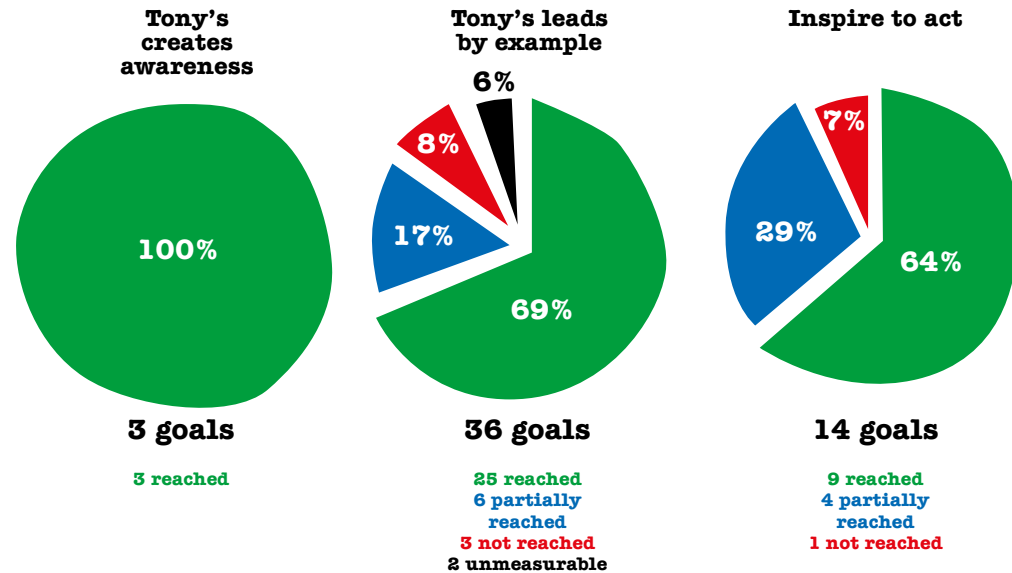
We lead by example and prove that commercially successful chocolate can be made without slavery and exploitation. We invest in long-term partnerships with cocoa farmers, make fairer price agreements and train cocoa farmers to improve their crop yields and their organizations. We make chocolate with traceable cocoa mass.

Set a good example and they'll follow our lead

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

A detailed overview of our roadmap, with all our goals and results can be found in the Appendix. And especially for those of you who need reading glasses, it's also online!

Are we still on track? We again had the impact engineers of Avance, measure our social impact in 2015. Their experts assist us in measuring and maximizing it. ... And the result is: we've reached 89% of the goals we set. There were only two goals we could not measure. That's a big improvement over previous years.

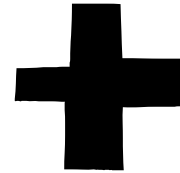


avance-

the impact engineers

What did Avance think of it?

The main conclusions from the financial year 2015:



Because of Tony's great commercial growth, we now work with more and more farmers, supporting them and buying cocoa from them directly.

Last year we gave much more attention to our "serious" message about abuse in the industry. Communication to customers and consumers was no longer only about Tony's delicious chocolate but also about the issues and how we want them to get involved.

We've made big improvements in the way we measure our impact. We know more and are better able to adjust our strategy to our challenges.



Our strong growth is an interesting challenge: as we scale, can we continue to make sufficient impact and be able to measure it?

Our impact to increase cocoa productivity for the farmers has been limited. Yet this is a prerequisite in Tony's price calculations for a living income .

We still have a way to go to measure productivity increases on the farmers level.

chapter five:

TONY'S CREATES AWARENESS

.. do you know why we do it
this way?

Now that we're growing so quickly, and you can run into our bars in more and more places more people recognize us. They see our distinctive wrappers and eat our delicious chocolate. Still not everyone knows how we got started, what we do, and what we aspire to achieve. That's why we tell our story again, and again, and um... yeah...again.

We want to inform, inspire and motivate you. That sounds nice, huh? We tell you what's really happening as clearly and factually as we can, in a way that's a little easier to digest yet that gives you something to think about. So you can decide for yourself if you'd like to join us to change the chocolate world. We promise we'll always be honest and open (even if it is not a pretty story) and we want to involve you. How do we do that?

We don't pay for advertising

We spread our message in creative ways. We'll invest in creating unique content but not in paid advertising on television, radio or in magazines. We use our own channels to keep marketing costs low.

Our unequally distributed bar is perhaps our most important communication tool. We introduced him way back in 2012. This striking division in our chocolate is not accidental! The bar is unequally distributed, just like resources in the cocoa world. Unfortunately our 50-gram bars are not as unequal as we would like. You'll see more about this in 2016.

We use the inside of the wrapper to tell our story. You'll find info about the unequal distribution in the cocoa world, how you can contribute as a consumer and the 10 years Tony's celebration. We've discovered that many folks miss the information right in front of their noses. In 2015 we have done our best to draw more attention to it by enlarging the text: psst.. check the inside of the wrapper.

Let's take a break for a mini geography lesson. Our bars aren't randomly unequal. The bottom of the bar is the equator, as cocoa is a tropical crop that grows best near the equator. Above the equator you see from left to right Côte d'Ivoire, Ghana, Togo and Benin (not politically correct but we combined them so it could fit a hazelnut), Nigeria and Cameroon.



Then there are our events where we tell our story, like Tony's Fair and Tony's Talks. And we also use publications, our website, Twitter, Facebook and LinkedIn to reach as many people as we can. In addition we work to get as much as possible free media (editorial coverage, partnerships, visibility in stores). Because we can make Tony's chocolate slave free, yet our goal is to work together to make all chocolate 100% slave free. That's why you, together with all our other friends and partners, are so important to us..

We want to know: what do you know about us?

Over the last year and a half we've measured for the first time the awareness and understanding of our mission.

A number of important insights from the first round (June 2015)

- **We can still make significant gains in awareness of our brand and our mission.** If chocolate-eaters in the Netherlands are asked to name a chocolate brand 17% spontaneously shout Tony's Chocolonely! 53% know us if they see our name (but .. 47% don't know us at all). Only 9% volunteer the term slave free if we ask about Tony's mission, but with a little help 67% remember what we're all about.
- **Tony's buyers know more about problems in the cocoa industry than non-buyers** (more on that in the table). Why do people choose Tony's Chocolonely? The most important reasons are taste, slave free and fair trade. After that comes quality and unique flavors.
- **Tony's buyers are more involved than the average. They know what they're eating and identify with our brand.** But we need them to be even more aware of the importance of sharing our story.

78% said that it just didn't occur to them to talk about Tony's Chocolonely and 56% said they want to know more about the mission and activities.

You see us everywhere!

You'll find us almost anywhere where chocolate is sold: in stores, amusement parks, zoos, restaurants, movie theaters, coffee shops and more. That's how we reach as many people as we can with our chocolate. And yes, that's why we're for sale in most grocery stores – it's essential for reaching our goals. Being small and selective with distribution would never set an example for the big chocolate companies. We



are very happy with our fans and retailers that contribute to our sustainable character and quirky

image. To emphasize this, we have a special range for all customers who supported us from the very beginning, like a special Exclusives assortment with flavors like milk coffee crunch or pure meringue cherry. And each year we launch 3 Limited Editions with surprising ingredients; like in 2014 the milk banana walnut (with the very first Fairtrade freeze dried banana in the world!)

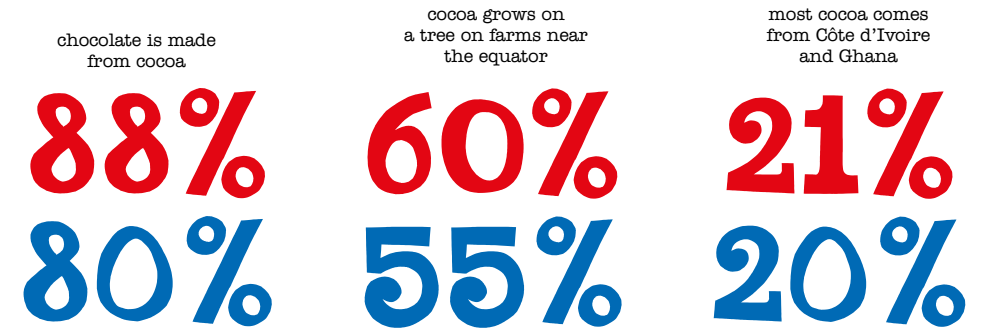
Now that we have a clear picture of who knows our story and who doesn't we're better able to focus how we tell our story. We'll continue to do this research twice a year to keep on top of developments and our impact.

Know what you eat

Source: Tony's brand monitor, published by InSites, June 2015

Tony's buyers
non-Tony's buyers

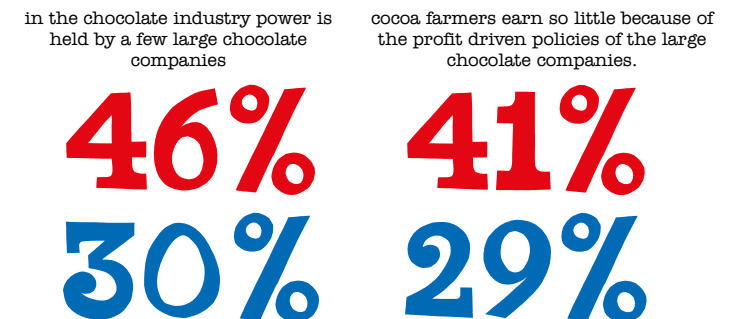
Chocofans know how chocolate is made and where cocoa comes from



Chocofans know about slavery and abuse on the cocoa farms in West Africa



chocofans know about the uneven distribution of power in the chocolate industry



Good deeds in 2014 en 2015:

➔ Max Havelaar a check for € 1 million for the project It takes a village to protect a child. This is a joint project of Max Havelaar, together with Tony's Chocolonely, to combat child labor on cocoa farms in Côte d'Ivoire. Thanks to the award we can carry out the project and share the results. Not just in the Netherlands but also in Africa. And that is at least as important.

➔ Het Klokhuis, a Dutch television program, broadcasted two episodes on child labor and fair chocolate which were watched by 358,000 children and parents. These shows were used in the curriculum of 11.500 students as part of It takes a village to protect a child. The corresponding consumer prize to win a Tony's Reporters Trip is on the agenda for 2016.

If children go to school there is less chance they'll work on a farm.



Workshop about children's rights as part of the project 'It takes a village to protect a child'.



photo: Reinier RVDA



⬆ In May, 2014 we organized our second Tony's Fair with the now traditional presentation of our Annual FAIRReport. It was again a great success with over 1,000 visitors that we inspired. Not just with Tony's story a look back over the last year, but with speakers from B-Corp and Fairphone. After dark we raised the roof with Jungle by Night anyone brave enough to try could snort cocoa. Because we do like to have a laugh.



⬅ In November 2014 the television program Kassa declared our initials in chocolate the mostfair. In September 2015, we ended up in 2nd place in the chocolate milk test of the consumer association. We slam dunked the taste and sustainability test, but nah... the font size of our ingredients were written too small on our packaging. Oops.. learnt something again!



← We increased the prices of our bars and communicated this in December 2014 through a social media video 'Good news: our bar is (slightly) more expensive'. Our openness was appreciated and generated a lot of positive responses from fans, customers and the media.

→ In 2014 and 2015 we hid digital Easter eggs on our Facebook page and organized a successful "golden egg" hunt with the Bijenkorf department store. The Bijenkorf went all out and made the lucky customers very happy by finding a real golden egg (worth 600 euros!). The 2014 and 2015 winners donated the amount to charity, entirely in keeping with the spirit of the season.



← We travel the world with KLM. Since May 2015, our small milk, dark caramel and sea salt bars were not only sold on board with KLM, but also used by the cabin crew as 'change' in tax free purchases. During a major KLM event Team Tony's was invited to share Tony's story with 1,000 flight attendants and have a chocolate tasting. Both the story and the bars were received with great enthusiasm.



↑ Maybe you saw us at the Solar Festival in Roermond in August, 2015? Our giant bar helped friends find each other and shared a little pick-me-up with hugs and chocolate. In the run up to the festival, we organized a contest with Solar and JT cinemas to win festival tickets by taking a Tony's selfie and sharing it on Facebook. The contest was not a huge success ... it might have been a little too dark in the theater.



↑ The Bijenkorf celebrated our 10th birthday with a commemorative cake. They flew off the shelves and on Facebook the message reached almost 250,000 people.

Together with the Wereldwinkels (fairtrade gift shops) we organized “gift for you, gift for the cocoa farmers”. For every two Limited Edition bars purchased, 10 cents was spent to assist a cocoa farmer at one of our cooperatives to purchase a new cocoa tree. Something to make everyone happy!

A GIFT FOR YOU..



..A GIFT FOR THE COCOA FARMER!

And we did much more

In 2014 and 2015 more than 500 articles ran in various media, with a value of about 1,5 million. Our Chief Chocolate Officer Henk Jan gave many interviews, including the Dutch Financial Times and Elsevier. There was also an article with critique in the NRC Handelsblad newspaper. This article concentrated on the distribution of power in the cocoa chain. And of course there were many upbeat pieces about our chocolate by food bloggers and lifestyle magazines.

We organized many chocolate workshops from our home base in Amsterdam, and also at events such as the Culy festival.

Eva, Henk Jan and Arjen toured the country last year, climbing onto more than 100 stages in large and smaller venues. We tell our story, of course, to the biggest audience we can reach and do our best to carry our message out the Randstad with our Tony's Talks. You could have heard us last year in all sorts of places: from Holten to Schoonhoven, from Culemborg to Groningen. And (wink, wink) a little sweet talk: we always ask the organization to buy everyone in the audience 2 Tony's bars; 1 for the audience member who came to listen and 1 to share fairly with someone else.

