



TONY'S CHOCOLONELY®

annual fair report
2016/2017

FAIR



the
only way
is up



yup



Tony's milestones

A lot has happened in the choco arena over the past fiscal year (which ran from 1 October 2016 to 30 September 2017). That's why we're kicking off this annual FAIR report with our key milestones.

making & measuring impact

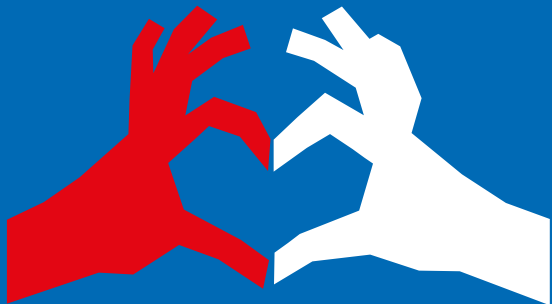
The roadmap shows how we, as a chocolate business, want to change the cocoa industry from within. Audit firm PwC has reviewed how far we've come in this process. They've audited our financial results and performed an external verification of nine non-financial performance indicators based on our roadmap. This allows us to show that our efforts to achieve our mission are important, effective and scalable.

➔ check out the conclusions in **our roadmap** and in the assurance report

serious friends make impact together

Chocofans be like.. Serious Friends Forever. Serious friends support our mission and SFFs step things up just another notch: they participate actively. You can sign up as an SFF on our new website and in our webshop. All the SFF tools are right there for you. You can share our story by downloading our fun and exciting show-and-tell materials, by watching TONY, the movie, and by supporting our campaigns.

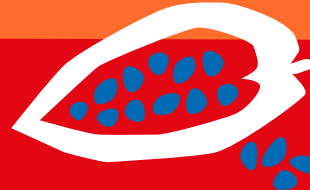
➔ check out more in **Tony's creates awareness**



a presence in – nearly – all states

Tony's US operations are doing really well. We started in Portland and our presence is spreading like wildfire. Our products are now available in stores in nearly every state! You can also find us in Belgium and Sweden, and we'll be entering the German market soon. Our international operations are our platform for putting our mission on the global map.

➔ read more about serious business in Tony's leads by example: **business is booming**



here to stay

We launched not one, but two new classics: our dark milk chocolate bar and our dark milk chocolate pretzel toffee bar. Making a dark milk chocolate bar requires about 9% more cocoa beans than making a regular milk chocolate bar. And remember.. more cocoa means more impact. So, three cheers for Team Tony's!

➔ for more launches, see the back cover

learning about child labor in our chain

We procure our cocoa beans from areas where child labor occurs very often. What was that? Yes, it's true and that's a deliberate choice on our part. We don't turn our heads away when we come across child labor. We want to identify instances of child labor; only then can we take action and make an impact. The Child Labor Monitoring and Remediation System (CLMRS) helps us to take a new step towards creating a better world.

➔ read more about CLMRS in **Tony's inspires to act**

traceable cocoa butter from Ivory Coast

We've wanted to make the production of cocoa butter in West Africa traceable for a long time. We ran a pilot in Ivory Coast last year and it worked a dream! What's great too is that this will result in a major reduction in our carbon emissions. Nothing but win-win-win-win.

➔ read more in **Tony's leads by example: from bean to bar**



bitter chocolate stories

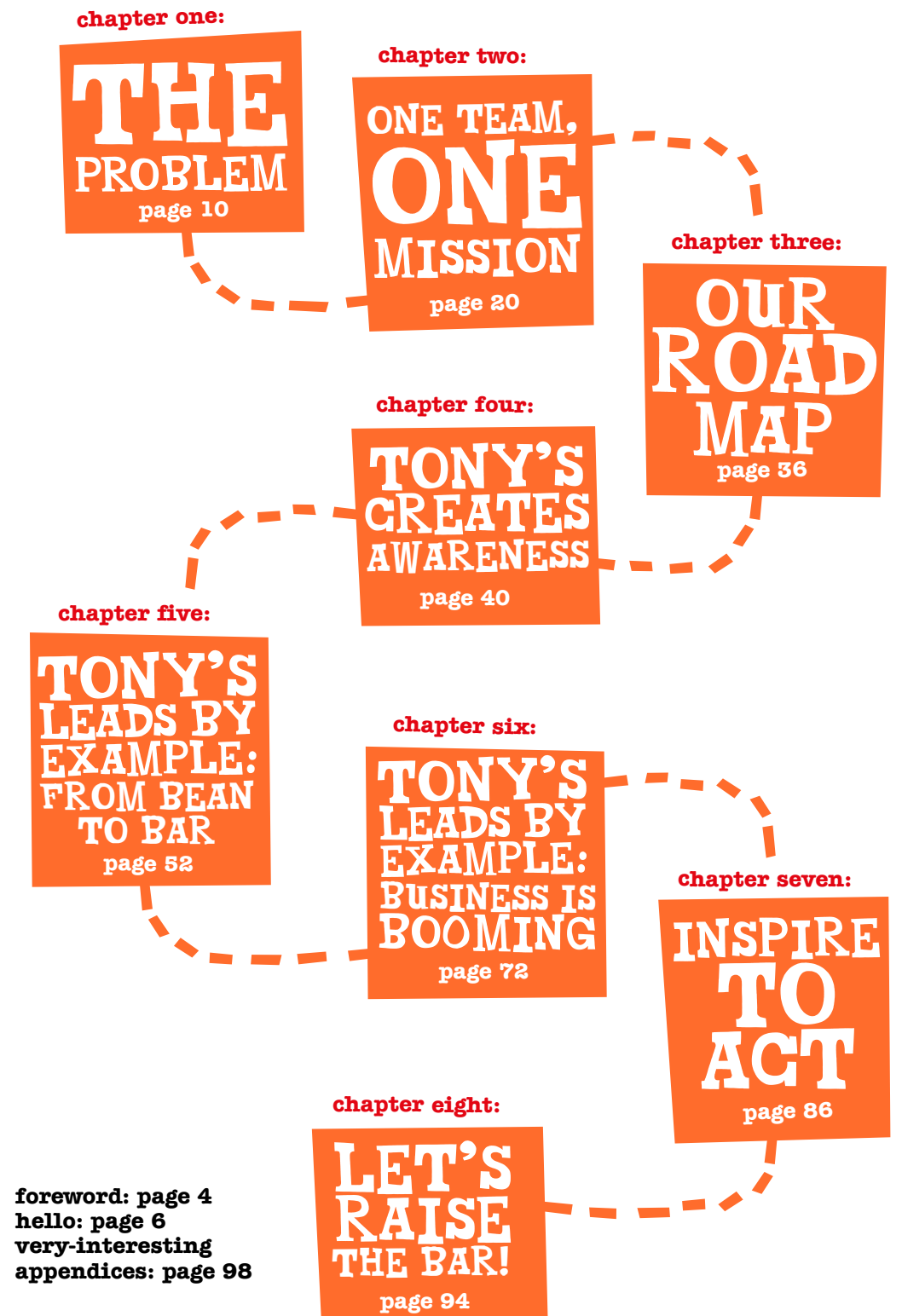
Tens of thousands of children in Ghana and Ivory Coast are victim of forced labor and human trafficking for the purposes of cocoa production. BITTER is an impressive photo exhibition about children from Burkina Faso who work on cocoa farms. The exhibition will go on tour; go to our website to find out where it is right now.

➔ read more in **Tony's creates awareness**

anti-child labor legislation

In the Netherlands, we managed to get more than 10,000 people to sign the petition 'Zorgplicht Kinderarbeid', which reminds businesses of their duty of care with respect to child labor. The subsequent private member's bill has been passed by the Dutch House of Representatives. It has now been submitted to the Senate, which is scheduled to take a vote at the end of November 2017. A legal framework MUST be adopted in the Netherlands too, so that all businesses are under a legal obligation to address social abuses in their chain.

➔ read more about telling it like it is in **Tony's creates awareness**





WE'RE GOING TO THE STOCK EXCHANGE!

Well, the historic Stock and Trade Exchange Building 'Beurs van Berlage', that is. Why? Because chocolate is big business, and that's where we want to make an impact. Together. Only together we make 100% slave free the norm in chocolate. And that is absolutely necessary. To raise more awareness of the existence of labor abuses in the chocolate sector, we are organizing an exhibition called BITTER Chocolate Stories, about children from Burkina Faso who worked on cocoa farms. To give these children a face, Bassirou, Valerie, Augustin, Sarata, Mohamed, Cedric, Ghislain, Issaka, B.b., Kassoum, Laeticia, Alexis, Cathérine, Josias and Edyon tell their personal stories at the exhibition and in the book. Read these stories and look these children in the eye. We MUST change the way chocolate is made. Don't you agree? Then help us realize this, because we can't succeed on our own.

At the beginning of next year, we'll be opening our own Tony's Brand Store in the Beurs van Berlage in Amsterdam: Our Tony's Chocolonely shop. And today, November 23th, we're organizing our Tony's FAIR here! In short: Tony's is going to the 'Beurs...van Berlage'.

At the start of 2017, Eva Gouwens, our First Lady of Chocolate, handed me back the lead of Tony's Chocolonely. Under her passionate and driven leadership, Tony's Chocolonely grew tremendously. And I'm not just referring to the whopping 50% growth in turnover that we manage to realize year after year. No, I'm also referring to the growth of the organization, its processes and the further development of our roadmap, our strategic route towards achieving our mission. Eva, thank you!!

On 1 April 2017 (it's not an April Fools' joke!), Tony's restructured itself a bit. Anne-Wil, Freek and myself are the Choco Chiefs (yes, we know, other organizations call this "the board", but we don't). We look after the organization's well-being and the conditions to carry out our vision. Frits, Pascal, Ynzo, Frans and Paul (the Heads) are each responsible for a functional area and team. Team Tony's grew significantly over the last year. We went from 40 Tony's to 63 Tony's, and that is without our interns. It was needed to handle the growth in activities and volume, and – being really honest here – lower the work pressure, which can sometimes be too high.

I am proud of our team; together we create impact. For real. Why? Because we as Tony's are outspoken, willful, entrepreneurial and we do all we do with a little fun along the way.

We love coming to work every day. This may sound a little naive and a touch arrogant, but I seriously believe that we will realize our mission together.

Money is a means to an end (which for us is achieving our mission), but it's not completely unimportant either. Over the past financial year, we reached our financial targets. Hats off to that! Our revenue grew by more than 50%, we achieved a gross margin of more than 40% and realized a net result of 6%. With our market share of 16.7% in the Netherlands, we can no longer be ignored as a pretty big player in the market, and we have changed the chocolate landscape in the Netherlands forever. So that's what we're going for in the US too, the land of the chocolate giants. Our turnover in the US was 2 million Euro, which is an increase of 400% compared to the previous financial year. Quite impressive. Nevertheless, we're only at the start of our market entrance into the US, although our chocolate is now available through our webshop in all states and is also being sold in more and more stores. Our goal for the coming year is to grow significantly, and to create awareness among our future American chocofans in an outspoken and entrepreneurial way. Mark my words...