We strengthened our team in 2015 with Kirsten, our social talk-expert and worked hard on our social media strategy. With success... because we grew to 38,000 Facebook fans. The many responses, likes and shares indicate how involved our fans really are and how much they really like our posts! Since July 2015 we're active on Instagram where we attracted 6000 followers in no time. We are also more active on Twitter and LinkedIn. We informed you about serious matters through our blogs; topics like E numbers, our price increase and mass balance.

And... maybe you came across Team Tony's at the Toppers (one of our guilty pleasures).



chapter six:

TONY'S LEADS BY EXAMPLE

.. that's what we do

We prove that it's possible to make commercially successful slave free chocolate. We build our foundation on 5 principles. We're happy to explain what that means and how we put it into practice.

Bam. Both in calendar year 2014 and fiscal year 2015 we have grown tremendously. Of course that's nice for business. But it is especially important because thanks to our growth we can buy more beans in a better way and include more farmers as partners.

3 years ago we began our adventure of direct relationships with farmers groups in West Africa; Abocfa in Ghana and Kapatchiva in Côte d'Ivoire. Our 3rd year of intensive cooperation with our partner cooperatives was full of change, growth and at times quite a challenge. We bought more cocoa beans and undertook more activities with our farmers cooperatives. We maintain long-term trade relationship with both farmer cooperatives. Since January 2015 we also buy beans from another cooperative; Suhum Union in Ghana. Although deliveries from our new partner were a bit disappointing this season (as it goes in Ghana, you'll never know until you try!) we foresee many opportunities with them in the years to come.

We've seen it, measured it and we know that a lot of what we do works. These 5 principles form our foundation. We see them as the solid ground under Tony's success.

Principle: Improve quality and productivity together

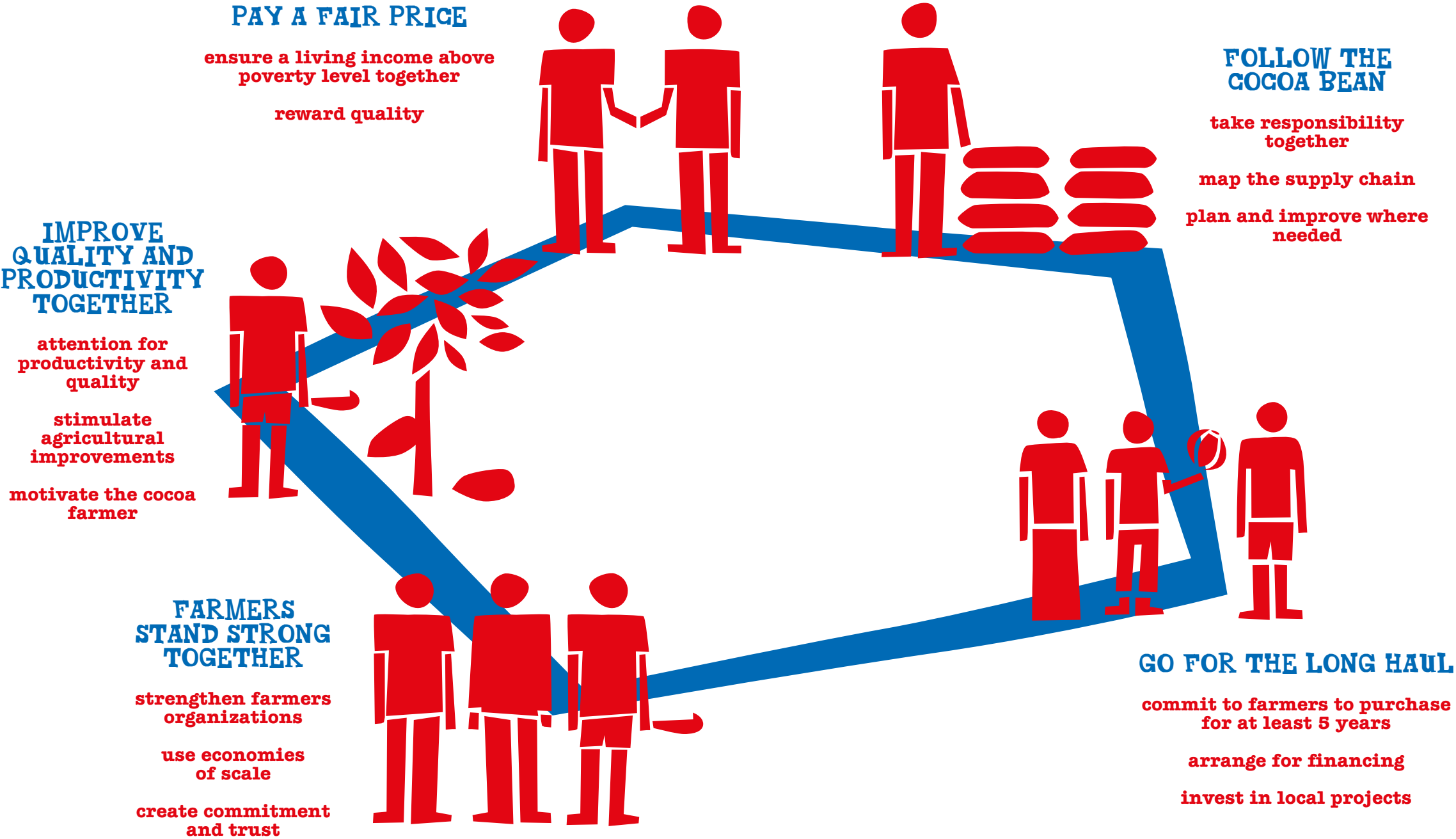


Currently cocoa farmers produce only 30% to 50% of what they can. That's a huge loss of potential revenue. And the quality of some beans isn't up to par and don't meet export requirements. That's a real shame: the more beans are rejected, the less a farmer earns. Through small steps, such as better fertilization and pruning, productivity can quickly double and improve the quality. By planting new seedlings and further professionalization the yield and quality of the beans can be improved even more.

Is it so hard to make an honest bar?

Not really. In various areas of South America cocoa is produced without child labor or slavery. But we want to create change in places where it is most needed, and always in a way that inspires the industry. That's why we only work in West Africa, where over 60% of world production is grown. The social problems are most prominent there and it's also where the biggest choco-gigants get their cocoa. If we can work fairly in Ghana and Côte d'Ivoire, then the big companies can too!

TONY'S 5 PRINCIPLES OF COOPERATION



Tony's shows 'em:

Over the past three years, we've mapped out how many of 'our' beans are rejected in Ghana. In 2013 about 35% were rejected by our Ghanaian partner cooperative Abocfa. In 2014 it dropped to 16% and in 2015 to only 5%. In Ghana we see a big improvement. At our partner Kapatchiva in Côte d'Ivoire we're now starting to track. In 2015 15% of the beans were rejected, mainly at the end of the harvest season when the quality of the beans deteriorates rapidly.

Critical Note: We've not yet reached the level of productivity that we'd like with our partners in Ghana and Côte d'Ivoire. Our own research shows that an average of 450 kilos per hectare was harvested last year. Farmers don't produce enough beans to sell. They still do not earn enough to leave poverty behind. And that is exactly why Tony's works with farmers for at least 5 years. Change takes time.

One of the things we do is encourage improvements. We do this, of course, in our own Tony's way, for example with Tony's Best Farmer Awards. Farmers in our cooperatives were able to show that they farm better. In addition to the award the farmers won farm tools! And of course we had a chocolate bar for every participant! It was such a success that in the coming years we'll sponsor the Young Farmer Awards. Many farmers are in fact a bit older and the younger generation is often not interested in taking over the farm. With extra attention and support, we want to encourage young farmers to become professional farmers, so that in the future they really can earn a decent living by growing the cocoa for our bars.

With development and change comes dilemmas. In 2015 we jointly decided that farmers cooperative Abocfa and AgroEco should part ways. AgroEco has given independent environmental advice as well as assistance and support since the inception of Abocfa. In the end our view of the potential growth in farmers' productivity and result oriented approach differed too much with that of AgroEco. Luckily, the relationship remains strong. An AgroEco intern at Abocfa researched the reasons why farmers may or may not decide to deliver their cocoa to a cooperative.

In short, through good cooperation, basic training, motivation and by investing extra time at the farm, a harvest of at least 800 kilos per hectare is possible, compared to only 350-550 kilos today. Some say that even 1500 kg is possible in the future!

Principle: Farmers stand strong together



In a world where a few chocolate giants run the show and the issue of child labor is a tough nut to crack, it is more important than ever that farmers cooperate and develop. Without cooperation, farmers can not take a stand. Yet only 30% of all cocoa farmers are members of cooperatives. Most of these function poorly and are not well organized. They're too big, too bureaucratic and too far away from the farmers. Moreover there's a yearly debate about funds being misappropriated in some of these cooperatives.

And yes, much of this criticism is justified. But strong farmers' cooperatives provide many benefits. To name a few: assistance in finding international markets, organizing transport, providing training or joint purchasing of agricultural resources. In short, there is great potential for farmers' organizations to support farmers in becoming more professional. Fortunately, their importance is recognized by more and more players.

Tony's is made possible by:



Janet Tawiah (51)
6 family members
Abocfa, Ghana

What do you use Tony's extra premium for?

Thanks to the premium I can hire extra support on the farm. I also pay for my children's school and hospital bills.

What do you think of the cooperation?

The extra premium is paid quickly, the harvest is pre-financed and Tony's supports the Best Farmer Awards.

And what else?

There are toilets now at the schools, but especially... if Team Tony's arrives, they bring chocolate for all of us!



Bado Alidou (49)
9 family members
Kapatchiva, Côte d'Ivoire

What do you use Tony's extra premium for?

I pay for school supplies for my children and build savings for if I get sick.

What do you think of the cooperation between Kapatchiva and Tony's?

The farmers receive extra training and I get a bonus for my cocoa.

What do you use Tony's extra premium for?

To pay the school fees of my children.

What do you think of the cooperation between Kapatchiva and Tony's?

We now have more training in the cooperative, and in the community, about child labor, good farming techniques and women's rights.

Anything else?

Thanks to the cooperation a school has been built in my village. I produce more kilos of cocoa and Tony's pays a higher premium for the cocoa.



Yao Kouakou N'Guessan (53)
12 family members
Kapatchiva, Côte d'Ivoire

Tony's shows 'em:

We invest in long-term relationships and long-term projects. For example, we have partnerships with specialist development organizations. They assist in the development of cooperatives. Kapatchiva, our partner cooperative in Côte d'Ivoire shows that strong farmers' organizations are able to maintain more control and work better together. The cooperative is a member of the larger Ivorian farmer union Ecookim and now exports



**Annual General Meeting
Kapatchiva, Côte d'Ivoire 2015.**

What do you use Tony's extra premium for?

I use it to buy new farm tools like pruning shears. I've also paid workers on my farm and with the premium I can buy food for my family.

What do you think of the partnership between Kapatchiva and Tony's?

Thanks to Tony's network we now work together with all sorts of new groups. From Progreso we get technical assistance and loans. Kumankoma is our new local trader.

Anything else?

Tony's pays the premium quickly and helps us to find new markets.



Jacob Kornor (58)
8 family members
Secretary, Abocfa, Ghana




Annual General Meeting Abocfa, Ghana 2015.

under their own name. Over the past year they nailed it; super punctual, no delays. In recent years, more and more farmers experienced the benefits of good cooperation. This is also evident from the growth made by our partners. Each year membership is up by 10%! The trading relationship with Tony's and the resulting benefits have had an undeniable impact.

We are proud of the commitment of our farmers. And it shows in the huge turnout at the annual members' meetings in both Ghana and Côte d'Ivoire. Full house! In 2014 there was a democratic government election for the first time in Ghana. And in Côte d'Ivoire, in June 2015, they decided democratically how to distribute the additional premium that we pay among the farmhands. Naturally there was also a Tony's delegate present; so we can get to know the farmers and we see that our contribution is put to good use.

Critical Note: a farmers organization is only as strong as its members, especially the board. These are often ordinary cocoa farmers, with an average education that does not reach beyond elementary or secondary school. Sometimes they'll know very little about finance. Again we see the advantage of our direct trade relationship. We know the cooperatives we work with and help where needed with knowledge or support.

Principle: Pay a fair price

 Cocoa farmers earn too little. Even if all of their cocoa is certified as sustainable, the price they receive is too low to pull themselves out of poverty. What then is a fair price? Maybe this is literally the one-million-chocolate-dollar question which doesn't have a simple answer. Many companies, and also governments, avoid this question. We do not. We're actively searching for an answer. And although we don't own the truth, we're doing our best to get close.

And while there has been discussion for quite some time between certification bodies, development organizations and various other institutions about the Living Wage (minimum wage that a worker in a country must earn), there is little attention for the so-called Living Income. That is the income that a small independent cocoa farmer should earn. It is different from a fixed monthly salary, because a farmer is an entrepreneur. His income will ultimately depend on his total annual harvest, and expenses like fertilizer or the cost of new cocoa plants. Not only are there many ways (and answers) to calculate the correct premium, it is also a sensitive topic. We have calculated that the normal Fairtrade Premium, and the premiums of other certification labels, is not enough to bring the family of an average cocoa farmer above the poverty line. That is very disturbing.

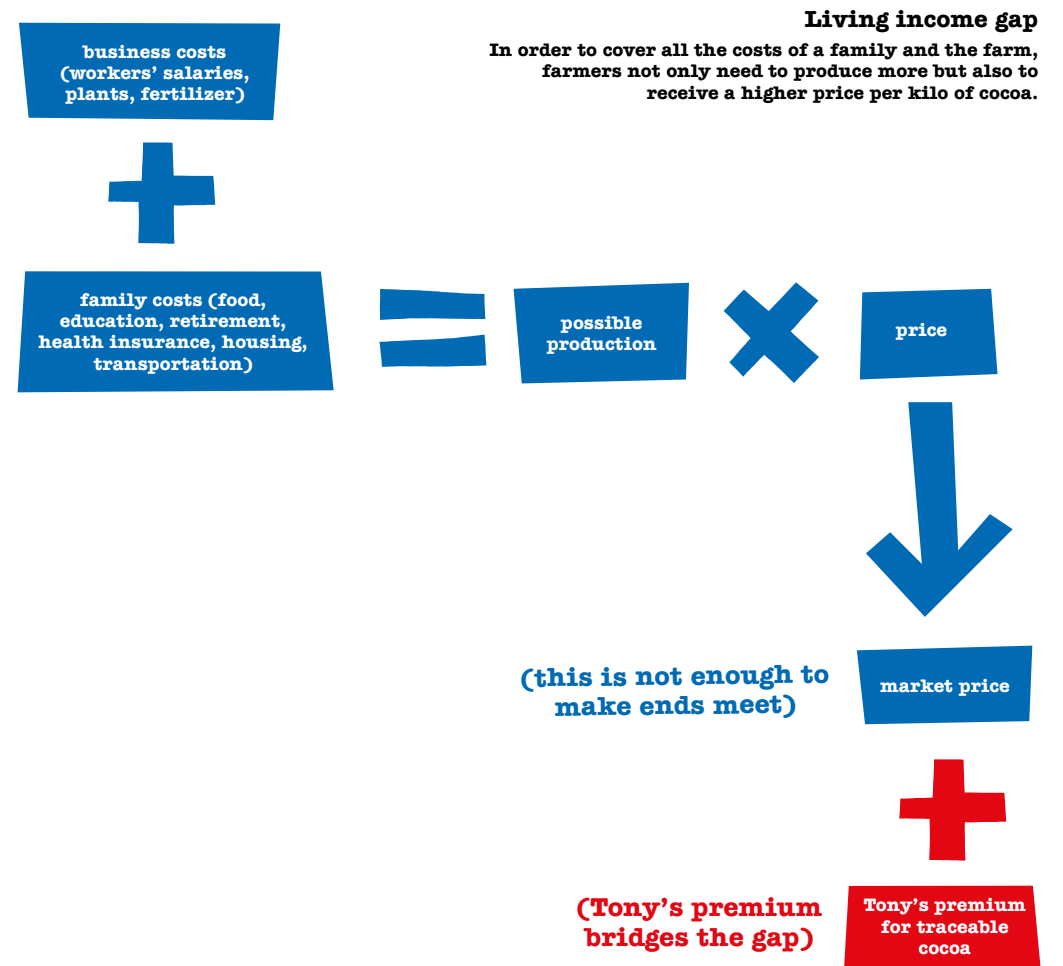
If you balance out all the costs of an reasonable professional farmer in West Africa against what he can earn, there is a gap. Conclusion: The current farm gate price (the price set for the farmers in Côte d'Ivoire and Ghana) is too low for the farmers with their small farms and low productivity to ever be able to live above the poverty line.

Tony's shows 'em:

For the first time, we've paid farmers a premium that can provide an income above the poverty line. The premium in 2014/2015 amounted to 25% on top of the farm gate price. Our premium was on average around 375 euro per 1,000 kilograms of cocoa. That includes the Fairtrade premium of 200 US dollars. Indeed, nearly two times more than the Fairtrade price and almost three times as much as other certifications. So is

the farmer out of poverty? No, all too often, not yet. It's not just the price that needs to increase but also the farmer's production.

The data to calculate the premiums are in part based on reports from Fairtrade, Tulane University, the Cocoa Barometer and our own True Price survey (2013). We base our calculations on things we can potentially affect, such as productivity, quality and revenue. Of course there is always plenty of room for discussion and improvement in mathematical models and calculations. We're happy to dive into this discussion. We pay a fair price and are critical of it.



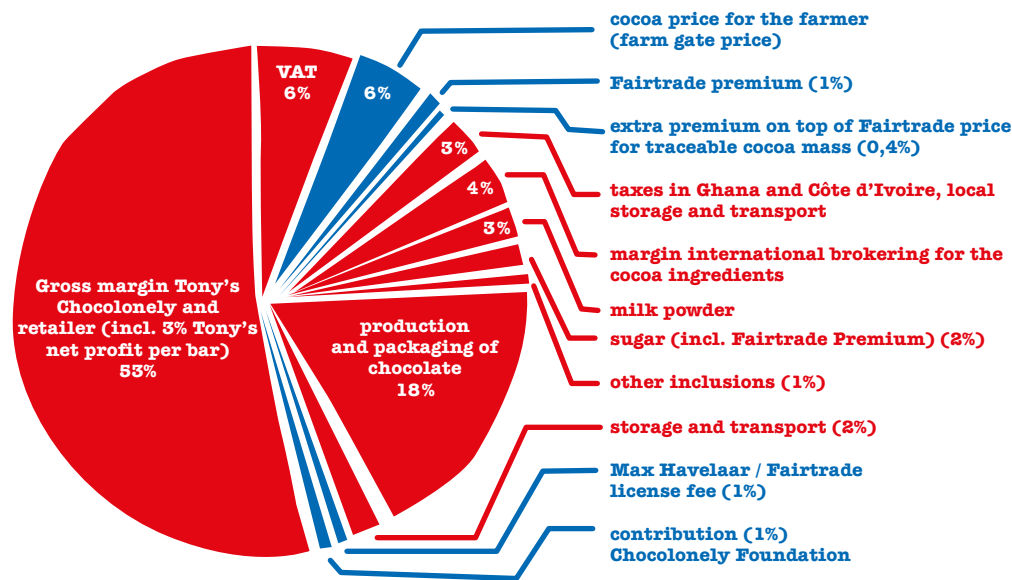
Responsibility comes from both sides. We pay a better price for professional farmers. So we are pleased to see that the cooperative uses the premium to improve productivity and buy shared agricultural resources. A cost saving also benefits the farmer. We are aiming for professional independent cocoa farmers so this deserves an investment.

How does the price of a bar fit together?

How is the price of our bars together determined? Let's look at the price breakdown of an average bar of Tony's Chocolonely. We'll use the average consumer price of a bar sold in the Netherlands and we'll average the percentages of all bars and flavors of Tony's sold in 2015, milk and dark together.

Currently about 9% of the retail price of our bars benefits the cocoa farmer. We do that by direct payments, and also with support for the farmers cooperatives and through projects of the Chocolonely Foundation.

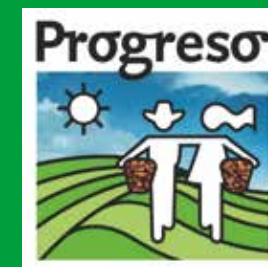
From an ordinary, uncertified chocolate bar, the farmer gets about 3 to 5% of the value of the bar for his unprocessed cocoa beans. The farmers get more from us, yet still not enough. We pay Tony's extra premium only for the traceable cocoa beans that go into our cocoa mass (in 2015). The cocoa butter is still untraceable. As soon as we can arrange that, the farmers who supply beans for the traceable cocoa butter will get an additional premium.



■ goes to the farmer or projects that benefit the cocoa farmer


Only together can we make a difference

We don't just say it, we breathe it. That's why we're so pleased with the support the Progreso foundation has given to our farmers in Abocfa. This is long term (4-5 years) and integral support (quality, management, finance and market access). There is collaboration with the Ghanaian experts from Sustainable Empowerment and Development (SED) Consult. Last season Abocfa received a loan from Progreso to purchase more cocoa. It was the very first time that Abodfa successfully negotiated the terms of a loan. The loan was made possible because Tony's Chocolonely guaranteed repayment. High five! Another visible result of our direct business relationships with farmers' groups.



The additional costs associated with cocoa beans go to local and international traders, taxes, transport and storage. About 18% of the costs go to processing the raw ingredients; cocoa beans, sugar, milk powder and sometimes other surprising inclusions, into our tastiest chocolate bars. About 53% of the total price is split between Tony's Chocolonely and the reseller. Resellers are our customers; like the grocery store and the coffee bar where you find our chocolate bars. In the overview you'll find that our gross margins are combined. We can't look into price breakdowns and profit margins of our customers, like we can our own. Our costs go to personnel costs, developing new flavors, taxes and investments into new markets. 3% of the retail price of a Tony's chocolate bar was our net profit last year.

Principle: go for the long haul

 We believe that every chocolate maker should work towards building long-term relationships based on equality. Farmers can only take out loans and make investments for better harvests if they have faith in the future. Unfortunately, it's not the normal way of working in the markets where the chocolate giants buy their cocoa.

A direct and long-term relationship allows chocolate makers to invest in productivity and quality together with farmers. Together social conditions can be created that eliminate child labor. The impact of this approach is apparent. Training, change of culture, and also the cultivation of cocoa trees; it all takes years. So yes, we understand that this is a lengthy process ... it's just difficult to hear, because impatience is a big part of who we are.

Tony's shows 'em:

In 2012 we reached agreements with two West African cooperatives: Abocfa in Ghana and Kapatchiva in Côte d'Ivoire. We commit to buying all of our cocoa from our partners for a minimum of five years

Measuring is knowing

In January 2014, the National Postcode Lottery pledged their support to Max Havelaar for the project It takes a village to protect a child in Côte d'Ivoire. We're proud of our partnership. Together with the representatives of Ecookim, we focus on innovation and creating reliable data collection. These cooperative efforts gain more insight into the conditions under which cocoa is grown. Based on their findings, they can adapt their plans to prevent child labor.

One concrete result is that our farmers in Côte d'Ivoire were mapped with GPS for the first time.

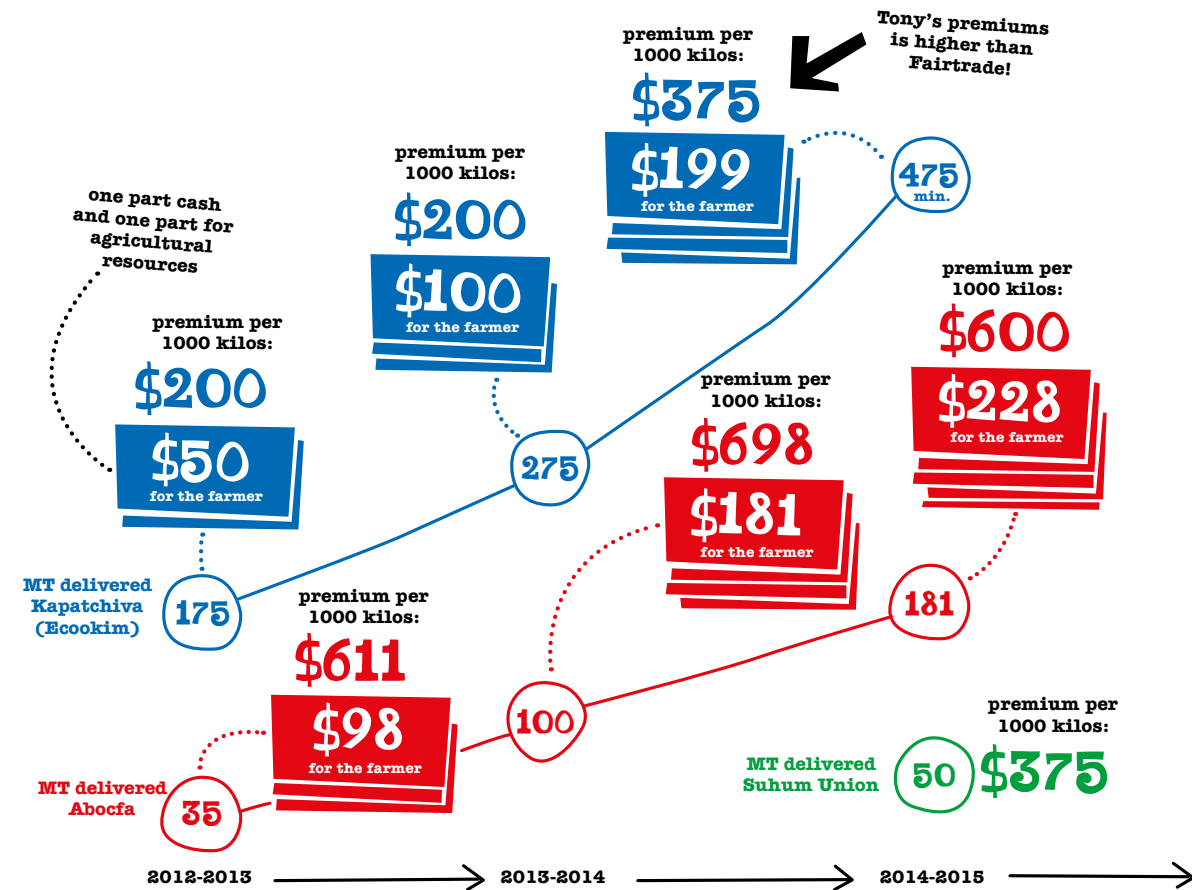
The advantage is that they can more easily acquire property rights for their farms. Previously this just wasn't possible. There is also a mobile app that allows cooperatives to gather all of the information needed for certification. It became cheaper for them to prove that they meet the certification requirements. In turn, we can check via the GPS data whether a certification inspector actually visited a farm. Data is collected in Cropster, our own data system. Using it we're better able to identify our impact. Because hey, measuring is knowing.