This year, we got together with the Chocolonely Foundation to initiate an important study. It is the first large-scale, independent study into modern slavery in the cocoa value chain in Ghana and Ivory Coast, carried out by Tulane University and the Walk Free Foundation. We intend to repeat this study every 3-4 years, so we and everyone else in the chain can keep up with the progress of achieving slave free chocolate worldwide.

In the Netherlands, we managed to get more than 10,000 people to sign the petition 'Zorgplicht Kinderarbeid', which reminds businesses of their duty of care with respect to child labor. The subsequent private member's bill has been passed by the Dutch House of Representatives. It has now been submitted to the Senate, which is scheduled to take a vote in December. Fingers crossed! It's pretty straightforward, really: a legal framework MUST be adopted in the Netherlands too, so that all businesses are under a legal obligation to address social abuses in their chain.

Of course, we as Tony's are fully aware of our duty of care. It's why the company was founded after all. We specifically do business with cooperatives in areas with a high risk of child labor. As a matter of fact, it's a deliberate choice. We want to identify instances of child labor; only then can we address the issue and make a real impact.

To gain better insights into existing child labor and then take action to solve it, we started working on a program with our partner cooperatives. The program is set up in such a way that it can be rolled out across the whole sector, and it's called the CLMRS, the Child Labor Monitoring and Remediation System (what a mouthful!). We want 100% of all farmers and their families that supply cocoa beans to Tony's (4,318 farmers in the past year) to be in this program. CLMRS focuses on the awareness, prevention, detection and then elimination of child labor. We don't have all the data yet, but so far we've found 30 children who work on plantations linked to cooperatives we source beans from. So... we're not there yet, our own chain included.

I would like to ask all of you to help us achieve our mission. So please register as a Serious Friend on our revamped website. Thank you for an amazing year. And now, let's all get into gear and make as much impact as possible in the coming financial year.

Henk Jan Beltman
Chief Chocolate Officer

HELLO.

Yup, it's that time again! It's time for our Annual FAIR Report. As you can see, this FAIR Report is orange all over. Because orange rules! Of course, those who have been following us for a while (hi!) will have known that this was coming.. After all, it is the next color in our flavor rainbow: milk->dark->milk with hazelnut->milk with nougat... and now milk with sea salt caramel.

We made this Annual FAIR Report especially for you.

Yes! For you, our stakeholder. Put your hands in the air for: team Tony's, the cocoa farmers, consumers, customers and suppliers. No matter who you are and wherever you are in our chocolate value chain: you are important to us. It is important that we join forces to make 100% slave free the norm in chocolate.

This year too, we asked our stakeholders (either in person or via a questionnaire) what subjects they'd like us to work on. We compare these subjects with the subjects we as Tony's think are important for the future of the company:



The subjects you see in the top-right corner are the topics that are the most important to us and to our stakeholders. You can see that the well-being of the farmers and their families (through higher incomes, without forced or child labor) and the structural change of the chocolate industry are both positioned in the top right-hand corner. It is not surprising that they are the two hot topics, of course.

We have renamed and reorganized some of the topics in the matrix a little differently this year for clarity's sake. For example:

➔ Recipe for slave free chocolate: our approach, which enables all players in the chocolate value chain to take responsibility. This includes our 5 sourcing principles, which are scalable to other companies so they can use them too, with the ultimate goal of influencing and changing the entire industry.

➔ Everyone's favorite chocolate: We are crazy about our chocolate, but we want our stakeholders to be crazy about it too! In fact: we want EVERYONE to be crazy about it. So we're combining a number of themes, including flavor development, product range, and product quality.

➔ Our environmental impact: chocofans and retailers in particular make sure we keep our eye on the ball and let us know how important this is, year after year. Even though our primary focus is on the well-being of the farmers and their families, it goes without saying that we realize how important the environment and climate change are. Every company needs to do its part for our beautiful planet, so we have taken on a lot of work in this area over the past year.

And then, of course, you get those subjects that are important to us but less to our stakeholders:

➔ Team Tony's. Even though it's absolutely crucial to achieve our mission, our other stakeholders aren't quite as interested in reading about it. However, it does look like the outside world is getting more interested in information about the team. Excellent!

➔ Financial results. Good financial results are important for the continuity of our organization, but that's not the only reason why they're important. Commercial successes and solid financial results aim to inspire other chocolate companies and encourage them to follow our example. We show them that you can actually make a decent profit while being a responsible company at the same time: from bean to bar.

The above-mentioned subjects aren't just discussed in great detail in our Annual FAIR Report; you'll also find them high on our agenda. This FAIR report is mainly about our own company in the Netherlands and the United States. It also includes details on the welfare of the cocoa farmers, changes in the chocolate industry, and climate change. We'll talk some more about the impact that these issues have on the cocoa farmers in Ghana and Ivory Coast, and on the chocolate industry as a whole.

And finally, literally eve-ry-one wants to know what our best-selling bar is! Alright, here we go... The bar that is stealing everyone's hearts... A bar that is not just a favorite in the Netherlands but everywhere else as well... It is... the milk caramel sea salt bar! So orange comes out on top. There's a nugget of knowledge nobody can take away from you.

Oh, and we're super curious about what you think of our annual FAIR report. Will you let us know? You can find us on Instagram, Facebook and Twitter, or call us, e-mail us, or even send us a nice old-fashioned letter. We'd be ecstatic to hear from you!

Team Tony's

📷 tonyschocolonely

📘 TonysChocolonely

📧 @TonyChocolonely

✉ mailme@tonyschocolonely.com

tonyschocolonely.com

#tonyschocolonely

our "head office":

Polonceaukade 20,

1014 DA Amsterdam,

the Netherlands

chocophone: 020 20 512 00

our office in the USA:

1355 NW Everett St

Portland OR 97209

+ 1 503 714 6055



(orange rules)

why cocoa farmers earn so little

child labor and modern slavery in the West African cocoa industry

the difference between child labor and modern slavery

chapter one:

THE PROBLEM

quantitative research on forced labor in the West African cocoa industry

all players need to take their responsibility in making chocolate slave free; big choco, governments, retailers and consumers

Fairtrade certification

We'll get straight to the point. There is something fundamentally wrong with the cocoa industry in West Africa. Child labor and modern slavery are a structural feature of the West African cocoa industry. The most recent reliable statistics on child labor were published by Tulane University (a private research university in Louisiana) in 2015. Therefore, no one denies the existence of child labor anymore. But reliable figures on modern slavery have yet to be produced.

So what are the statistics on child labor?

There are 2.26 million children working on the more than 2.5 million cocoa farms in Ghana and Ivory Coast. More than 90% (2.1 million) of these children are victims of child labor (which is illegal). One of the main reasons for the use of child labor is poverty. (Source: Tulane University 2015)



2.1 million children in Ghana and Ivory Coast are victims of illegal child labor.

source: Tulane University 2015

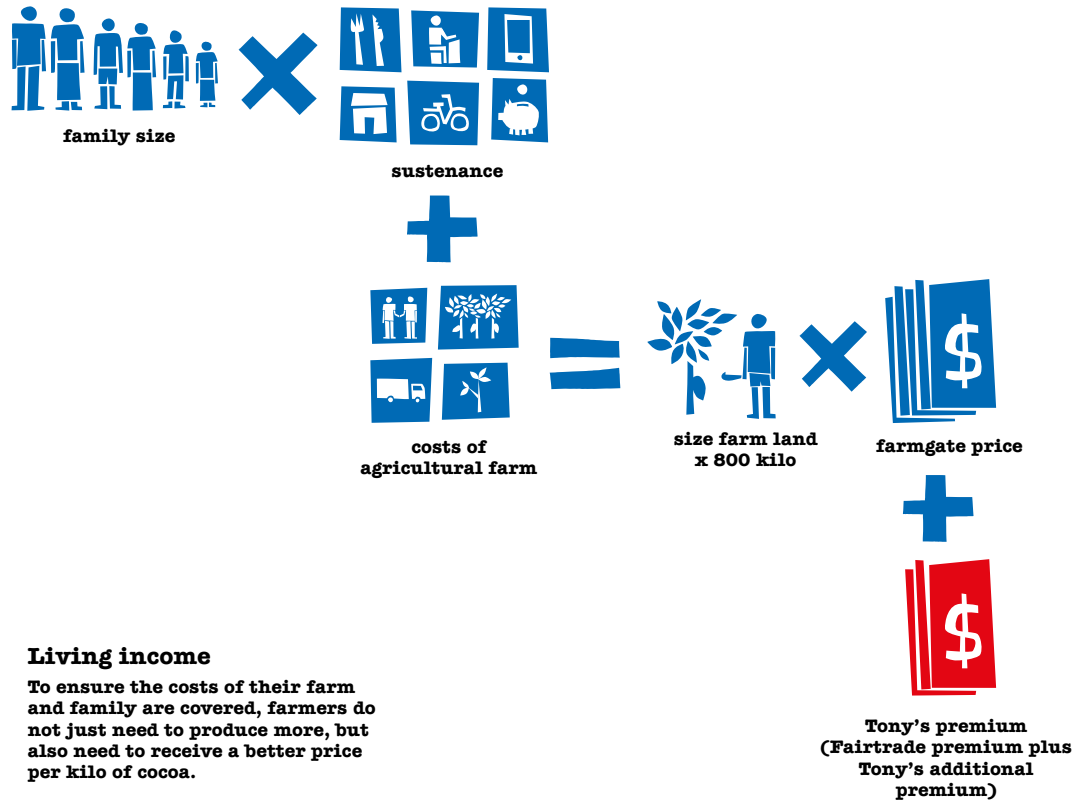
The 2.5 million cocoa farm households in Ghana and Ivory Coast, who between them produce more than 60% of the world's cocoa, are trapped in lives of poverty.

West African cocoa farmers are caught in a poverty trap

Modern slavery and child labor are the worst social abuses caused by poverty, which is a complex issue. Cocoa farmers in Ghana and Ivory Coast are not able to earn enough from their cocoa to support their families. Because there are few, if any, viable alternatives, they are prepared to work for too little on the basis that some money is better than nothing. As a result the situation in which they find themselves has serious consequences. They cannot afford to educate their children and the future is uncertain. It is too costly to employ laborers.. So there is a lot of child labor. And sometimes even modern slavery.

Why do cocoa farmers earn so little?

- The price is too low
- The harvest is insufficient
- The landsize to grow cocoa is too small
- Few are members of cooperatives
- They rarely have other sources of income
- They have no alternatives



Living income

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

The price is too low

The main reason for poverty among cocoa farmers is the price they receive for their cocoa. Even with premiums for certified cocoa, the price is far too low. Increasing productivity only doesn't help: the price is simply too low and the farmers still can't earn enough. We believe cocoa farmers should be able to make a living income from their cocoa. Their income should allow them to buy things such as food and clothes for their families, send their children to school, put some money aside and invest in their farms. Tony's pays an additional premium to bridge this income gap and make a living income within reach.

The amount of the Tony's premium is based on a model that allows us to calculate a living income and depends on several factors, using realistic averages (such as average family size in Ghana or Ivory Coast) as much as possible.

However, it is important to note that the Tony's premium does not necessarily result in a living income for every household. That depends on the actual size of the family and farm. It is also the farmers' responsibility to maximize their income.. They have to run their farms professionally so they produce at least 800 kg per hectare. This is a high but achievable level of productivity in West Africa. We also believe in diversification. Diversi-what?!? It means that it is important for farming families to have other sources of income besides cocoa.

The amount of the Tony's premium can change from one year to the next. Last year we continued to refine our model and improve our basic data. We did this on the basis of new data supplied by KIT Royal Tropical Institute and research by social enterprise True Price. The Tony's premium paid to farmers in Ghana and Ivory Coast next year will be calculated with the improved model.

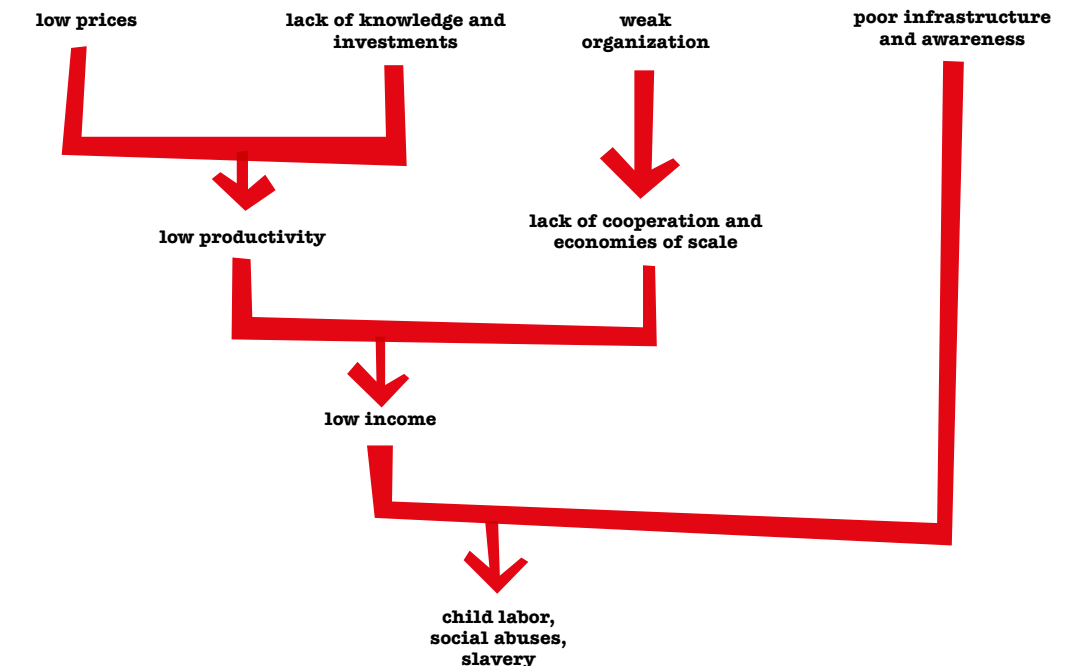
The harvest is insufficient

Besides the fact that the price is too low, the farmers' harvest is in most cases less than 800 kg per hectare. Few of them are familiar with the principles of good agricultural practices. And even if they are, they rarely have enough money for inputs such as fertilizers, pruning shears and pesticides. Nor can they afford to cut down their old exhausted cocoa trees and replace them with young ones. Because their income is too low. They are more likely to clear areas of old-growth forest so they can use the land to grow cocoa – which of course has other adverse consequences. None of this is good news.

The farms are too small

Most cocoa farmers farm a small area of land. And since many of them have no formal land rights, they cannot legally expand or sell their land. So farms are usually handed down from one generation to the next. The pieces of land that need to be divided among siblings are smaller and smaller – often too small to support a family.

The cocoa farmers' poverty trap



They are on their own

The vast majority of cocoa farmers operate as individuals. Few are members of professional cooperatives. This makes it more difficult for them to find buyers and impossible for them to jointly negotiate better trade conditions, such as higher premiums, additional services and other conditions. A well organized cooperative can also help its members buy young cocoa trees, provide training and tools, and help with securing land rights.

Farmers are stronger when they join forces. So it is important that they organize as cooperatives. But, to succeed, cooperatives need professional and reliable management.

Factor in the frequent crises, political unrest in Ivory Coast and the poor infrastructure in West Africa and the sad conclusion is that cocoa farmers are trapped and cannot escape. They live lives of extreme poverty with low productivity, no collaborative support, no educational opportunities, child labor and modern slavery. It is important to clarify the difference between child labor and modern slavery:

Child work and child labor

There is a difference between child work and child labour. For example: if children help out with safe tasks on their parents' plantation after school, this qualifies as child work. Safe tasks include things such as collecting cocoa pods. But this only applies to children over the age of 13. In Ghana and Ivory Coast it is illegal for children under 13 to perform work of any kind.

If work prevents a child from going to school, or if a child performs hazardous work (even if they go to school), this qualifies as child labor (which is illegal). Examples of child labor include using a machete (a large heavy knife), lifting heavy sacks or baskets, and working excessively long hours.

Hazardous work is one of the worst forms of child labor, but it is not slavery. It is illegal for young children to work with a machete, but it is not slavery. It is also illegal for children to spray pesticides on their parents' farm. It is dangerous for them and we need to find a way to prevent it, but it is not modern slavery.

So what is modern slavery?

When it comes to modern slavery, the arguments are more complex. The industry cannot even agree on a definition. At Tony's we define it as:

Any form of forced labor or exploitation of adults or children, including the (unconditional)* worst forms of child labor.

*Outside of the family.

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

All forms of child labor.

Source: International Labour Organization (ILO)



¹ Where applicable at the national level.

² Age-group limits may differ across countries depending upon the national level.

³ Children in employment other than those covered in 1a, 2a and 2b.

⁴ Applicable where the general production boundary is used as a measurement framework for child labor.

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

In recent years we have used figures from various sources to identify the extent of forced labour and exploitation, in short modern slavery in the cocoa industry in Ghana and Ivory Coast. This allows us to estimate the number of children and adults who fall within our definition of modern slavery. The figure we arrive at is 90,000 children and adults.

So we are talking about:

- 2.1 million children who are victims of child labor (which is illegal), and
- 90,000 children and adults who fall within our definition of modern slavery

We felt that an estimate of 90,000 gave us and many others something to go by. Yet voices in the industry questioned the reliability of our estimate. Child labor experts in Ghana challenged our definition and figures, and companies and NGOs came up with lower estimates without having any hard data. In short, it's time someone did some reliable quantitative research.

Quantitative research on modern slavery in the West African cocoa industry

Last year we decided to commission independent research on modern slavery in the West African cocoa industry. The research is being conducted by Tulane University in Louisiana and the Walk Free Foundation. Institutes that focus specifically on modern slavery and child labor. Tulane University has previously published studies on child labor in the West African cocoa industry in relation to the implementation of the Harkin-Engel Protocol (an international agreement aimed at ending the worst forms of child labor in the cocoa supply chain).

The Walk Free Foundation works in partnership with the International Labor Organization (ILO) and publishes the Global Slavery Index (an annual study on modern slavery in a number of industries worldwide).

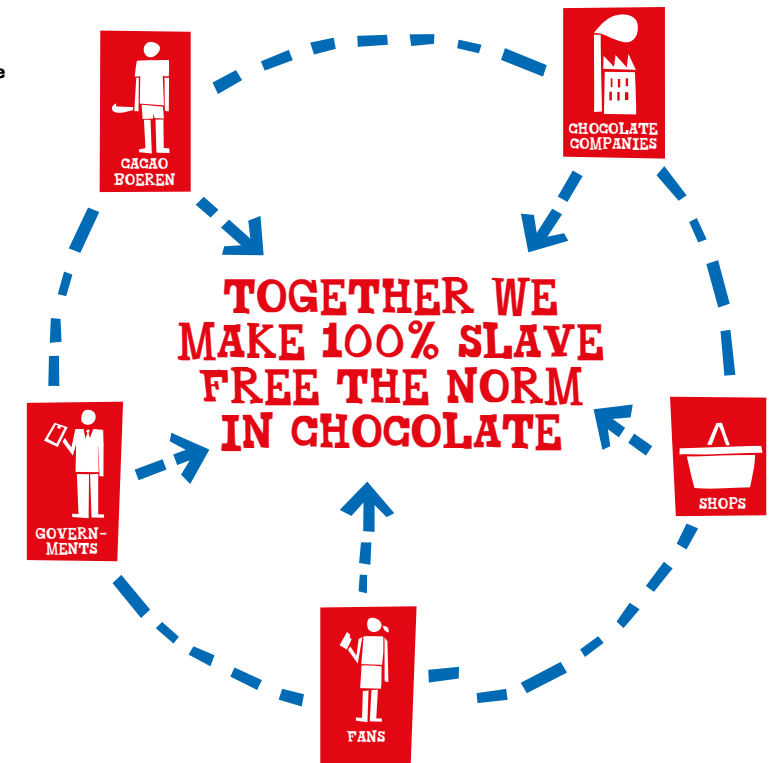
Our research consists of two parts:

1. Research on modern slavery in the Ghanaian and Ivorian cocoa industry as a whole
2. Comparative research on modern slavery in the cooperatives that Tony's works with

Approximately 1,800 children and adults who work on cocoa farms have been interviewed by specially trained independent researchers. Our own cocoa supply chain is also being closely examined, with researchers interviewing 900 children and adults on the farms that are members of our partner cooperatives. This is the first time that research teams operating on this scale have actively gathered data that can be used to identify the real extent of the problem of modern slavery. Needless to say, the results of the study are of high interest to Tony's. And we are not the only ones in the industry keen to see the results. We will communicate about the general research in the sector and the situation in our own cocoa supply chain honestly and openly, no matter what the outcome. You can expect the first results in the first quarter of 2018.

The general research on the industry as a whole is funded by the Chocolonely Foundation and the research on our own cocoa supply chain is funded by Tony's Chocolonely.

All hands on deck:
our list of stakeholders
needed to make chocolate
100% slave free



Taking action

We know that the poverty trap in which the cocoa farmers caught is a root cause for child labor in the cocoa industry. And in the near future we will know more about modern slavery in the West African cocoa industry. The next step is to do something about it! As complex as it might be to remove the underlying causes, we are determined to take action. But this is not something we can do on our own. We all have to roll up our sleeves.. So what action do we expect everyone to take?