Below you'll find data that we've (almost) perfectly captured for 90% of the farmers who supply us with traceable cocoa.

- + Of the farms in Ghana and Côte d'Ivoire 13% are owned by women
- + Farmers have an average of around 3 hectares of cocoa (7.5 acres)
- + Many farmers grow cocoa in addition to other crops, like coffee in Côte d'Ivoire or bananas in Ghana. Cocoa provides more than 90% of revenue.
- + Only 1% of all farmers were able to pursue higher education
- + Farmers have an average of four children

while they are completely free to sell to other parties. And if they can deliver more than we need, we'll go look for another buyer together. Because other buyers are often looking for special certificates (like Utz or Fairtrade) we also work together to meet the requirements of these standards more efficiently. We work to be the best possible customer for them and we work together towards a better future. Anno 2015, the first results are visible. Farmers provide a larger part of their harvest to the cooperatives and not to other local buyers. This enables Tony's to pay better prices for an increasing amount of beans. There is more confidence in the cooperative and farmers see the value of cooperation, not just a better price. Through cooperation, we see genuine pride when the cocoa farmers taste their cocoa in our chocolate bars for the first time in their lives.



Thanks to long-term cooperation we are seeing an increased awareness about child labor and projects can be started to address specific themes. A good example is It takes a village to protect a child, a project with Max Havelaar, supported by the Dutch Postcode Lottery, which we participate in as a partner. Our partner farmers cooperative in Côte d'Ivoire participates in this program. That's a direct effect of our long-term relationship. This also applies to the opening of a school in Côte d'Ivoire and a Chocolonely Foundation / Edukans-education project in Ghana. Ultimately, the right conditions in the community are necessary before you can even talk about the elimination of child labor or slavery.

This long-term relationship doesn't only apply to our cocoa farmers. Since the start, our chocolate bars have been lovingly made by our unequalled chocolate maker Althaea de Laet in Belgium. Because of Tony's enormous growth and our international expansion, we went looking for a second chocolate maker. And hurray, we found her: Kim's Chocolates. This Belgian chocolate factory is one of the greenest in Europe. Our intention is to eventually build a lasting relationship with all suppliers. We go for preferred suppliers who work from their passion to make all chocolate slave free.

Principle: Follow the cocoa bean



Traceability is an essential step in order to generate real and lasting impact. Almost no chocolate brand in the supermarket knows exactly where, how and by whom their cocoa is produced. And that's crazy, because it holds true for the vast majority of certified and sustainable cocoa. If you know where cocoa comes from and who made it, you also feel responsible for the circumstances under which it's made and then you act accordingly.

Tony's shows 'em:

We set up a wholly segregated cocoa supply chain for our cocoa mass. So it can be done! For three years running we have bought steadily an increasing volume from our partners. In 2015 this was more than 700,000 kilos! That's no pile of beans anymore, that's one true cocoa mountain! Of course it doesn't happen on its own. The previous years proved challenging especially because of unstable supply from Ghana. There were fewer containers and they came later than planned. This was in large part due to problems between the farmers and the local merchant. In response, during the summer of 2014 we started working with a new trader. In 2015 we grew so quickly as a company that the farmers couldn't deliver enough beans! As a result in 2015 we had to make a large part of our dark bars with mass balance cocoa. We're taking big steps to prevent this in the future.

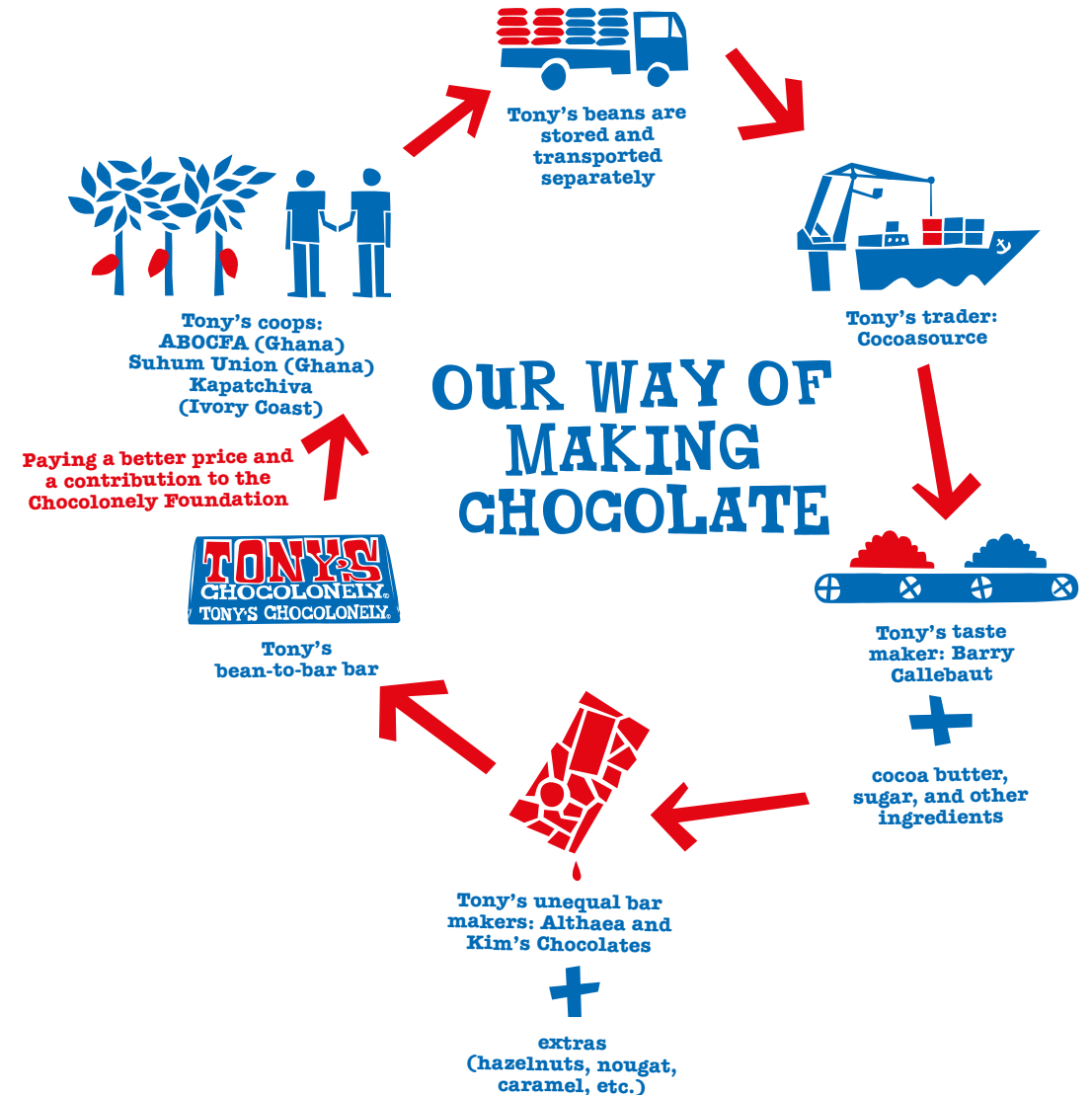
Butter your chocolate up...

For making chocolate you need cocoa mass and cocoa butter, both ingredients are made from cocoa beans. In 2013, after lengthy negotiations we finally succeeded in putting the first traceable cocoa mass in our bars. This was a huge step. Unfortunately we haven't achieved the same success for our cocoa butter yet. Making cocoa butter is more complicated than you may think and a lot of cocoa butter manufacturers don't see the benefits of traceability yet. For them, it all comes from the same untraceable butter dish. Doesn't it taste the same?!?? And with their offhand comment they immerse the masses in ignorance. For us taste is just one part of a product. Working conditions, origin and the price we paid

are just as important, and only through traceability can we get the whole story.

Another aspect of making cocoa butter is the cocoa powder that is left over. Cause we need a lot of butter we would, if we did it in-house, have a lot left over cocoa powder. What do we do with it? Too bad... our chocolate milk sales are not big enough yet to use all of the cocoa powder. So we have to talk to chocolate companies like Barry Callebaut and others to take the next step together. We are certain: traceable cocoa butter is coming!

Of key importance is better planning and a good forecasting of how many beans we need. With the creation of the Tony's Bean Tracker every two weeks we get the most up-to-date supply data from Ghana and Côte d'Ivoire. We also see how many beans there are in transit on the boat or processed in Belgium. And, we are seeking additional partner cooperatives in Côte d'Ivoire and Ghana so that we avoid possible shortages in the future.



WHERE DO ALL THE GOODIES COME FROM?

Carrageenan:
from somewhere
in the ocean

Pecans
from the United States

Almonds
from the United States: Fairtrade dispensation

Banana from
Colombia:
Fairtrade

Temporary: **cocoa**
from Peru: organic
Fairtrade for
chocolate milk

Orange from Brazil,
South Africa, Mexico,
Argentina and Uruguay

Meringue from Belgium:
free range eggs

Sea salt
from Belgium

Nougat
from
Belgium:
Fairtrade

Walnut from France:
Fairtrade dispensation

Hazelnut from
Holland, Italy,
Germany and Spain

Soy lecithin:
non-GMO

Milk from
Western
Europe

Popcorn from the
Netherlands: non-GMO

**Marshmallow,
licorice and discodip**
from the Netherlands

Cookie from
Germany

Caramel
from
Belgium
and Italy

Cocoa from Cote d'Ivoire
and Ghana: Fairtrade

Sugar from Western
Europe: Fairtrade
mass balance

Rhubarb
from Poland

**Freeze dried
cherry** from Poland,
Serbia, Turkey and
Bulgaria

Rosemary from
Turkey: Fairtrade
dispensation

Fig from
Turkey

Coffee from
Ethiopia:
Fairtrade

Coconut from
Sri Lanka:
organic

Cane sugar
from Mauritius:
Fairtrade

chapter seven:

INSPIRE TO ACT

.. crossing the border

It's clear: we want to change the chocolate industry. Make a difference. In 2015 we took more constructive steps in this area than ever before. We choose where we shared our story very deliberately. And now for the first time we're involved in international collaborations, we find our way into international markets, we're closer to politics and we are, yes really, carefully putting on our scientists glasses.

But with nothing but a successful business case we're not going to convince any choco-colleagues from other companies to change. Not to mention that a slave free chocolate world, with dignity for everyone, is the responsibility of more than just the industry.

What is needed to inspire?

In the autumn of 2013 we mapped out what must be done by the various players in the chocolate industry to make chocolate 100% slave free. Think of consumers who can make different choices when they go shopping, or the grocery stores that decide which products they put on shelf. And what about banks? Making loans to the chocolate giants which they use to purchase tainted cocoa. And also politicians have a role. They could draft better legislation on child labor, and then ensure compliance. We did this research, by the way, with Nathalie Rey. She is an international expert in developing campaign strategies and was a temporary volunteer for Team Tony's to help us create our first stakeholder analysis; who does what in the sector and what can we do?

An important conclusion and action point: we need to think critically about how and where we tell our story. We have to better articulate what we ask of other players and we need to provide insight to politicians to see that the distribution in the cocoa sector is still unfair. In 2014 it was too early for us to put these conclusions into practice, we just weren't ready. But now we are.

In 2015 we took some steps that we're still getting used to. We're now involved in international partnerships who are working to change the cocoa world, we're working towards political agreements and taking steps to put science to good use.

Inspire to Act goes international

The Netherlands is a beautiful country, but not the only or largest chocolate nation in the world. If we want the big chocolate giants to follow our example, it is important for them to notice us, so we've got to be successful in other countries.

The step towards international expansion fits perfectly into our roadmap.

Sometimes the foreign enthusiasm for Tony's makes us blush. We get requests from all over the world. From Singapore and Accra to New York.



Yes! We're crossing the border!



Gold, silver and bronze

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

The United States is the home market to three of the five largest players. Together they control more than 35% of the global chocolate market! It's an ideal market to make an impact; and we do that by being a relevant player there. In silver markets, we work with a local distributor to increase consumer awareness and leverage commercial opportunities. These are markets with chocolate lovers and conscious consumers, but which are smaller than the gold market. Think of the Scandinavian countries, Belgium and Germany. Bronze markets offer specific opportunities that we serve from the Netherlands.

In 2014 we exported our first bars to Belgium and Finland, and in 2015 Sweden, Germany and the US followed. Establishing an international chain with the right partners, distribution, as well as the development of special products was no small feat. The US launch was delayed almost a year due to the attention required by our rapid growth in the Netherlands. But with the lessons we learnt we can take on the world!

In the United States our fan base is growing quickly. We intentionally started in Portland, Oregon (PDX) the mecca of educated consumers and gourmet food, and are spreading out according to the oil slick principle. Everywhere we go we share Tony's story – in stores, on the street and even on the news. The enthusiasm we're met with makes us really happy. We deliberately choose to set our sights on the US, but secretly we've got butterflies in our stomach already when we think about the next gold market, 'the UK'.

It's real: we network

We challenge all chocolate companies to follow the 5 partnership principles, to work together more and to share experience. To back up our words with action we've become a member of the International Cocoa Initiative (ICI). This initiative, originally founded to support the Harkin-Engel Protocol, has not achieved much in the past. Yet we still became a member in 2015. In recent years the organization was given a new mandate, with more funds, more active partners and better plans. In the meantime, we've also learnt a lot. Especially now that we've grown as a company, are more active in Africa and believe that the industry must cooperate more, we can't afford to sit on the sidelines. Ultimately ICI is the only initiative in the chocolate world completely focused on combating child labor.

Now that we're a member of ICI we expect to learn a lot, share our experience, and shake things up a bit especially in setting up innovative pilot projects in West-Africa.

Reaching for the top (shelf) in PDX.



Conference Tigers

In 2014 and 2015 we also actively sought the stage at meetings and events where the entire chocolate industry or other stakeholders came together. We talked at forums for Dutch entrepreneurs, were invited with the President of Ghana to a conference in Norway. During the World Cocoa Conference in Amsterdam we were the only company that dared to talk about a living wage. We were represented at a World Certification Conference in Côte d'Ivoire, at Chococoa in Amsterdam and at a meeting of the International Cocoa Initiative in Geneva. What do you say; are we becoming conference tigers? Sometimes it feels that way, but we did it all with a singular purpose; to show them that it can be done differently. We tell our story and motivate others to take action as well.

And all of these international contacts give us a great opportunity. We approach parties, for example, who need cocoa powder (the byproduct if you want to make traceable cocoa butter). Also some of the big chocolate companies and retailers in the Netherlands and Belgium actively search us out to learn how we make our chocolate and are growing so quickly. Has this led to action? The (cocoa) seed is planted, in 2016 we want to see results!

In 2016 we want to do more to support organizations who need to be heard. It is very important that farmers are heard in international forums and discussions, such as certifications, discussions about prices and trade conferences. We applaud that for the first time there are a number of initiatives formalizing that.. Indeed, it is absurd that everyone talks about farmers, but rarely talks with farmers.

During the World Cocoa Conference in Amsterdam (2014), the largest cocoa conference in the world, it was decided that farmers should have more influence and control. Meanwhile, there are three organizations that represent farmer groups at the international level. Tony's naturally supports such initiatives. In September 2015 we took part in a strategic brainstorming session with one of these organizations and we gave a presentation to farmers' representatives.

Social Enterprise NL

Fortunately, we're not the only company trying to make the world a better place. Imagine! By joining forces, we increase our impact. We are very proud that we are member of Social Enterprise NL. The purpose of Social Enterprise NL is to strengthen the sector of social enterprises in the Netherlands and to increase the social impact of these companies. We are actively working together on many fronts, such as a visit with other social enterprises to Prime Minister Mark Rutte and the establishment of a professor's chair in Utrecht. Our experience with impact measurement is shared with many other partners. Social Enterprises are the bomb!



social
enterprise^{nl}

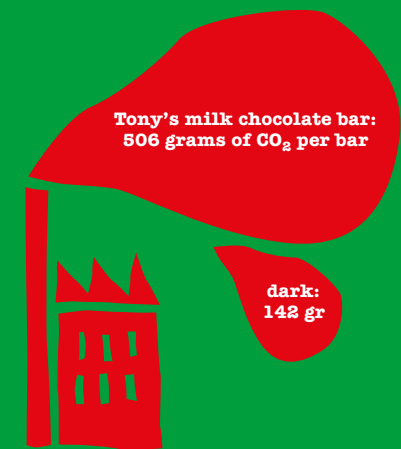
Nature & Environment Tony's Foodprint

Due to global as well as regional climate change, global warming and large areas with too little rainfall, the future of cocoa production in parts of West Africa is in immediate danger. This climate change will affect the income of cocoa farmers. Paying attention to the environment is just common sense for us. As a brand with a social mission, we communicate less about the environment, than some partners may expect from us. Yet we have developed a pretty clear picture of our impact on nature and the environment in Tony's Foodprint. This involves more than just cocoa (which we already calculated a Foodprint for in 2013).

For a full Foodprint we cover the entire supply chain: what about sugar, milk powder and packaging materials? Our sugarbabe, Vera, did a sweet job during her internship in 2015. So we know now that sugar from small-scale sugar cane farmers in the tropics is often less environmentally friendly than European beet sugar.

During the search things popped up that were disappointing. We discovered our aluminum supplier for over a year and a half no longer worked with partially recycled materials. That didn't make anybody happy. We're talking with him and looking into new options and our own processes.

The main Foodprint insights we uncovered with True Price, with the support of the Rabobank Foundation at the end of 2015. We didn't just look at the energy bills of our chocolate factory but also at how much water is necessary to grow cocoa and sugar, for example. We calculated how much feed the cows eat for our milk powder. And yes, even the greenhouse gas of a healthy cow patty is included. We don't know exactly where the powdered milk and sugar come from

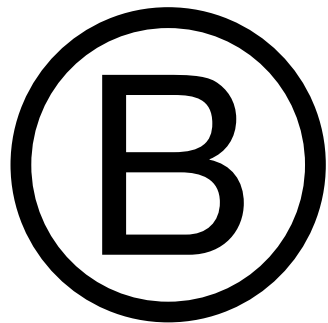


for each bar, so we've used averages. For the CO₂ footprint, we've used the footprint of Dutch milk powder and German sugar. The bulk of our greenhouse gas emissions come from the production of milk powder, more than 70%! 8% of greenhouse gas emissions come from the production of the bar itself and the packaging. The latter is less than we expected.

It took longer than we expected to compile all the data. But we now have a very clear picture of Tony's raw materials Foodprint. In addition, we already handled some internal issues. For example all our cardboard cases are now 20% lighter and made from recycled materials. And we'll keep going. Because in 2016 we're going to make all our cocoa and packaging completely CO₂ neutral. In 2017 and 2018 we'll take on the remaining ingredients, by continually searching for ways to reduce. Where there is no alternative, we compensate. In order to take the right steps, we are in talks with the Naga Foundation. This foundation focuses on greening the arid regions of Africa and will at the same time stimulate local economies. In short, we care for our environment: now and in the future.



Certified



Corporation®

B-Corp

B-Corp is an American initiative that looks beyond the farmer in Africa, a major difference from many initiatives. B-Corp is an international network of ambitious Benefit Corporations. These are companies that not only want to create value for their stakeholders, but for society in general. Membership gives us insight into things that we previously have not considered. For example; how do we ensure that not only the farmers but also the factory workers are treated well? And what is Tony's Chocolonely's policy on the diversity of its own staff?

Also thanks to our B-Corp membership, we can build a better network in America. Our first US customer, New Seasons grocery store in Portland is also a certified B-Corp.

After in December 2013, being the first European chocolate company and the second Dutch company ever to be B-Corp certified, in October 2015 we renewed our certification! Technically that's fiscal 2016, but hey, we did it! We scored 113 of the possible 200 points, 20% higher than our previous score. For comparison, an average B-Corp scores 96 points and a comparable normal company, 51.

In addition, in 2015 we participated in the Supply Chain Cohort. This is a working group of leading companies in the B-Corp Movement. We work together to get the impact of the major suppliers in our own supply chains working more effectively. For example, how does a company address water waste or working conditions of its own staff? The participation proved harder than expected, mainly because the US based B-Corp was very unfamiliar to our European suppliers. Most companies gradually became assessment tired due to the many certification and rating processes. Too bad, but secretly we understand. With the lessons learnt, we hope to make a better impact analysis for our suppliers next year.

Scientific bar

Living wage discussions, the economic system, the impact of trade, climate change, diseases of cocoa trees, development models; yes, even in our sector there is plenty to investigate. And it is more important now than ever, since these studies can lead to practical applications. Working away in an ivory choco-study tower doesn't benefit anyone.

We're working hard to set up the first Chair of Social Entrepreneurship in the Netherlands (and maybe the world). We want to support scientific research and are therefore working with the University of Utrecht. An important theme is how social enterprises like Tony's can really set the industry upside down. What steps can chocolate makers take to make more impact together? Furthermore there will be a chocolate PhD! With his scientific focus he'll look critically at everything we do. 2015 will be used to formalize the professorship, raise funds and of course find the best professor to lead the department. Hopefully, in early 2016 the new department will take off... with academic papers, research manuscripts and ground breaking dissertations. We'll keep you posted!

Also sharing knowledge fairly

In addition to the professorship, we share our experience with others as much as possible.

After starting an investigation three years ago with consulting agency True Price (looking into unrecovered external costs, like social problems and environmental pollution created with the production of cocoa in chocolate) True Pricing, True Costs, Real Pricing or however you choose to call it, delivered in spades. As a follow up we've shared the report with many researchers and consultants in 2015. We also participate in a special international working group aimed at improving the Living Income calculations. But most of all, we challenge our choco-colleagues; now they have to take action.

Tony's as case study

We are a popular research subject among students and within studies and faculties. Various PhD candidates use us as a case in their research. And although we want to inspire as many people as possible, we have to make choices. We're still a small team and chocolate is our business. Therefore, we will work in a more targeted way in 2016 with a limited number of studies or research institutes. We'll still gather and share knowledge and maybe even discover the Tony's of the future.

Chocopolitics

We can conclude that we as Tony's missed the importance of politics in the past. Since 2014, we're now actively sharing our story in this arena, because if companies don't decide to take action, then the politicians will have to create the right conditions.

But... Aren't politics boring?!?

That's what we thought, too. But luckily we brought a little life to the party. With our Chief Chocolate Officer as leading man, we had a nice talk with minister-president Mark Rutte about social enterprises.

There were talks with Minister Sharon Dijksma (Economic Affairs), with minister Lodewijk Asscher (Social Affairs), with the Mayor of Amsterdam Eberhard van der Laan, with legislators, and we met with and were cited as an example by Minister Lilianne Ploumen (Foreign Trade and Development).

We also gave a chocolate bar to the President of Ghana (we think he has a preference for caramel sea salt) and took a delegation of the Netherlands Embassy to visit our partners in Ghana. And.. do we still think it's boring? Well, it is extremely useful. Because if companies do not assume their responsibility quickly enough, than the political system has to ensure that they do (but phew.. it'll take a long time say it!).



So proud!

We're unbelievably proud of Henk Jan, our Chief Chocolate Officer. He was named, on behalf of Tony's, entrepreneur of the year in Amsterdam, stood in the finals Entrepreneurs of North Holland in 2014, and in October 2015 won the EY Business Award 2015 in the category Emerging Entrepreneur. We're just as proud of our Chain Director, Arjen. He made the Sustainable 100 list (2015) of the newspaper Trouw. And not just halfway, no. Arjen stormed the top 10, a coveted spot in this ranking of the most influential people in the area of sustainability. It's a good sign that we're on the right track but more importantly it's an incentive to make a slave free chocolate industry a reality.



New to the Sustainable 100 at number 9!



EY Business Award.



Drinking tea with Mark (our PM).



Dutch Financial Times (Financieele Dagblad) June 6 2015.

Henk Jan Beltman 'Veel bedrijven vergeten dat geld een middel is, en geen doel'

Michiel Goudswaard

Geld verdienen neemt bij veel ondernemers nu 'n dominante positie in dat de mensen die erwerken uit het oog verliezen wat de werkelijke missie is van hun bedrijf. Zij realiseren zich niet of nauwelijks meer dat geld een middel is, en geen doel. Natuurlijk moet een bedrijf geld verdienen om te kunnen voortbestaan. Maar de vraag waarom een bedrijf doet wat het doet, krijgt nu vaak onvoldoende aandacht. Uiteindelijk gaat het er toch om dat bedrijven met hun producten of diensten de wereld een klein beetje mooier maken, dat zij iets toevoegen aan het leven van hun afnemers. Als bedrijven die missie weer meer centraal stellen in hun denken en handelen, heeft dat een groot positief effect op de motivatie van de mensen die er werken. Zeker jonge mensen willen alerst opstaan, een pak aantrekken en geld verdienen. Ze willen op hun werk iets doen wat betekenis heeft voor de maatschappij. En wat is het verlies daarvan hun eigen werk betekenis geeft. Maar hoeveel mensen kunnen dat zeggen? Ik schat dat meer dan de helft van de mensen werkt voor het geld, gewoon omdat er brood op de plank moet komen. Terwijl zij vele malen productiever en gelukkiger zouden zijn als zij wel met ziel en zaligheid naar hun werk zouden gaan. Wie wil er niet trots zijn op wat hij doet op zijn werk? Trots op de bijdrage die hij of zij kan leveren aan een betere wereld? Maar veel bedrijven zijn in de ban van geld en procenten, omdat de dingen dan zo lekker meetbaar zijn. Je koopt iets, doet er een paar procent bovenop, en verkoopt het weer, zo simpel is het.

CV

1974
Geboren in Helten
1993-2000
Bedrijfskunde, Universiteit Groningen
1999
Oprichter Genuine business consultancy
2001
Management-trainer, Heineken
2001-2004
Brandmanager, Vroomans (frisdrankdochter Heineken)
2004-2008
Countrymanager Bechtels, Innoco drinks
Sinds 2010
CCO (Chief Chocolate Officer), Tony's Chocolonely

Inspiratiebronnen

Wynton Marsalis

Deze Amerikaanse trompettist is mijn grote held. Hij speelt alles van klassiek tot New Orleans jazz. Hij heeft enkele jaren terug met Eric Clapton een onvergetelijke cd gemaakt. Het is zo mooi wat hij doet, zo of, echt geweldig. Hij praat met je via zijn handgemaakte toonnet. Ik heb lang niet geweten dat muziek me zo gruwelijk kan maken.



Jill Bolte Taylor

Tien ik twee jaar geleden een beroerte kreeg, was het boek Overzicht inzicht van deze Amerikaanse neuroloog het eerste wat ik daarna wilde lezen. Zij schrijft daarin over haar eigen herseninfarct.



Bonte en Ties

Mijn kinderen van negen en zeven betekenen erg veel voor me. Ik geniet van de onderwerpen die waarmee zij naar de wereld en naar hun ouders kijken. Ik had me niet gerealiseerd dat ouders ook zo veel van hun kinderen kunnen leren. Als een van hen weer eens de Waaroverag straat, kan ik daar soms dagen mee ronlopen.