→ Big Choco

There are millions of cocoa farmers and billions of chocolate consumers. Between them there are a handful of large companies that control approximately 70% of the world cocoa market. These chocolate giants are the game changers. They have to act accordingly.

Many of them know little about where their cocoa comes from or the farmers that produce the cocoa they use. This makes it hard for them to take their responsibility. Buying cocoa beans from a large mountain makes it impossible to take responsibility for what is happening at the cocoa farms on the other side. The mountain is blocking the view.

Every major chocolate company should know which cooperatives and cocoa farmers supply the beans for its products, so they can take action if, for example, child labor is discovered. Does that make production more complicated? Possibly. Can Tony's help? Yes. We can share our bean to bar approach so they can also set up their supply chain in a way that doesn't perpetuate social abuses.

➔ Governments in production and consumer countries

It should be mandatory for companies to be transparent in what they are doing to prevent child labor and modern slavery in their supply chain. We believe effective legislation and regulations need to be introduced in production and consumer countries to achieve this. European legislation defines the legal norms, specifies rules and brings the issue out into the open. The UK is leading the way in this respect with the UK Modern Slavery Act 2015.

In production countries such as Ghana and Ivory Coast there are legislation and regulations that prohibit child labor and modern slavery, but there is a lack of enforcement. There are no effective monitoring systems and few enforcement officers. There is also corruption.. This needs to change.

However, the issue of child labor is clearly moving up the agenda in both Ghana and Ivory Coast. Ivorian first lady Dominique Claudine Ouattara coordinates the collaboration between government and business and is President of the National Oversight Committee (CNS). Earlier this year the country tightened and improved its laws on child labor. Similar changes are underway in Ghana, which launched a second National Plan of Action Against Child Labor in June this year.

The cocoa farmers and their communities

The farmers on the cocoa plantations also have a responsibility. They can overcome the shortage of affordable labor by working together more, within a cooperative for example. They can also work together to improve quality and professionalism, and help each other so children don't have to carry out hazardous work (which is illegal).

Retailers

Back to Europe. Because we Europeans also need to take responsibility. The role of the retailers who sell chocolate to consumers should not be underestimated. We believe everyone in the supply chain should receive a fair share of the retail price of a bar. At the moment this is not the case. Rather than determining an appropriate margin per product, chocolate makers and supermarkets, who are the main players in the chain, simply apply fixed margin percentages. How does this work in practice? Well, want to see an example of a miraculous increase in value?

Let's say a company decides that it wants to pay West African cocoa farmers 10% more. The fixed profit margins applied by the chocolate makers and supermarkets mean that they also earn 10% more than they would otherwise have received. In other words, the price of the bar increases by 10% throughout the chain. The overall price increase at the end of the chain is far more than the additional amount paid to the farmer. We call this margin escalation. Can it be prevented? Yes. All it requires is the calculation of fair margins. We prevent margin escalation by paying the Tony's additional premium directly to the cooperative.

Consumers

We want to make consumers aware of the illegal labor in the cocoa industry. So, dear chocolate fan, be aware of what you eat! Choose chocolate that makes a difference. Support petitions and campaigns that increase the pressure on key players to change. And insist that chocolate makers be transparent. As a consumer you have far more impact than you might think.

As we say at Tony's, 'Don't stick your head in a mountain of cocoa beans. Child labor and modern slavery are a structural problem in the West African cocoa industry. Everyone in the supply chain (chocolate giants, governments, retailers and consumers) must assume responsibility for making chocolate slave free.

What about certification?

More and more chocolate carries a certification label and that's a start. But to create a real improvement in the cocoa industry far more is needed. Certification means that an independent party has established a standard or code. Audits are conducted to verify that the farmers and other companies in the chain operate in accordance with the minimum social and environmental standards required by the code of conduct. While certification systems are now doing more to address structural improvement in the industry, the main emphasis is still on compliance. In practice this leads to situations where farmers try to conceal child labor (both literally and figuratively..), out of fear that the discovery of child labor will lead to decertification. Whereas it makes far more sense to work together to resolve the issue of child labor.

The three main certification systems are UTZ, Rainforest Alliance (and the Fairtrade label (Max Havelaar in the Netherlands). Rainforest Alliance and UTZ are merging and are developing a new code that will be issued in 2019. We are curious to see how the two organizations set up a streamlined process. We hope the collaboration will make the certification procedure more efficient, reduce the cost of certification for farmers and address the social abuses in the cocoa industry.

At the moment many cooperatives, including our partner cooperatives, are maintaining two certifications. In other words, they are UTZ, Rainforest Alliance and/or Fairtrade certified. This involves additional work and costs, because, unfortunately, they have to undergo separate audits for each system.

There are differences between the certification systems. Among other things the Fairtrade system is based on a minimum world market price of \$2,000 per ton of beans and a fixed Fairtrade premium of \$200 per ton of beans. In recent months the world market price has fallen below \$2,000 per ton on several occasions, partly due to the good harvest. This means that, in addition to paying the Fairtrade premium, companies also have to make up the difference in the world market price. This might seem like a good thing in that it provides a safety net for the farmers. Unfortunately.. in recent years many companies have switched to other schemes, some because of the cost and requirements of Fairtrade certification and others because of the low world market price.

Tony's bars were Fairtrade certified from the start. Fairtrade International shares our commitment to lifting farmers out of poverty and making them stronger. We are also both committed to ensuring that farmers are paid a better price. Tony's is an outspoken member of Fairtrade International. We review the certification system and our partnership with Fairtrade every two years. The Fairtrade system is under pressure, not only because of the low world price, but also because of the way it is organized, the cost of certification and the fact that it has had limited impact in the past. Naturally, the scheme has to be financed (otherwise the farmers would have to foot the bill), but we believe the system could operate more efficiently internationally. This is something we are addressing to Fairtrade International together with Max Havelaar Nederland (the dutch subsidiary of Fairtrade International).

Tony's Way
of Working

our values in
practice

employee
quest-cheer-
nair

organization &
management

chapter two:

ONE TEAM, ONE MISSION

Supervisory
Board

Chocolonely
Foundation

Our mission is: together we make 100% slave free the norm in chocolate. Our mission is what it's all about, and you'll find it reflected in all of our dialogues, decisions and actions. We keep ourselves on our toes and others on theirs when it comes to what works and what doesn't. We put ourselves, Team Tony's, first!

Tony's Chocolonely was set up to put an end to slavery in the cocoa industry and show the world chocolate can be made differently. In fact, our company is a means in our fight for slave free chocolate. Allow us to explain our mission, vision, core values and, last but not least, Tony's Way of Working. Right, here we go, are you sitting comfortably?

Tony's Chocolonely: a brief visit to the past.

Tony's Chocolonely was founded in 2005 by the producers of Keuringsdienst van Waarde, a Dutch journalistic television program. One of the journalists involved was Teun van de Keuken, who was shocked to find out that slavery still existed in the cocoa industry.

In 2003, Teun took a trip to visit cocoa farms in West Africa and actually found ex child slaves who worked in the fields. Despite the fact that, in 2001, a number of international chocolate makers had signed the Harkin-Engel Protocol, which agreed to ban the worst kinds of child labor! Teun immediately sounded the alarm. He rang every single major chocolate maker in the world, but nobody would talk to him. There was only one thing to do for him: taking responsibility and jumping into action.

Teun ate a pile of chocolate bars and handed himself in to the authorities. After all, by eating chocolate he was complicit to slavery. Right? However, the Public Prosecutor refused to prosecute him. But Teun wasn't discouraged. He went to look for witnesses: the victims of the chocolate he'd eaten. In Ivory Coast, he found four boys who had worked on a cocoa farm as slaves. They gave witness statements, saying Teun AND the more than 2,000 people who had joined Teun by then were guilty.

On November 29th 2005, while waiting for the judge to make up his mind, Teun decided to lead by example, so he produced 5,000 Fairtrade chocolate bars. And voilà, Tony's Chocolonely was born. The milk chocolate had a startling red wrapper to draw people's attention to Teun's (Tony's) lonely fight for slave free chocolate. The bars were only available online, but they were still a massive success. More than 13,000 were sold. In the end, the court decided not to prosecute Teun. By then, Tony's Chocolonely's fight was in full swing and unstoppable! Yes, a chocolate company was founded as a tool to fight for slave free chocolate. And its ultimate goal? 100% slave free chocolate.

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

our vision:
100% SLAVE FREE CHOCOLATE.

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

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

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

We grew.. how much?!

The past year was another great year for growth at Tony's Chocolonely. And this applies to everything: from the number of beans we bought to the amount of Tony's premium paid, chocolate bars sold, and even the number of new Tony's we welcomed to the team. While on October 1st 2016 the counter stood at 40 Tony's, on September 30th this year we'd reached a whopping 63! I know, whoa! It feels as if we welcomed a new Tony to the family (with a round of applause, of course) every single Monday throughout the year. And sometimes it actually came pretty close.

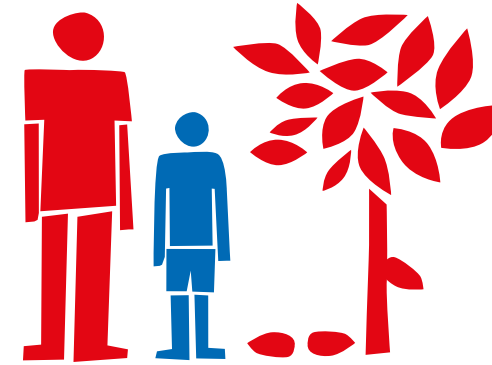
Tony's Way of Working

Now, our greatest challenge is to familiarize all these new Tony's with Tony's culture and the way we work. In fact, we have an extensive handbook for the newbies so they can get acquainted with more serious business. That's a pretty decent starting point, but it's still just a book. This is why, halfway through the year, we decided to team every new Tony up with a "choco buddy" who can quickly help them get up to speed with our way of working. A choco buddy knows all the ins and outs of our goings-on, from where to enter your days off to how to take part in Tony's weekly boot camp.

And then there's the movie "The Chocolate Case", compulsory viewing for all new Tony's. We also hold choco lectures that are all about our mission: why we do what we do! Serious Q&A sessions are also part of the package, with serious questions and our latest insights into the challenges we run into while trying to realize our mission. It's also important to us that we keep learning from each other and really get to know each other. So not just a quick chat during lunchtime (you know, the old "let's do lunch" thing)! Our office bingo is still going strong: every Tony moves to another workplace every six months. Hello new neighbor! And then there's the Tony WhatsApp group, where all Tony's get together online.

Tony's manifesto

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



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

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



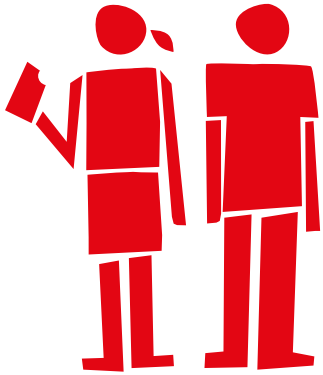
Alone we make slave free chocolate, together we make all chocolate 100% slave free. So we ask you to join in..