Maar daarbij verliezen we wel het zicht op de echte wereld, waarin door de globalisering grote productieketens zijn ontstaan. Want helemaal aan het begin van de ketens staan boeren die niet of nauwelijks kunnen leven van de tabak, de cacao of de katoen die ze verbouwen. We zien niet dat er nog 2,5 miljoen slaven in de wereld zijn mensen die illegaal en onder erbarmelijke omstandigheden moeten werken. En dat er nog steeds op grote schaal kinderen worden verhandeld of uitgehuwelijkt. Hoe kan het dat we nooit zouden accepteren dat dit onze eigen kinderen gebeurt, en we onze ogen sluiten als het andere kinderen overkaant? Willem we echt die lekker goedkope chocolade of tabak, als dit de prijs is? Gelukkig begrijpen consumenten dat steeds beter en worden zij kritischer. Maar je ziet dat veel grote bevoegde bedrijven niet uit de ban van het geld willen of durven breken. Bedrijven als Nestlé, Douwe Egberts en Verkaade waren iconen, maar hun status kalf af. Ik heb groot respect voor Paul Polman, die de moed heeft om een flinke ruk te geven aan het roer van olietanker Unilever. Dat is een complexe operatie, maar als zulke grote bedrijven echt anders gaan werken heeft dat een enorme impact op het leven van heel veel mensen. Naast leiders als Polman hebben we ook meer zelfstandige ondernemers nodig die de ambitie hebben om integriteit centraal te stellen in hun bedrijfsvoering. Uiteindelijk is het basisprincipe simpel: haastier tijden je werk de ethische normen die je pakt haastier. Denk aan je eigen kind, sonj in je zakelijke leven geen binnenbochten af die je thuis niet kunt uitleggen. We moeten proberen mensen bewuster te maken van de consequenties van het gedöden en in de praktijk laten zien dat het ook anders kan.

Michiel Goudswaard is redacteur van het FD, goudswaard@fd.nl



Amsterdam Entrepreneur of the Year.

chapter eight:

2014 AND '15

in numbers

And now please, turn your attention to our numbers, Golden Wrappers, market share and the profit and loss statement. And to our fiscal year. Previously our fiscal year ran from January through December. Since 2014 our fiscal year starts in October and ends in September. So from now on we'll make our new year's resolutions in September and start our new fiscal year in October!

Just this once, our Annual FAIR Report covers an odd period, namely the past 21 months: January 1, 2014 through September 30, 2015. We've shifted our accounting year in order to sync with the chocolate sales season and let our yearly financial planning fall in step with our farmers cooperatives in West Africa. We've embedded it neatly in our statutes and other important company documents.

Our last Annual FAIR Report dates to about a year and a half ago and covered the calendar year 2013. We'll now address the financial results from fiscal year 2014/2015 (October-September) and compare them with the same 12 month period from 2013/2014. That means that the figures don't match the figures from our last Annual Fair Report. For the partial year, January 2014 through September 2013 we filed an abbreviated financial statement. Are you still with us? Good. Then we'll move on to our goals.

What were our goals again? And did we reach 'em?

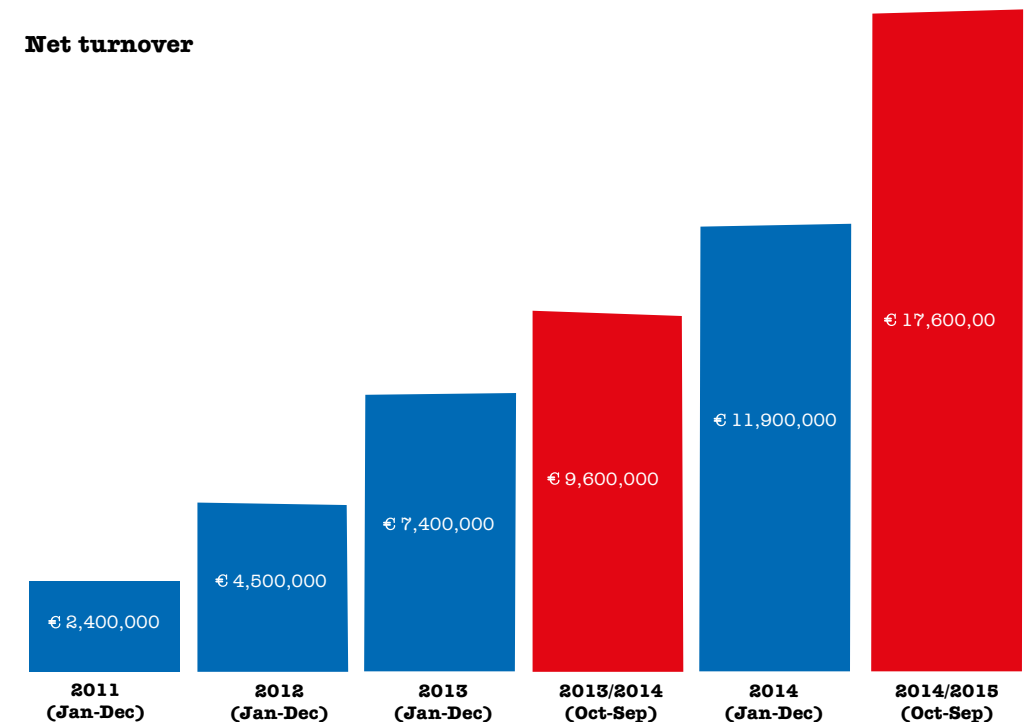
Healthy profit

→ Our net profit after tax for fiscal year 2014/2015 +4.1%. That means we have enough financial meat on our bones to continue our mission.

Net turnover over 10 million

→ We wanted to continue to grow reaching a net turnover of over € 10 million. We made it amply. The net turnover in fiscal year 2014/2015 is € 17,6 million. That's a growth of 83% compared to the same period last year!!

Net turnover



Buy more than 350 tons of cocoa beans

→ We nailed this one too. We bought more traceable beans directly from the farmers, but less than expected based on net turnover. There were delivery problems with Abocfa in 2014 and the new cooperative Suhum Union in 2015. You want numbers? In 2014, together with our trader Cocosource, we bought 375 tons of cocoa beans from the farmers. In 2015 that was around 700 tons for cocoa mass, 475 of this was from Côte d'Ivoire. This will in large part be used for our bars in 2016. Putting it in perspective, in 2015 we put a total of 1345 tons of beans in our cocoa mass and cocoa butter into our bars.

Go international

→ Our turnover and results were achieved predominantly in the Netherlands. But since 2014 our bars are for sale in Belgium and Finland and since 2015 in Sweden and Germany. The launch of Tony's in the USA took longer than expected but we did it: since September 2015 our bars are also on the shelves in Portland. Bring it on!

Direct to consumer

→ We wanted to strengthen the direct relationship with fans by selling new products from our web shop. That is still on our agenda. We have implemented a new CRM system though. Um... a what?!? A software system that helps us help you if you call or e-mail. If you have a complaint, than we log it. Not with pen and paper but in the system. The next time you call or mail we know who you are (yeah, really!) and where we know you from.

We are a social enterprise

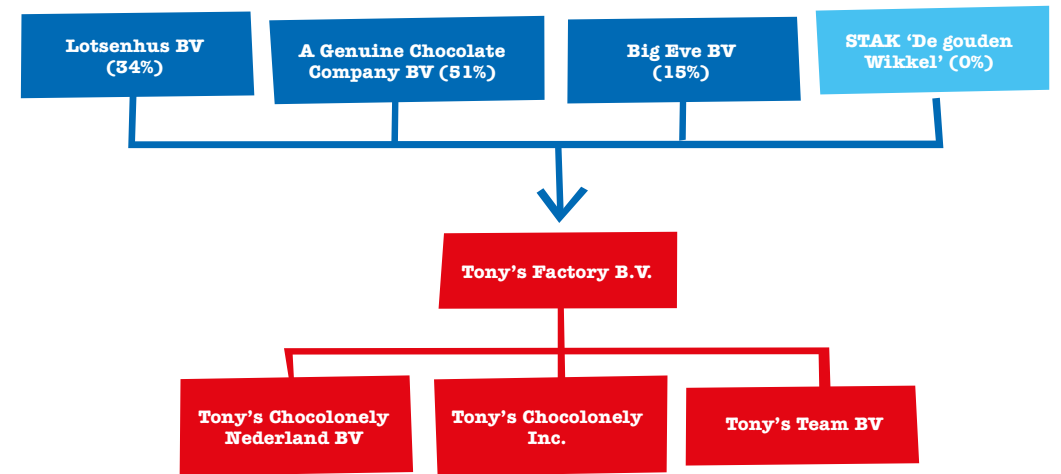
Combining commercial objectives with social and societal objectives makes us a social enterprise. For Tony's, creating social and societal impact comes first. Profit or maximizing shareholder value comes in second. Again those lovely financial concepts. And here comes another: profitability. It's not an end in itself, but a means for achieving our social mission. Though we do strive for a satisfactory profit level so that we can show the industry that a fair supply chain can be combined with a healthy business and returns.

'The Golden Wrapper'

Sharing fairly is what Tony's Chocolonely stands for. So of course we share our successes with the team. That's why we set up the Stichting Administratie Kantoor (STAK) aka 'the Golden Wrapper'. Now every Tony can buy a piece of Tony's. You understand that we are not talking about our chocolate bars. Every Tony of the Tony's Team can buy a number of (non-voting) share certificates based on the year-end assessment. Tony's Factory BV issues the additional shares, diluting the existing shareholders value in favor of the staff.

Hooray, three daughters!

Tony's Factory BV is now the holding company and holds all intangible assets. Henk Jan Beltman holds 51% of the shares. The other shareholders are Maurice Dekkers and Eveline Raijmans. At the very start of Tony's Chocolonely Maurice was the driving force behind the the television program 'Keuringsdienst van Waarde'. Maurice owns 34% of the shares. Eveline, who was in charge of Tony's Chocolonely between 2006 and 2011, has the remaining 15% stake.



Tony's Factory BV holds 3 100% subsidiaries. Yes, Tony's Factory BV has 3 daughters per 1 July 2014:

- Tony's Chocolonely Nederland BV: holds all Dutch activities
- Tony's Chocolonely Inc.: holds all American activities
- Tony's Team BV: holds all labor contracts

Dutch Good Growth Fund (DGGF)

The DGGF helps Dutch entrepreneurs doing business in developing countries and emerging markets with customized services. Quite a mouthful. The fund aims to have an impact in e.g. West Africa and falls under the Ministry of Foreign Affairs. DGGF has an amount of € 700 million. Tony's Chocolonely has made a request to DGGF for co-financing (together with Rabobank) of working capital and pre-financing of cocoa beans. Good news: in October 2015, we have successfully reached an agreement.. It gives us the time and space to focus on growth and make impact.

Even more percentages

The more bars we sell, the more cocoa we can process and the more farmers we can work with. So our success in selling chocolate is important to us. Therefore, we keep a close eye on our market share. In 2015 (until October), our market share was 8.8%. That means that 8.8% of revenue generated by chocolate bars in Dutch supermarkets are Tony's bars. Last year this market share was 4.5% over the same period. That's an increase of 97%! Whoop whoop high five!

Now on to the dry numbers:

Profit and Loss Statement (in €)

	1-10-2014 to 30-9-2015	1-10-2013 to 30-9-2014
Net Turnover	17,621,473	9,649,199
Purchasing expenses	11,035,799	6,021,621
Cost of goods sold	10,925,312	6,021,621
Additional Tony's premium	110,487	
Gross Margin	6,585,674	3,627,578
Gross Margin Percentage	37.37%	37.59%
Personnel expenses	1,927,865	1,365,232
Selling expenses	2,241,403	1,179,208
Marketing & PR	490,197	180,659
Promotional contributions	1,220,655	730,021
Premiums	362,817	234,762
Fairtrade premium	187,892	139,386
Chocolonely Foundation premiums	174,925	95,376
Travel and representation expenses	119,507	24,504
Other sales costs	48,228	9,262
Logistics costs	616,841	363,457
General expenses	644,009	317,059
EBITDA	1,155,555	402,623
Depreciation	160,689	115,105
EBIT	994,866	287,518
Interest expense	34,891	30,807
Income Taxes	230,554	32,600
NET PROFIT	729,421	224,111
NET PROFIT PERCENTAGE	4.1%	2.3%

Balance Sheet (in €)

	30-09-2015	30-09-2014
Assets	4,889,685	2,522,776
Fixed assets	410,012	374,154
Intangible fixed assets	138,037	198,060
Tangible fixed assets	271,975	176,094
Inventories	1,860,049	808,060
Trade and other receivables	2,619,624	1,340,562
Debtors	2,468,362	1,265,289
Other receivablesn	151,261	75,273
Liabilities	4,889,685	2,522,776
Shareholders' equity	809,511	480,932
Issued and paid share capital	32,000	32,000
Share premium reserve	314,125	314,125
Legal reserve	105,227	115,035
ther reserves	358,159	19,772
Current liabilities	4,080,174	2,041,844
Bank accounts	985,590	155,017
Trade creditors	2,145,232	1,374,469
Taxes and social security premiums	193,066	140,751
Other payables and accrued expenses	756,287	371,607

Voluntary premiums and contributions

Fairtrade premium cocoa	€ 247,285.57
Fairtrade premium sugar	€ 46,731.02
Total Fairtrade premium for our couverture	€ 294,016.59
Tony's additional premium for traceable beans in cocoa mass	€ 110,487.00
Fairtrade premium cocoa powder	€ 7,765.87
Fairtrade premium sugar	€ 319.09
Total Fairtrade premium chocolate milk	€ 8,084.96
Reserve for the Chocolonely	€ 174,925.00
License Fee Max Havelaar	€ 187,892.00
TOTAL Voluntary contributions:	€ 775,405.55

We made a total of € 775,405 in voluntary contributions. What does this entail? Actually, that's the sum of our total expenditure that directly or indirectly benefits cocoa farmers and our stride for a slave free sector. With Fairtrade premiums and Tony's voluntary premium we paid additional contributions to the farmers and their cooperatives. Especially worth mentioning is that in this fiscal year we decided to reserve € 43,970.31. This amount is part of Tony's additional premium of € 110,487. Because we ran out of traceable cocoa at the end of 2014, we had to temporarily switch to mass balance. So we put aside the additional premium we would have paid for traceable beans. Part of the premium went to Abocfa to help them improve their data collection and the majority will go to the purchase of more cocoa trees that were on the wish list of our West African partners.