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

**CRAZY ABOUT CHOCOLATE,
SERIOUS ABOUT PEOPLE**

Did you know..



.. that our office has 36 ladies and 27 guys?



.. that we're pretty multilingual? In addition to Dutch, English and French, we also speak "deep breath": German, Spanish, Basque, Frisian, Hebrew, a little Swedish, Armenian, Turkish, Wolof (a West African language) and Sranan Tongo (Surinamese). AND a bunch of us also speaks fluent Holten dialect and one even speaks anaongea Kiswahili kidogo (a little, at least).

23

.. that the youngest Tony is 23 years old and the oldest 58 (nope, we're not telling you who)?

4

of our Tony's live and work in Portland, Oregon? And one has actually just started in New York, New York (start spreading the news..)?

+34
-11

.. we welcomed 34 new Tony's over the past year while we said goodbye to 11 Tony's? They either left for a brief period of time (sabbatical!), they'd finished their traineeship, or they moved on to somewhere else. So long, farewell, auf wiedersehen, keep in touch!



.. some of our Tony's started working for us right after high school while others actually have Master's degrees?

2/6

.. our senior management - the Chiefs and Heads - consists of 2 ladies and 6 guys?



.. that Diara, our impact cheerleader, and Wiebe, our cacao tree hugger, live and work in Ghana and Ivory Coast a few months a year?

4

Tony's got a new position and that the job of 9 Tony's changed completely?

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

OUTSPOKEN

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

WILLFULL

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

MAKES YOU SMILE

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

ENTREPRENEURIAL

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

Our core values provide direction

Our values are our compass. They guide us when we make choices and decisions. When you have a team that's growing that fast, it is incredibly important to keep sharing values. Just learning everything by heart and repeating it is not enough. It's also about practice, about conveying those values every day. Our core values dictate our behavior and how we give direction to our decisions. And we're keen to keep ourselves on our toes in this respect. So, how do we go about this? Let us explain:

Every Monday morning we have a MondayMorningMeeting, aka the MMM, where we discuss projects and look at the results of the previous week. Every Tony gets a chance to give a presentation or discuss something with the group. We also look at the schedule of our Tony's Store (now still situated on the Polonceaukade 12). Every Tony spends some time working in the store when Tewatha, our Tony's Store Tiger, has a day off or isn't available that day.

The MMM is a platform for new Tony's, which they can use to share everything they've experienced over the first few months. There is also an extremely important topic that makes the MMM agenda again and again: the dirty cups that aren't tidied away and can be found all over the place! Ewww, you guys!!

Every month we hold critical sessions with the entire team, which deal with a particular principle or assumption. Over the past year, we have held critical sessions about things such as how we define slavery, what the living wage of a cocoa farmer actually is, not using certain paid marketing channels and even a critical session about critical sessions! The topics can be a pretty tough (chocolate) nut to crack, but if things get a little too serious, there's bound to be a Tony who cracks (ha!) a terrible joke.

On top of that, the Livin' the Brand team makes sure we get our teeth stuck into those core values during our quarterly meetings. It's an awesome way to make sure we live and breathe them.

We love getting inspired by others too, so we invite a company or speaker to have breakfast at Tony's every six weeks. We challenge those guests by asking outspoken, critical, and sometimes unusual questions. Over the past year, we shared our scones and croissants 12 times with companies like Justdiggit, the Plastic Whale and Operation Education.

Fun at work

We all work hard and have fun. Loads and loads of fun! Because we looooooooooooooooooove having fun at work. Don't get us wrong, we know how to work our socks off, but it's important to keep an eye on work pressure. That's why, once a year, we conduct Tony's Employee Quest-cheer-nair in which we ask Team Tony's what is going great and where there's room for improvement. Our latest Quest-cheer-nair was completed by Tony's employees who had a temporary or permanent contract on January 2nd 2017. Right, so what's the score?

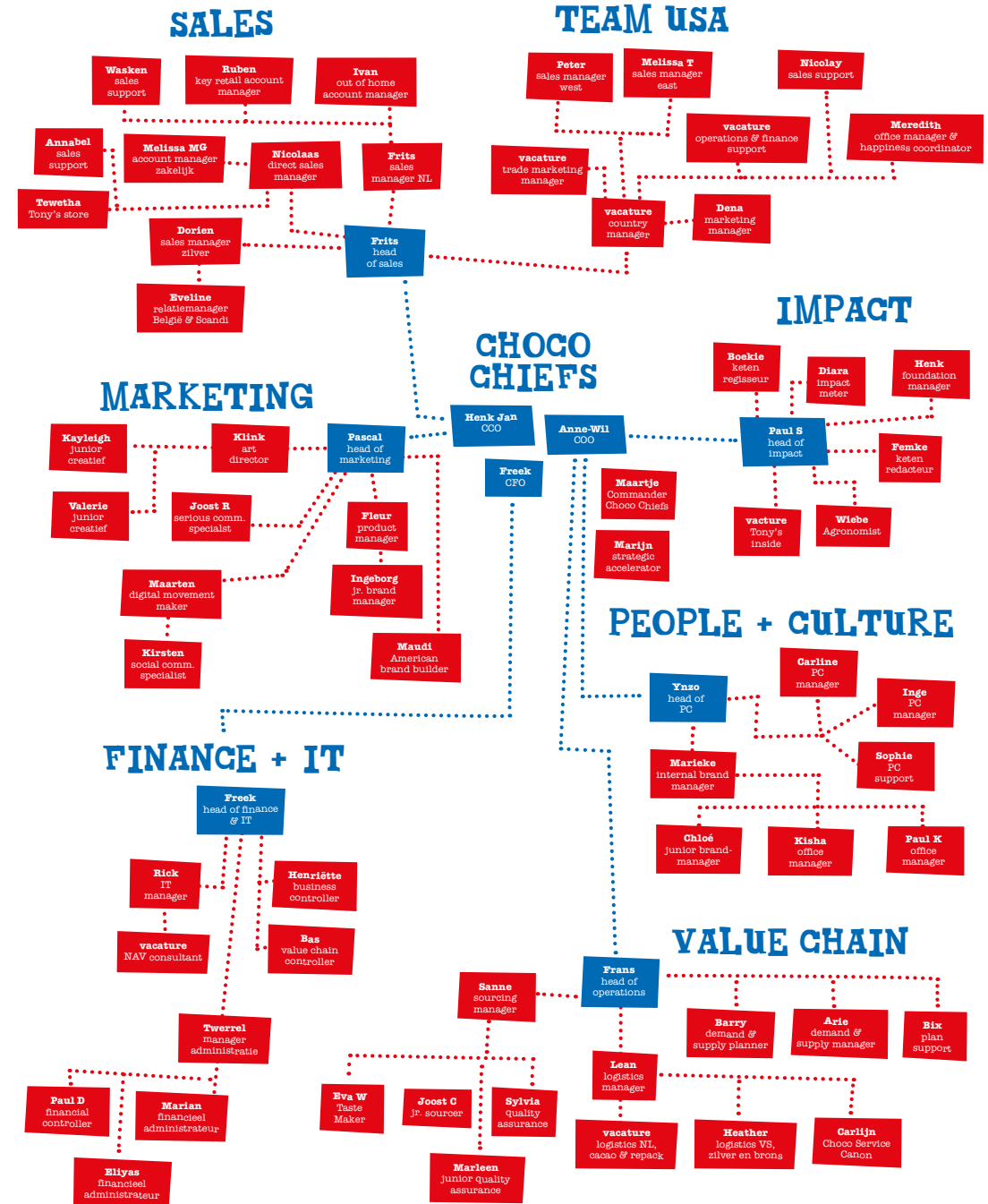
How about we start with the good news: compared to last year, everyone is happier working together and the work atmosphere has improved too. All our Tony's are incredibly proud to be working at Tony's Chocolonely and to work on realizing our mission.

Because our company, the team and the work pressure have all grown a lot, we really needed to pay more attention to how we work together. That's why on April 1st, the organizational structure was changed and job packages were redistributed. In the second half of the year, we hired 19 additional Tony's and 4 trainees. The teams got bigger: team Impact, for example, went from two Tony's to six.

Another improvement point is the workspace: the score for "Tony's office is a pleasant place to work" sadly went down. Oops.. Anyone who's ever visited Tony's (at the office or in store) knows what our setup is. There are a fair few Tony's in da house while there isn't an awful lot of floorspace. Cozy, right? Yes, maybe, but at the same time it is busy, noisy, and a bit of a mess. It really is high time we do something about it, with more space and room.

So from January 2018, you'll will be able to find our third office on Pazzanistreet 1, which is also at the Amsterdam Westergas area. Our own Tony's Store will move, although it will stay at Polonceaukade 12 until then. So why not visit us for some delicious chocolate and interesting choco gadgets. After our move, things will get a lot more spacious and become much more zen at Polonceaukade 12 and Polonceaukade 20. By the way, should you find yourself in the center of Amsterdam at some point, why not visit the Tony's Brand Store in the 'Beurs van Berlage' in the course of 2018.

TEAM TONY'S October 2017



Anyhow, back to Tony's Employee Quest-cheer-nair and its results. We are pretty sure that our growth will continue, so we'll need to keep an eye on the work pressure. To be honest, we can get a tad behind in that respect. It's time to change work pressure into work pleasure. After all, success in itself may not lead to work pleasure, but work pleasure will contribute to success. Man, that's deep. So let's do this!

For and with team Tony's

Last year we spent another couple of days at our Chocademy, also known as the internal training days. These days are all about things such as working (better) together based on connecting with each other, creating a safe environment and trust.

Every quarter we award a Tony's Scholarship, which can be used to learn something fun that's not related to work. We also have the "Because I Can Can" (rewarding an exceptionally entrepreneurial feat) and the Tony's Award for the Tony who is most appreciated by his or her colleagues. The awesome tradition of a ski trip plus the best apres-ski session ever was also continued this year.

And finally, we think that every Tony should know how to make chocolate. During a chocolate workshop, Spice Girl Eva Wieleman taught all of us (again) how to create the most delicious chocolate. Everyone had the awesome opportunity to come up with their own bar and then actually make it. Most of the bars were delicious.. although.. perhaps the one with the fried onions had a funny aftertaste. Can't imagine why.



A Choco workshop with Eva in the kitchen. Be careful with those fingers, Joost!

How do we run Tony's Chocolonely?

On April 1st 2017, we introduced a new organizational structure: now with Choco Chiefs & Heads. This way we can distribute the workload better, make sure decisions are made by people who know what they're talking about and keep focusing on the many challenges ahead.