With the license fee we support Fairtrade to reach a bigger market share for fair cocoa and support for the farmers. And as always, there was our donation to the Chocolonely Foundation.

The Chocolonely Foundation

The Chocolonely Foundation supports projects that bring us closer to a 100% slave free cocoa chain. Every year, Tony's Chocolonely puts aside 1% of net turnover for the activities of the Foundation.

In order to guarantee independence, the Foundation has an independent board. The board determines the strategy and approves projects. The Foundation is ANBI certified. Since 2013 nine projects were supported, with a total value of over € 560,000. Each one a worthy project: the construction of a school in Côte d'Ivoire, a new shelter for former child slaves in Burkina Faso, support to farmers' organizations, an education project in Ghana and the funding of research and publications to better the cocoa industry.

In 2015 we set aside € 174,925 for the Chocolonely Foundation, in addition to the outstanding obligation of from the previous year (€ 191,972). Tony's Chocolonely makes payments in trenches (in response to a request for payment per project by the Foundation). The advantage of this is that the full amount doesn't land in one lump sum in the Foundation's account.

In fiscal year 2015, a total of € 95,378 was made available for projects. Four of these projects will continue into 2016. We have already included these projects in the current provisions. Yeah, that's what it's called. At the end of 2015, the Foundation still has an amount of € 106,656 free to spend on a new project. In November 2015 the board will decide which projects receive approval.

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

CHOCOLONELY foundation

chapter nine:

LET'S RAISE THE BAR!

..and now onward

We've done a lot over the last year and half, and we're proud of what we've done. And we're ready to face the future with confidence.

We're closing the books on 2014 and 2015, they're done. On to 2016!
Next we have plans for further growth in order to increase our impact.
Our ambitions are:

26,4

million in turnover with
4,5% net profit.

At least

1.100

tons of bean-to-bar beans bought with Tony's
premium for our cocoa mass.

Reach a value share of

12,5%

in the Dutch Food market

Raising the awareness of slavery in the
cocoa sector from 37% to

50%

(buyers) and from 22% to 30%
(non-buyers).

At least

1.200

farmers benefiting from our premium.

To achieve these goals we'll:

1 2 3 4 5

photo: Reinier RVDA

Set the standard

Increase our impact in West Africa, demonstrating that our approach based on the 5 principles is practical and scalable. Share our knowledge and experience with others. Together we set the standard of 100% slave free chocolate and we inspire others to follow our example.

Tony's movement

Inform, inspire and put our friends and stakeholders into action, working together to make 100% slave free chocolate the industry standard. We're strengthening our digital communication and making it interactive can stay in contact with our friends and stakeholders.

Tony's product development

Improve Tony's product development and management, because our chocolate finds its way into the hearts of our friends. The next step towards 100% slave free cocoa in our own bars is using traceable cocoa butter.

Future growth & impact





Due to our growth in turnover, beans, market share and impact, reaching our vision is attainable. In order to maintain our rate of growth we're investing heavily in new market opportunities over the long term. We're crossing the borders to reach even more people with our story.

Grow strong

To remain healthy as we continue to grow we'll be further strengthening Tony's organization; bringing structure where it's needed, continuing to invest in and develop our team, pursuing a sound financial policy and investing in systems and software.

Are you also curious about the results?

Ha. We are too! You can see if we've done it in the next annual FAIR report. We are committed to make all chocolate slave free. Help us prove that it's possible! And... do you want to share your thoughts with us or did you make an amazing Tony's Chocolonely chocolate cake? Let us know. We're on Facebook, Twitter, Instagram, you can call us, send an email or a beautiful handwritten letter. We love it all. You'll find us here:

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GRI content index G4 Core



GENERAL STANDARD DISCLOSURES		
General standard	Disclosures	Description
1. Strategy and Analysis		
G4-1	6,7	Statement from the most senior decision maker of organization about the relevance of sustainability to the organization and its strategy.
2. Organizational profile		
G4-3	95	Name of the organization.
G4-4	back flap	Primary brands, products and / or services..
G4-5	95	Location of organization's headquarters.
G4-6	9, 11, 57, 76	Number of countries where the organization operates and names of countries with either major operations or that are relevant to the Specific sustainability issues covered in the report.
G4-7	86, 87	Ownership structure and legal form.
G4-8	76	Markets.
G4-9	33, 85, 89-90	Scale of the reporting organization.
G4-10	a. 11 people with full-time contract (27% female) and 13 with part-time contract (of which 77% female). b. 19 people on permanent contracts (of which 47% female) and 5 on temporary contract (including 80% female). c. not applicable d. p24 e. one independent works two half days per week f. no fluctuation in staffing but strong growth.	a. Number of employees by type of employment contract and gender. b. Number of employees with a permanent contract by employee category and gender. c. Total workforce broken down by employees and other assistants and gender. d. Total workforce by region and gender. e. Percentage activities of the organization which is carried out by persons legally self-employed or by persons other than its own employees / helpers, employees / assistants or suppliers. f. Significant fluctuations in the number of employees (such as seasonal work in tourism or agriculture).
G4-11	0%	Percentage employees covered by a collective agreement.
G4-12	71	Supply chain of the reporting organization.
G4-13	85-87	Significant changes during the reporting period regarding size, structure or ownership.
G4-14	79	Explanation of the application of the precautionary principle by the reporting organization.
G4-15	22, 77, 78, 80	Externally developed CSR charters, principles or other initiatives to which the organization subscribes.
G4-16	De Jonge Turken, Food Service Network, EFMI, Social Enterprise NL, B Corp, Nima, International Cocoa Initiative, FairTrade, Tenants Commission Westergas	Memberships in associations (such as industry associations) and national and international interest organizations.
3. Identified Material Aspects and Boundaries		
G4-17	11, 87	Operational structure, delineation of the report.
G4-18	9-11	Process and principles for determining the content and the Aspect Boundaries of the report.
G4-19	11	Summary of material aspects.
G4-20	11	Boundary of material aspects within the organization.
G4-21	11	Boundary of material aspects outside the organization.
G4-22	85	Effects of any restatements of information from previous reports.
G4-23	85	Significant changes from previous reporting periods in the scope or Aspect Boundaries.
4. Stakeholder involvement		
G4-24	9-10	List of stakeholder groups engaged by the organization in question.
G4-25	9-10	Basis for identification and selection of stakeholders.
G4-26	9-10	Approaches to stakeholder engagement, including by Frequency type and by stakeholder group.
G4-27	10-11	Main feedback from stakeholders and how the organization has responded

General standard	Disclosures	Page number	Description
5. Report profile			
G4-28	5, 85		Reporting period for information provided.
G4-29	85		Date of most recent previous report.
G4-30	5, 85		Reporting cycle.
G4-31	5, 85		Contact point for questions regarding the report or its contents..
G4-32	96-97		The chosen 'in accordancet' option and GRI content index chosen.
			the annual report is consistent met de with the core option.
G4-33	KPMG monitors the financial year end report. Avance monitors the continuing progress on our roadmap, but not this Annual report or parts thereof.		Policy and current practice with regard to providing external assurance for the report.
6. Governance structure			
G4-34	32, 33		Governance structure of the organization, including committees under the highest governance body.
7. Ethics and Integrity			
G4-56	28.32		Internally developed mission and values statements, codes of conduct and principles with interest in CSR Category.

SPECIFIC STANDARD DISCLOSURES				
Materiel aspect	Management Approach en indicators	Page	Omissions	Description
Category: Economic				
Economic performance	G4-DMA	11, 86		Why the topic is material, the impact of the subject and how the organization deals with it.
	G4-EC1	66, 67, 88, 89-90		Direct economic value that is generated and distributed.
Purchasing Practice	G4-DMA	11, 58, 59		Why the topic is material , the impact of the subject and how the organization deals with it.
FP1	74% bars traceable			Percentage purchased volume of 26% Fairtrade mass balance. suppliers according to company procurement policy.
FP2	100% cocoa is Fairtrade			Percentage of purchased volume certified verified as in accordance with credible internationally recognized responsible production standards
Category: Social				
Subcategory: Labor practices and Decent Work				
Assessment of G4 DMA on conditions		9-11, 20		Why is the topic material, impact of the subject and how the organization deals with it.
	G4 LA15	20		Important current and potential negative effects on working conditions in the supply chain and the measures taken
Subcategory Human rights				
Child labor	G4 DMA	9-11, 20		Why is the topic material, impact of the subject and how the organization deals with it.
	G4HR5	20		Activities and suppliers marked with significant risk for incidents of child labor, and measures to contribute to the effective abolition of child labor.
Forced or Involuntary Labor	G4 DMA	9-11, 20		Why is the topic material, impact of the subject and how the organization deals with it.
	G4 HR6	20		Activities and suppliers marked with significant risk cases of forced or involuntary labor, and contributing to the elimination of all forms of forced or involuntary labor.

OUR ROAD MAP

And now for the fine print. No, no strange conditions or disclaimers, just our internal goals in our roadmap as we set them out last year. Our goals are a combination of results and measurable objectives. We created our first roadmap in 2012 and then chose 2018 as a target year for our medium-term goals. That's an important year for us to take stock of our impact on the way to a slave free industry.

We know that some auditors aren't going to find our fine print perfect. Transparent as we are, we're still going to share them with you. We know that there is always room for improvement. Therefore, we will make our 2016 roadmap easier to understand and improve it with updated objectives and better KPIs (things that you can measure). Keep an eye on our website. That's where we'll publish the new and improved roadmap.

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

start 2005

Tony's creates awareness

start 2012

Tony's leads by example

**the sooner
the better**

Inspire to act



Tony's creates awareness

theme	subject	our standard	variables	target fiscal year 2015	achieved?	goal for 2018
Tony's involves the consumer	Tony's actively searches for new ways to communicate abuses in the cocoa sector to consumers.	Tony's conducts annual engaging activities regarding Serious About People	# annual consumer campaigns about social issues in the supply chain	presentations, online communication created and executed, consumer action, first large serious campaign.	Consumer action conducted, online communication plan made (with new social media manager); presentations given	tbd annually
Consumer awareness	All consumers aware of abuses in the cocoa sector.	Yearly research into consumer awareness as part of Tony's strategy.	% choco-consumers in Tony's markets that are aware of the abuses in the cocoa sector as shown by our own research.	Brandtracker executed.	yes	80%
Fans as ambassadors	Our fans know our mission and actively share it with others.	Tony's informs consumers as honestly as possible. They know what's going on in the cocoa chain and they play an active role.	% fans that know how and why Tony's chocolate is made.	Brandtracker executed.	yes	100%