3 Choco Chiefs:

Henk Jan Beltman, Chief Chocolate Officer

Freek Wessels, Bean Counter

Anne-Wil Dijkstra, Choco Co-Captain

Henk Jan and Freek are both Statutory Directors, but since Anne-Wil hasn't been working at Tony's for that long, she isn't. Yup, Anne-Wil is one of our Tony's newbies!

Tony's Heads:

Frits 'Choconator' Snel, Head of Sales.

Pascal van Ham, our Chocologo, Head of Marketing.

Frans Pannekoek, Bean to Bartender, Head of Operations.

Paul Schoenmakers, Impactus Prime, Head of Impact.

Ynzo van Zanten, the Choco Evangelist, Head of People & Culture.

Freek Wessels is both Choco Chief and Head of Finance.

Supervisory Board

The Tony's Chocolonely Supervisory Board has three members who monitor and advise the Chiefs:

Erik Cornelissen: focus on financial and legal affairs, also chair of the Supervisory Board.

Peer Swinkels: focus on sales, marketing & new business.

Willemijn Verloop: focus on social impact.

Everyone in the Supervisory Board receives annual compensation.

Works Council

With more than 50 Tony's in the Dutch office, it was time to organize a way for everyone to get a say in the organization. We've got together with a bunch of Tony's who are keen to get stuck in and figure out how to get this sorted. We're doing this!

Children's Council

This year we set up a Children's Council. It was up to grade 8 of elementary school De Catamaran from Amsterdam to give us advice about how Tony's Chocolonely could look after the environment better. Their ideas were impressive: from transport across the ocean using electric boats to special cattle feed, you know, to curb that infernal burping and flatulence. We'll definitely start working on some of those ideas, so you'll probably hear more about them next year. And we're going to keep talking to the Council, making sure we also remind them of our mission. After all, we're very keen to discuss with them how we can eliminate child labor from the cocoa chain.



This is Team Tony's
(September 2017):



CHOCOLONELY foundation

Tony's Chocolonely donates 1% of its annual net revenue to the Chocolonely Foundation, which uses it to fund its activities. These activities support projects that are working towards achieving a 100% slave free cocoa chain. For 2016/2017, the donation added up to € 449,000.

The Chocolonely Foundation has an independent board that currently consists of Mavis Carrilho (interim chair), Wouter van Leeuwen (treasurer), Hans Perk (secretary), Liedewij Hentenaar (board member) and Geert Waelkens (board member).

To create as much impact as possible, the Chocolonely Foundation funds activities are grouped under the following three pillars of action:

1

Creating the **conditions** needed to eliminate slavery

2

Making all **chocolate lovers aware** of the inequality in the cocoa sector

3

Inspiring other relevant organizations and individuals such as businesses and politicians to **take action**

You're right: these are almost identical to the three pillars of Tony's roadmap. Needless to say, it isn't a coincidence, because its mission is exactly the same as that of Tony's Chocolonely. Over the past year, the Chocolonely Foundation had a good think about its strategy, role and activities. They worked together with Dr. Monk, the Dutch/Ghanaian consultant, who conducted fieldwork in Ghana. That led to a number of good insights, like the fact that they should focus more on supporting innovative projects. And that's why they'll be supporting 100WEEKS.

The Chocolonely Foundation wants to break the vicious cycle of poverty and exploitation in West Africa, so they are getting together with 100WEEKS to give women from Ghana cash to help them out. No kidding. So what's the idea, exactly? Through 100WEEKS, women get paid around € 8 onto their phone for 100 weeks. They also get financial training. Studies in various countries have actually shown that giving cash is an effective, cheap way to eliminate poverty – in the long term too. The fact is, that money gets spent better when you give it to the intended person without telling them what they should use it for. It truly helps families to get out of the poverty cycle and actually stay out of it after the project has finished. So why are you giving the money to women, not men? Research into the repayment of microcredits has shown that women are a lot more reliable when sticking to agreements and dealing with money are concerned. Women also tend to be more responsible where children are concerned (education, health). So: if you give women cash, it is likely to also benefit children.

100WEEKS will measure its impact and then share the results with the Chocolonely Foundation. If the results of 100WEEKS turn out to be positive, they plan to introduce the scheme in other cocoa communities such as Ivory Coast. And they will also bring it to the attention of organizations that are fighting poverty.

They are able to support this project thanks to the funding provided by the Dutch National Postcode lottery, which donated € 10,000 to 100WEEKS.

The Foundation also took the following steps: Their support for educational projects in Ghana and Ivory coast is part of their 1st pillar (good conditions). Together with their educational partner Agreds, they have now set up a school fund in Ghana, emulating the school fund that they've been supporting in Ivory Coast for some time now. The fund lends cocoa farmers small amounts of money that they can use to pay the school fees of their kids in September. I suppose you're thinking "why don't they have money for that?" Well, the money they get for the Fall harvest arrives a little too late.

The Foundation is also active in its own country. They're supporting various educational projects in the Netherlands based on the second pillar of action "create awareness." For example, the YouToday foundation has created an educational program for high schools about

slavery – from the transatlantic slave trade to modern slavery – making sure they explain the link with (un)fair products.

The foundation's third pillar of action is all about inspiring people to take action. Having concrete data is really important in this respect. It finances research projects such as the huge study currently being carried out by Tulane University. You'll have read about this earlier on in this annual FAIR report. This study looks into the extent of modern-day slavery in the cocoa chains in Ghana and Ivory Coast. The study is a collaboration with the Walk Free Foundation, and the Foundation wants to repeat it regularly so we can keep a close eye on its progress.

The future

Now that Tony's Chocolonely is growing so steeply, the Foundation is able to support longer-term projects that fit the Foundation strategy.

➔ Where content is concerned, education remains important. In Ivory Coast, 21% of kids don't attend elementary school. This is important, because education is an important way to ensure children aren't forced into child labor. One of the reasons for this is that children aren't registered, so they don't receive a diploma. This is something the Foundation really wants to tackle. In the Netherlands, the US and the other new markets, the Foundation aims to use education to encourage children and young people to critically reflect on themes such as modern slavery and fair products.

➔ Geographically, the Foundation hopes to start projects in the new markets where Tony's is active. They also want to expand their activities in Ivory Coast. After all, around 80% of the beans Tony's buys come from Ivory Coast. So it makes sense that the Foundation is keen to support more projects and initiatives in Ivory Coast..

➔ Innovation is and will always be important. The Chocolonely Foundation aims to act as a catalyst in the fight against modern slavery in the cocoa supply chain. The foundation is looking for the most effective way to tackle the problem and to inspire others to take action. Therefore, the Foundation will be investing in innovative projects, despite the higher risk of failure.

Like to know more?

Later this year, the Foundation will present its own annual report, which will include a financial statement. Got an idea for a great project? Want to support a particular project? Want to know more about a project or about the Foundation itself? Go on, email!

info@chocolonelyfoundation.org.



Innovation Designation: to protect the beans from rain, participants build prototypes for a cocoa drying table.



Presenting the Chocobox Office: this fund will be used to support local initiatives and ideas.

Tony's creates awareness

Tony's leads by example

chapter three:

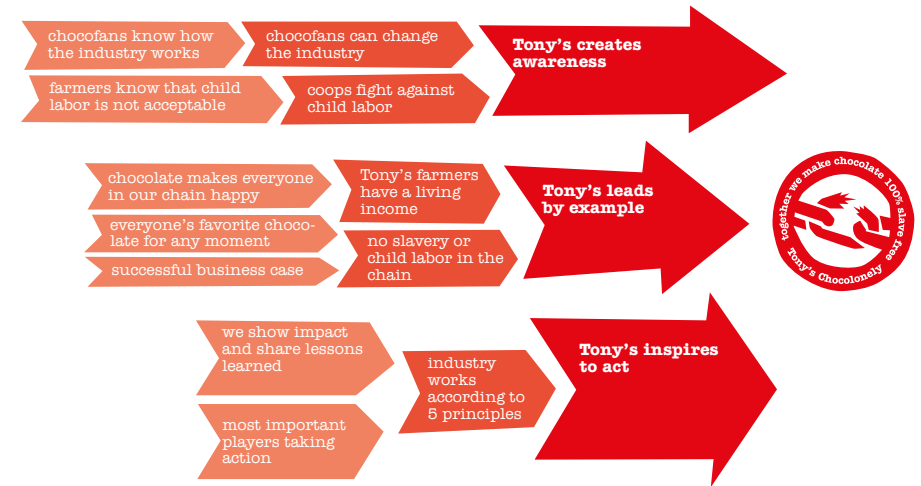
OUR ROADMAP

Tony's inspires to act

We have a clear approach to realizing our mission, and this is explained by the three pillars of our roadmap. The roadmap that tells you how we, as chocolate company, want to change the cocoa industry from the inside and achieve our mission: "together we make 100% slave free the norm in chocolate." Each pillar has two or three strategies. In the next chapters, we'll tell you about our mission, and give an overview per pillar of the things that happened during last year.

Realizing goals by taking action

The goal of everything we do is the realization of our mission, and every activity is linked to one of the seven strategies that are listed in the roadmap. If it doesn't help us realize our mission, we ain't doing it!



So that means that what we do (our input) is done to achieve a particular goal (the output). Does that make sense? We're assuming that once we achieve these goals, we'll have managed to make 100% slave free the norm in chocolate. We're learning continuously, so our roadmap usually needs a bit of fine tuning every year. We are always very critical of ourselves, our approach and our results. That's why our roadmap is important, in everything we do.

And of course, you want to know how things are going! Well, we asked accounting firm PwC to review. In addition to checking our financial figures, PwC has actually performed an *ahem* "external verification of nine non-financial performance indicators". They did what now? Never mind (breathe in, breathe out), we'll explain it a bit more: it's an assessment that means we can show that what we're doing to achieve our mission is important, that it works, and that it can be implemented by other chocolate companies. Every year, we're trying to show this more and more thoroughly.

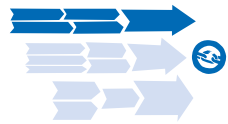
Important to know: we couldn't use standard sustainability indicators because we wanted to specifically look at indicators that are directly linked to our roadmap and the impact we want to realize. So that's why we defined our own indicators and we are planning to add more impact indicators to the external review in the future. This year, we also applied for the General Reporting Initiative Standards content stamp. And got it! #awesome

Alright, so what's the verdict?

The ladies and gents at PwC were – what shall we call it? – “Positively critical”. Meaning that they challenged us to think really hard about whether the relevant indicator actually gave us the insights we wanted, especially if we were to report them year after year. So yeah, we learned something new.. and had to fine-tune our roadmap again!

The indicators that fall inside the scope of PwC's external review are marked with a \diamond . In appendix 3 you'll find an explanation of the indicators that fall within the scope of external review of the accountant, and Appendix 1 has the so-called “formal assurance report” that PwC put together.

My goodness, that's enough accountancy speak for today. Let's take you on a quick roadmap trip. Please fasten your seatbelt.