Tony's leads by example

theme	subject	our standard	variables	target fiscal year 2015	achieved?	goal for 2018
The best chocolate	Complete flavor profile.	Acknowledged by experts as a professional, complete taste.	Professional tasting panel chooses Tony's.	N/A	couverture prepared in cooperation with experts Barry Callebaut.	TBD
	unique & own recipe	Tony's has its own unique recipe for products.	% of the volume produced based on proprietary recipe.	100%	100%	We don't want catalog flavors, but a unique taste profile with traceable beans from West Africa.
	Fresh cocoa	Tony's uses only fresh cocoa beans for making couverture and chocolate.	% of volume produced with beans guaranteed from the same or past season.	80% of the cocoa in the cocoa mass.	51% (re: cocoa mass in dark chocolate was Mass Balance).	Beans only purchased for chocolate making not market speculation at farmer's expense.
	Quality beans	Tony's cocoa beans are of high quality.	Cut test scores	% rejected beans in Ghana is less than 20%,	yes	We only buy cocoa from professional farmers who supply good beans and thus earn more.
	Traceable ingredients from our partners.	Tony's ingredients are 100% traceable to the farmer.	% per main ingredient that is traceable to the farmer in Tony's system.	In possession of couverture specs. 100% van de cocoa mass, plan approved for traceable cocoa butter, choices made for ingredients for new recipes.	No. Dark couverture was temporarily mass balance. Chocolate milk has new recipe with traceable ingredients.	100% of raw materials
Only 'clean label' ingredients	All ingredients are natural, no artificial fragrance, color or flavors, no genetically modified ingredients or chemical preservatives.	% products without artificial ingredients.	100%	Definition clean label under review, 100% production without artificial additives	100%	
A successful brand	Tony's is the favorite of chocolate lovers	Tony's Chocolonely is the favorite chocolate brand. Consumers pick Tony's.	Measure awareness with tracker; Recognition (spontaneous, helping, fits me, past 4 weeks usage).	Brandtracker executed.	Yes	Tony's is the favorite chocolate brand.
	Consumers prefer Tony's.	To reach our mission, Tony's has amazing people in the team. All team members are motivated and satisfied. Tony's strives to be the best employer.	% consumers in taste test that choose Tony's during blind testing.	Brandtracker executed.	Yes	We are the favorite chocolate for every day.
A motivated team	Tony's is the Great Place to Work	No forms of modern slavery in Tony's chain	Great Place to Work Survey (Credibility, Respect,	Work quest-cheer-naire 8.2 average.	Almost. 8.1	9
Good farmers	Tony's own chain slave free	Within the farmers families that partner with Tony's no dangerous child labor conditions	# of abuses found in Tony's chain	0	0	0 (on basis of multiple reports).
			# of active monitoring activities	4 own visits, FLO inspections, visiting consultants, digital data collection of all farmers completed.	yes	Monitoring and impact methodology completely operational.
	Strong cooperatives	Tony's partner cooperatives get support to become stronger and be in a better position to negotiate with other players in the chain. Tony's develops long term and direct relationships with producing organizations.	# uncovered cases of illegal child labor.	0 on the basis of internal and FLO data collection	1 (Fairtrade audit), in interview for their own baseline shows that it still exists.	0 (based on multiple inspections and reports).
			% operational costs paid by external parties (per organization).	Abocfa; 25% Ecookim; 15%.	Estimate; Abocfa 35%, Ecookim 10%	Abocfa: 0% SuhumUnion:0% Ecookim: 0%
			% farmers groups with clear and functioning governance.	All partners have clear goals for improving processes.	Yes strategic plans made, coops have clear structure (Suhum Union had a warning from Fairtrade, but improved)	100%
			# of activities organized by the cooperative for members	The coops have clear goals for planning activities.	Both coops have developed long term plans.	The coops are able to provide professional and independent services to members.
	Long term relationships a fair price	The price that farmers who supply Tony's receive is better than the country average.	% of premium paid for cocoa beans that reaches farmers.	Abocfa; 25 % cash, incl input 44% Ecookim; 15% incl inputs 33%, Suhum Union N/A	Abocfa; 22 % cash, incl input 38% Ecookim; 21% incl inputs 53%, Suhum Union premium van 25% tov farmgate	A cash price that will enable farmers to reach a living income, starting local price + a minimum 50% of the premium.
			# of trading partners where long term (longer than 3 years) contracts have been agreed/MoU is closed Total Farmgate price incl. premium paid compared to average farmgate price for cocoa to farmer in the country.	3	2 and 1 long term partnership with intention of longer term contracts.	At least 6 direct partnerships.
	Adequate (social) facilities; work conditions, health care and education	The extra premium that Tony's producing organizations receive is based on "Tony's pricing theory".	% of certified ingredients meets requirements.	25% is paid to coops.	Minimum 25% on to of Farmgate price paid to partner coops.	A cash price that enables farmers to generate a livable income.
			% of farmers' families that can go to the doctor if needed.	Yes. And all traceable cocoa is bought this way.	Yes. Calculation is updated and adapted for 2016.	
% of farmers' families that Tony's purchases from, children go to school more than the country average.			90%	Yes, 95%	100%	
Yield per hectare	Tony's is helping to ensure that farmers and their families have access to healthcare.	% of families that live within reasonable distance of medical facilities.	% of certified ingredients meets requirements.	Distances measured. Analysis of collected data necessary.	Check; Cropster after 1 Sept, our own Questions Avance	Doctors visit: 80% (tbc) reasonable distance: 100%.
		% children 15 and under that go to school	% of children 15 and under that can read, write and do arithmetic.	Target action; education is supported in the communities of our partners.	Project with Edukans in Ghana and new school supported in Ivory Coast.	All children from 5-15 go to school in communities where Tony's works for 5 years or longer.
	Tony's works to increase production so that the farmers can sell more and we can make tasty chocolate.	% Trained farmers by cooperatives in sustainable production methods. Average Productivity in kg / ha per cooperative.	% children 15 and under that can read, write and do arithmetic.	Target given training in 2015, farmers have sufficient inputs (in 2016 measurable results).	Yes, farmers have received training, Abocfa sufficient organic manure and Ecookim purchasing fertilizer etc.	Enough is produced to make a livable income from cocoa.

Tony's leads by example

theme	subject	our standard	variables	target fiscal year 2015	achieved?	goal for 2018
A close relationship with suppliers	Satisfied suppliers	Tony's gives suppliers an annual satisfaction survey and suppliers are very satisfied with Tony's.	Report numbers under investigation.	B Corp questionnaire delivered to important partners.	Yes	All suppliers meet entrance criteria for B Corp.
	Well informed	Honest, complete and timely delivery of relevant information.	Periodic supplier survey about where we can improve communication.	B Corp questionnaire delivered to important partners	Yes	All suppliers meet entrance criteria for B Corp.
	Trusted partners	Tony's has long term contracts with our most important suppliers.	# of long term relationships and do terms and conditions need to be fine-tuned.	New agreement with bar maker and new agreement with chocolate factory.	Yes	Tony's sourcing plan is complete and available on request to all involved parties.
Tony's is committed to being a good partner to the companies that are dependent on us.		Satisfaction survey as part of periodic client research of relevant partners.	We want to be the most inspiring client; this year no goal.	N/A	We have a network of preferred partners that can build on us and vice versa.	
A good relationship with our clients	Satisfied clients	Tony's periodically gives clients a satisfaction survey and clients are very satisfied.	Report numbers under investigation.	Satisfaction survey complete.	Yes	For all clients we were in the top 3 favorite suppliers.
	Well informed	Tony's informs her clients as honestly, fully and timely as possible.	Periodic client survey about where we can improve communication	We ensure via GSIDAS that all direct clients receive direct communication about price increases.	Yes	TBD
	Trusted partners	Tony's has long term contracts with our most important clients.	# of agreements	Partnerships with top 10 clients for a minimum of 4 years.	Yes	Our top 10 clients (per market) work with us for a minimum of 5 years.
We actively work together, and provide criticism when needed.		# of clients that actively participate in Tony's initiatives; all account managers are trained in constructive feedback.	We involve clients in our serious campaigns.	Yes. We send our key clients the cocoa barometer and bring attention to it in our client meetings.	Our clients are actively involved on our fight for a slave free industry, ie. via our yearly client day.	
Loyal consumers	Satisfied consumers	Tony's gives consumers an annual satisfaction survey and consumers are very satisfied.	Report numbers under investigation.	Brandtracker executed.	Yes	TBD
	Trusted brand	Open and honest communication (Approachable, easily reached, open to interaction with consumers).	(assessment by 3rd parties) # effectiveness of media measured via interaction and subject.	Tony's has a social communications specialist in service and all consumer communication is answered with 1 week.	Yes	TBD
		We are transparent and show what we're working on.	Annual reporting according to GRI standards # Media statements on developments in the chain.	Annual Fair Report, serious campaigns and new blogs.	Yes	Annual Fair Report, serious campaigns.
Leaving a legacy	Tony's works to have a positive impact on the environment	Tony's contributes annually to the Chocolonely Foundation.	% van de net turnover that goes to the Chocolonely Foundation and/ or other charities.	1,00%	Yes	Minimum of 1%
	Tony's has a positive impact on the environment	We measure our environmental costs throughout the supply chain, we reduce and offset until the chain contributes to a better environment.	Extent to which current environmental footprint of Tony's entire chain is compensated. Measures taken to reduce Tony's environmental footprint.	Plan created for reduction next three years; Suppliers understand environmental foot print by output Bcorp questionnaire.	Understanding CO ₂ equivalent average bar; 402 grams average per bar. Plan is made and executed from 2016.	Environmental costs are >0

Inspire to act

theme	subject	our standard	variables	target fiscal year 2015	achieved?	goal for 2018
Tony's supports awareness in West Africa	Aware everywhere.	Tony's supports creating awareness about social abuses in the sector in producer countries.	# of activities supported by Tony's (and/or Foundation) in West Africa for raising awareness.	Establish relationships with two networks, with West African organizations.	Partly, established contacts, but not yet formalized with farmers representatives. Support for Grade FRB for setting up shelter and associated campaign. Support for campaign and presentation of ICCFO	Supporting a minimum of 2 campaigns yearly.
Tony's in conversation	Learns from other initiatives in the market	Tony's is always open to new ideas and critical feedback, also from competitors.	Tony's expert panel operational & # of meetings. Monitoring by Tony's by % expert advice panel.	Expert panel actively gives opinion on two themes; that we should be campaigning about, Tony's long-term goals.	Yes, Panel asked for a review of objectives and priorities in the sector.	Panel convenes at least twice a year.
	Actively communicates with other parties.	We are always in dialogue and open to feedback from experts and key players in the chocolate industry We actively participate in industry meetings to open dialogue with competitors.	# conversations with relevant players about our supply chain and slavery in the sector Active participation in national and international sector meetings.	Active participation in two international conferences and become member of industry network with authority Speak at Choccoa, B Corp, participate in ICI activities.	Yes, African Certification Conference, B-Corp Supply Chain Cohort, and we member of ICI Yes, participation Choccoa, African Certification Conference, workshop participation ICI Geneva.	Tony's receives constant (solicited and unsolicited) information from industry experts. Organize active events and actively speak on stages.
A successful business case	Turnover	Through scalability of our business model prove we are a credible alternative.	Revenue growth on previous year	40%	83%	50%
	Profit	Through a clear profit model, we prove to be a credible alternative.	Net profit per fiscal year	4,0%	4,1%	4%
Tony's publishes and presents knowledge	Presentations and publications about Tony's business model & working methods.	We share with as many parties as possible our vision our business model.	# presentations of Tony's model for relevant and / or leading partners and media. # publications of Tony's model and social issues in the chain for relevant and / or leading media.	At least 25 presentations, and collaboration of Chair with at least four companies Minimum of eight articles, including 4 fully focused on Serious message	Chair approved but not yet operational, support of at least four companies. yes	TBD TBD
	Active cooperation with other parties in the sector from government to business.	To maximize our impact, we cooperate with other parties to apply more leverage.	# partnerships	Selection made of network to join; plan developed for cooperation sourcing with at least one other partner	ICI, B Corp Supply Chain Cohort, talks with sourcing partners, solution not yet found re: butter.	TBD
	Annual Fair Report	Every year we present our results in as open and transparent a way possible.	Tony's Annual Fair Report published before 1 June.	Annual Fair Report finished before end of October 2015	Yes, last year before June 1, now in Oct 2015.	yes
Beyond certification	Certification creates impact.	Certification is a tool for development; We only work with the initiatives with the best impact opportunities and actively lobby for impactful changes in certification systems.	Annual Analysis impact of different systems. # Changes in international certification systems to which Tony's has contributed.	Participation in critical group (s) for improving certification, discussions with Max Havelaar and internal decision-making on future certification made.	Yes. Visit Fairtrade Bonn, critical sessions Max Havelaar and internal list drawn up five requirements	Certification System used by Tony's is rated by farmers as the most efficient model.
	Tony's Premium works	The premium payment of Tony's to cooperatives / farmers creates more impact than certification premium alone.	% Price premium received by farmers compared to conventional price (farm gate price) and the impact of premium spending by cooperative.	Depending on quality and certification; at least 10% income increase for farmers.	Yes, price in cash or in kind to farmers, on average, at least 10% up.	The premium received by the farmer is sufficient to have a livable income.
	Certification can be more efficient	Our contribution to certifiers and other control mechanisms should be spent more efficiently and where possible decrease.	% Of net revenue to be paid; % of payment that goes to producer development.	Agreement reached on US and future Fee GB; we want to 0.5% fee.	Future agreements not set, US is set at 0.5%, and NL is now at approximately 1.06%.	0.5%, of which 50% goes to producer development
Companies follow a good example	We inspire others to work with us for a better chain.	Other companies and initiatives share and support Tony's business philosophy.	# Companies / initiatives that have adopted Tony's way of doing business (in part or in whole).	3 companies we actively work with.	Meetings had, no active collaboration.	TBN



they weren't exaggerating

THANK YOU

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

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

And... an extra high five for the folks who helped with this Annual Fair Report:
Elles! for all your text and editing check out her site; ellesrozing.nl
def. graphic design and touch creative for again such flexibility and quality
Marjolein for GRI President!
Eva, for all the time while you were also running a chocolate company
Pascal, for all your input without time limits in your overfull Annual Fair Agenda
Klink, go see the Doctor...Pepper!
And Boekie can finally get some sleep
And last but not least.. the award for the fastest high quality translation ever goes to..
Erica from America!



Hey! Psst! Would you like to hear something cool about the paper in this year's Annual FAIR Report? The pages inside were once the green leaves and cobs of plants like corn and sugarcane. After the harvest, the leftover plant parts along with a big pile of other leaves and stems were turned into fine paper, to finally become this Annual FAIR Report. An amazing metamorphosis, all thanks to Paperwise. Oh, and the environmental impact is 47% lower than FSC wood fiber paper and 29% lower than recycled paper.

♥ ♥ ♥ PRINTED ON PAPERWISE ...

The cover is made of uncoated, FSC recycled paper. It is not coated with porcelain or lime and is made of 100% of recycled materials. It could be that in a previous life this cover was a good book. Or a bad book. Or a pizza box! Does the paper look familiar? It should, because the wrappers of our bars take a leaf out of the same book.

Just like with our chocolate, even the printing is top notch. Sustainable printer Graphius prints with alcohol-free and vegetable-based inks, and operates in a climate neutral and environmentally friendly way. It's good to be green!

ClimatePartner
climate neutral

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Tony's twister
 You won't believe what 1 red milk chocolate bar started. It's now pleasantly crowded in the choco family. There are Tony's of all shapes and sizes, something for everyone. We'll keep surprising you with the craziest flavors and cheerful wrappers. Because we've only just begun!

na na na na na na
.. it's FAIR-man!