First pillar: Tony's creates awareness

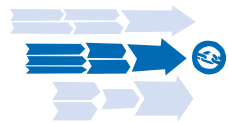
- 63% of chocofans who are aware of the existence of slavery on cocoa farms \diamond .
- 34% of Tony's buyers who buy our chocolate to support the mission \diamond .
- 19% of Tony's buyers who share Tony's story with family and friends \diamond .

Tony's movement

We inform, inspire and offer people targeted tools to join us in our mission to increase public pressure on key players in the cocoa sector to make chocolate 100% slave free.

Awareness in West Africa

We support awareness raising campaigns on basic human and children's rights, and we support projects that target the root causes of child and illegal labor in the communities where we source our cocoa beans, both in a direct and indirect way (e.g. via our support to Tony's Foundation). Through the CLMRS, the “Child Labor Monitoring and Remediation System,” we constantly organize awareness-raising activities in the cocoa communities.



Second pillar: Tony's leads by example

- Currently 4,318 farmers get the Tony's premium \diamond .
- We've signed a 5-year Memorandum of Understanding with five of our partner cooperatives \diamond .
- We've scored 8.1 out of 10 in the annual Tony's Employee Quest-cheer-nair \diamond .
- 16.7% market share \diamond .
- 95.1% of cocoa in Tony's chocolate is traceable to our partner cooperatives.
- 14% of total market indicates Tony's as their favorite chocolate brand \diamond .

Everybody happy from bean to bar?

We aim for all of Tony's partners to be happy they work with us; from the farmer and his children to the consumers worldwide who eat our chocolate. The happiness of team Tony's is crucial in realizing our mission. We are building a network of reliable partners, who help us realize our vision in the long term. We partner with coops and their farmers according to our 5 sourcing principles and are creating a virtual platform that allows others to take part as well.

→ Everyone's favorite chocolate for everyday moments.

Our chocolate reaches our chocofans right there, you know? People are crazy about our chocolate because of its taste, our brand, and its social impact.

→ Building on our successful business case

We want to grow so we can show the other players in the chocolate industry that making chocolate commercially can be done differently. No excuses! And so we can continue growing and put our mission firmly on the map across the globe, we're investing in international expansion. Our team and our company are focused on realizing those goals!



Third pillar: Inspire to act

We would have liked to have been able to include the KPI (“Key Performance Indicator”) about the size of modern slavery in cocoa in West Africa in PwC's review, because of the study that we're currently working on with Tulane University and the Walk Free Foundation. It's a really, really important KPI, because it measures the status of modern slavery within the chocolate industry and whether we're actually on the right track. But because we won't be getting the results of this study until the first quarter of 2018, we can't have them reviewed externally yet. We'll ask PwC to include them next year.

We demonstrate impact and share the lessons we've learned

We show everyone that we're really having an impact using measurable KPIs and share our knowledge and the way we work.

Key players take action

We “market” our 5 sourcing principles within the industry and inspire key players in the sector to take their responsibility too.

Sorted. Right? If only it were that easy.. We want more of our mission-driven KPIs to be reviewed by PwC. Like the ones about the roll out of the CLMRS, for example (you'll find more about that later). So why isn't that KPI included yet? We've only just started collecting data, and there just isn't enough of it for it to be externally reviewed. Sorry about that.

Okay, heeeeeeeeeere we gooooo! Hold on to your hat! We're plunging into this financial year!

going to the stock exchange

brand monitor half-time score

Tony's in the Senate

at home at Tony's

chapter four:

TONY'S CREATES AWARENESS

friend strategy: Serious Friend Forever

new website

Tony's Chocolonely on stage

Tony's trophy cabinet

Chocofans need to know what's up in the industry: slave free is far from the norm everywhere. And to encourage this awareness, we regularly kick up a bit of a stink. In the past financial year we created a stir by going to the Beurs van Berlage and gave the law against child labor a swift kick up the backside to get it going.

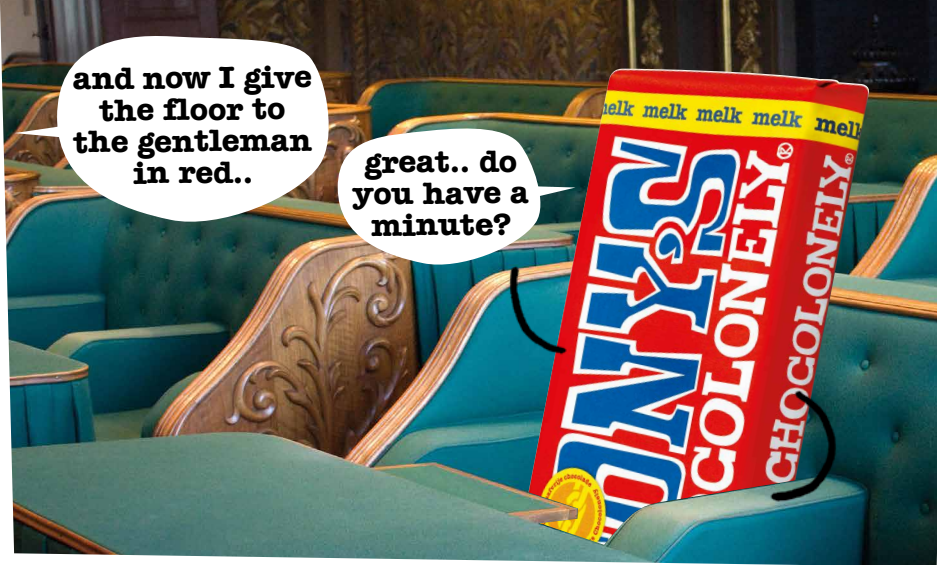
Law against child labor

Last January, the Tweede Kamer (the Dutch House of Representatives) discussed a bill against child labor called 'Zorgplicht Kinderarbeid' (Duty of Care - child labor). The law requires companies that sell in the Netherlands to ensure that their products or services do not involve child labor in any shape or form. We wrote an open letter to the Tweede Kamer (Senate), making it perfectly clear why this law must be introduced:

- ➔ Self-regulation is just not sufficient, and lacks the required urgency and pressure.
- ➔ What this law requires from companies is perfectly possible and absolutely feasible. There are similar laws abroad, after all.
- ➔ Reward businesses that lead by example. Ensuring the production chain is transparent and preventing child labor means making investments. A law rewards these efforts and creates a level playing field for all companies.

If that isn't clear language we don't know what is. But we take this very seriously. In addition to the letter, we also created a video that called on chocofans to sign the petition. Then we personally took more than 10,000 signatures (in the shape of Tiny Tony's) to parliament and stayed around for the debate. 125,000 people watched the video on Facebook. All this support was not in vain. The Tweede Kamer passed the bill. Hurrah! But hang on, don't count your chickens.. The Eerste Kamer (the Senate) will be voting on December 19 2017.





Tony's in the Senate

The Dutch Senate organized a specialist meeting about child labor in October to discuss the pro's and cons of the proposed legislation. We were invited to share our view point, and Paul, our Impactus Prime, polished his shoes and went off to The Hague. Ready to answer any question thrown at him.

One of the main questions was whether 'the law wouldn't be too much of a burden to businesses.' Nope! We think. The law doesn't require companies to do something impossible. Companies must declare that they do everything in their power to prevent child labor and assess and address the risk in their supply chains. We're not the only ones who believe a legal framework that fights child labor is important. At Tony's Chocolonely's initiative, 22 businesses, including Barry Callebaut, Cargill Cocoa & Chocolate, Rabobank, ASN bank, Fairphone and Heineken sent a letter to the Senate.

So what's going to happen now? Well, voting will take place in December. If the Dutch Senate passes the bill, the Dutch government takes on the responsibility to fight international child labor by laying down the law and insisting on decent trade practices. Woohoo!

So we ventured onto the stock market..

The press release 'Tony's is going to the Beurs (red. Dutch for stock exchange)' that was issued at the end of September caused quite a stir. The news of our 'Beurs' adventure was picked up within 15 minutes, and we were featured on nos.nl, nu.nl, radio 1, etc. etc.. In no time, more than 300 articles, both online and in print, shouted the news from the rooftops, even internationally. You could say that the response that morning was somewhat mixed. Chocofans were a little worried: Tony's listed on the stock exchange? How? And why? The financial press was utterly delighted. But then.. Later that day we announced that we weren't really going to be listed on the Amsterdam Stock Exchange.. We were actually going the Beurs van Berlage (location of the historic Amsterdam Stock Exchange) with our exhibition BITTER Chocolate Stories, the FAIR and the new Tony's Brand Store. And we are going to boost our mission through our Slave Free Participation Platform. Many chocofans found it pretty hilarious, but the article did put quite a few noses out of joint among the financial press.

Our Stock Market adventure. A peek into our choco kitchen.

Tuesday morning, September 26
2017. 8.30 am

The headline 'Tony's heads for stock exchange listing' appears online within 11 minutes. "That was quick!" All of us nearly fall off our chairs. In fact, we had seriously doubted that our press release would be picked up at all, let alone be published online.. without verification! Within an hour, most of the online news sites and newspapers are buzzing. The office echoes with high-fives, guffaws and shouts of surprise.

We'd been working on the 'Slave Free Participation Platform' and three projects in the Beurs van Berlage for months: the new Tony's Brand Store, the exhibition BITTER Chocolate Stories and Tony's FAIR. Or, as the joke went, "Tony's is going to the Beurs (red. Dutch for stock exchange)."

We'd mentioned it to each other so often that it just felt natural to say "hang on.. let's use it for a campaign!"

After decades of its absence, we'd finally take the cocoa trade back to the Beurs van Berlage, the historic building of the Amsterdam Stock Exchange.. And, more importantly, we had the plan to start making an impact through the capital market. No, not by getting money via the stock market, but by spending it! One of the ideas to accelerate our mission was to participate in cocoa multinationals via our Slave Free Participation Platform. Which means.. Tony's is going to the stock exchange! All true, right?

And that's how we got the idea to announce that we were going to the 'Beurs'. A brief press release announced that we were going to the stock exchange and wanted to use the capital market to accelerate our impact. You know what Tony's is like: willful, outspoken, entrepreneurial and with a little fun along the way. We honestly hadn't thought that our news about the stock exchange would become such a big thing.

10 am to 4 pm.

Our phones won't stop ringing. Henk Jan Beltman, Chief Chocolate Officer, hides under his desk until lunchtime, because lying is not an option and explaining the press release would spoil the joke and its impact. Finally, Henk Jan talks to ANP and RTL Z and gives answers that sound similar to our press release while we shift into next gear and send out the 'reveal' press statement including an online video explaining we are going to the 'Beurs...van Berlage'.

Some journalists aren't exactly happy with us. Although they might be a little mad at themselves too.

Was this really a good idea? Should we have published our real press release earlier, perhaps? I mean, we're happy with all the attention it got us, but in hindsight, we should have revealed the joke earlier. What can we say, we're incorrigible.

With our BITTER Chocolate Stories exhibition, the FAIR and the new Tony's Brand Store, it's Serious Business at the 'Beurs'. The Beurs... van Berlage, that is.

At home at Tony's

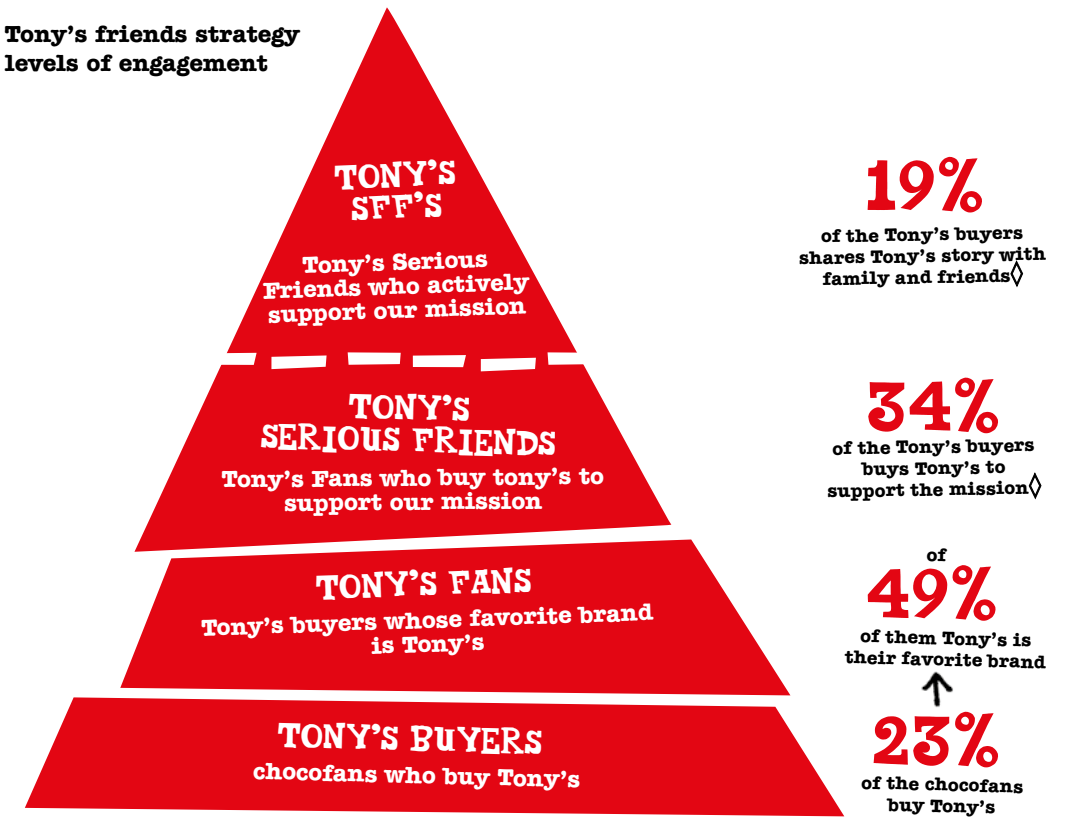
Our door is always open to our chocofans. That's why we decided to open a Tony's Store in our office this year. Our first real store has been a massive success. So far, we've sold 38,856 bars, 46,900 Tiny Tony's and 186 Tony's T-shirts. Around 16,500 choco friends visited the store, where they were welcomed by our ever-cheerful store Tiger Tewatha or someone from Team Tony's. You got it, we all take turns working in the store! Including our Chief Chocolate Officer Henk Jan. That's how we keep up to date about what our chocofans get up to and what they think about us. It's a way to conduct market research, basically. So, what have we learned? Well, loads of kids share Tony's story at school in a lecture. How cool is that! That's why you can now get a show and tell school package with cocoa beans, a badge and a poster with our manifesto in store. And if you let us know your mark, we'll send you a bar!

The last Friday of every month, you can join us for a Tony's Talk at home at Tony's, when a Tony will give you a peek into his or her choco kitchen. We'll tell you Tony's story and more about what the relevant Tony gets up to at work. This is followed by drinks (uhmmm, chocolate milk!), a tour around the office and the opportunity to fire questions at Team Tony's.



This one, or this, or...
Go Maartje!

Tony's friends strategy levels of engagement



Tony's brand monitor: numbers please!

How well-known are we in the Netherlands? Do people know our brand and the issue we're fighting for? And how many people consciously choose Tony's? That's what Tony's brand monitor measures.

We like to raise the bar, and that also goes for monitoring our brand. Over the past years, we only took measurements twice: once in November/December and once in May/June. However, we realized that our figures tend to fluctuate due to things like the season, particular campaigns and promotions. It also turned out that the figures were not in line with your financial year, which runs until the end of September. For example: familiarity with our issue ('slaves work on cocoa farms') is lower at the height of the chocolate season in November/December, because chocofans are inundated with all kinds of messages about chocolate. Previous annual FAIR reports always reported the most recent brand monitor results (May/June), but we now know that they didn't really reflect the figures throughout the year. That made it difficult to follow the progress related to our KPIs. That's why, last January, we switched to measuring continuously, asking people about their views all year 'round instead of just twice a year. So now we have more stable and reliable results. It's given us a better overview of the figures over the entire year, rather than just a snapshot of a pretty brief moment. Mind you, because we only started doing this this year, we can't compare the figures to the average of our previous financial year yet. So in the visual we're just looking at the May measurements.

The recognition of our brand and the number of people who bought Tony's in the Netherlands significantly increased again this year. On average, 23% of Dutch adults over 18 bought Tony's this year, compared to 19% in May the previous year.

The challenge is to tell all those new buyers, who got to know Tony's through our chocolate, about our mission. Not just to make them aware of our mission in general, but also to get them actively involved in it. You can actually see this challenge reflected in the figures. Fewer people bought our chocolate because of our mission this year, and buyers are also not telling their friends and family about our mission as much. Conclusion: we failed to realize those objectives. We're obviously not happy about that, but we do realize that we need to give our chocofans the right tools to be able to participate in our mission. So that's what Tony's friends strategy will be about this year. We'll explain everything about this below.

We are delighted to find that people buying chocolate have become more aware of our issue (Slavery exists on cocoa farms): from 57% in May 2016 to an average of 63% over this whole financial year. And in May 2017, with a score of 67%, we almost managed to achieve our rather ambitious objective of 68%. Booyah!

With a little help from my friends

Because we want to make sure that people who buy Tony's actually choose us for our mission and even decide to participate in it, we have developed Tony's friend strategy, which aims to get our buyers to become true Tony's friends. The idea is that we all become serious friends and ultimately Serious Friends Forever (SFF).

Serious friends consciously choose our chocolate to support our mission, and Serious Friends Forever even go one step further: they actively try to help us achieve our mission. For instance, they share our story, choose only ethically produced chocolate, go to Tony's events or support us when we organize campaigns and social initiatives.

Serious friends are true friends

Tony's believes in direct relationships, not just with the cocoa farmers but also with chocofans. Every time we meet you (online, at the office, in our store, during a Tony's talk, during the FAIR, etc.), we'd like to ask you to become a serious friend. Related to that, we have a new website that allows you to help us: there, you can download Tony's show and tell package, create your own wrapper, or watch Tony's movie.

Because we like to keep in touch with our serious friends, we'd like them to give us their name and e-mail address. Of course we treat everyone's details with care, in accordance with the usual Personal Data Protection Act rules. Oh, and obviously, we won't forget your birthday! Because real friends don't forget that kinda thing! So.. wanna become serious friends?

Where did you hear from us, read about us, and see us?

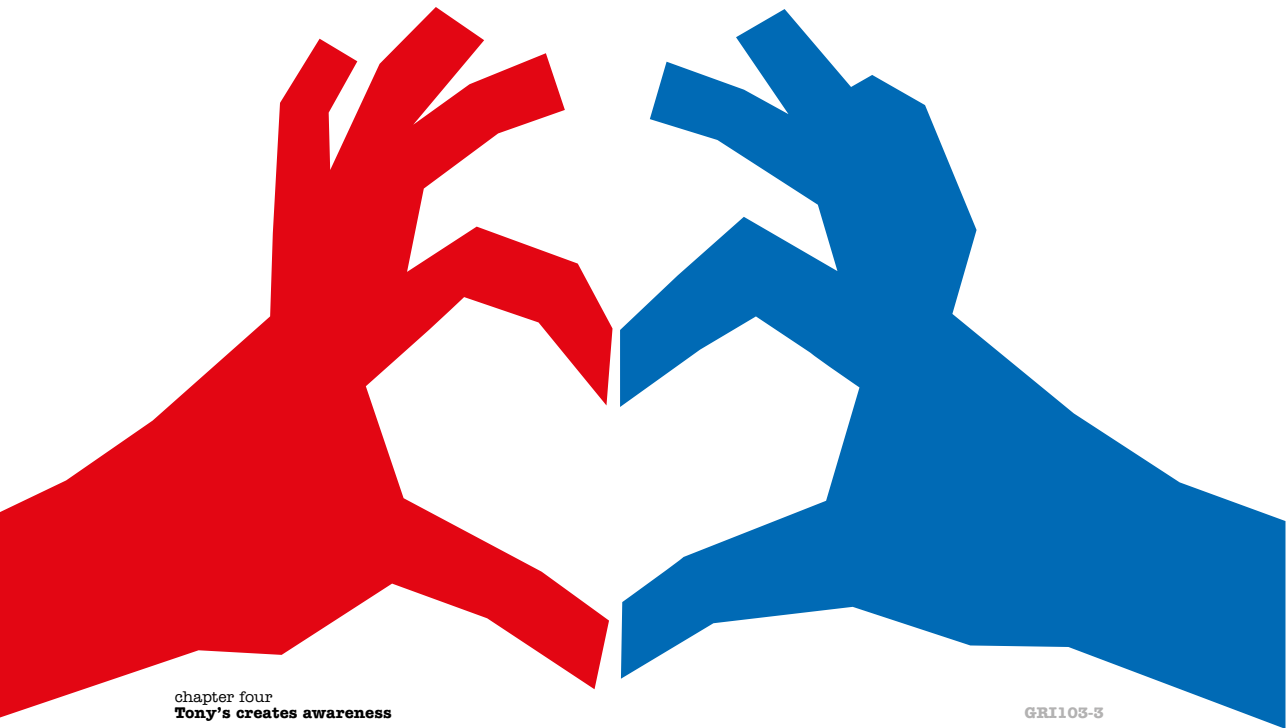
Over the past year, 1,360 articles were published about Tony's in newspapers, magazines and online media. Last year that was 469! Yup, it's actually trebled (!!)

over the past year. The press didn't just pounce on 'Tony's is going to the stock exchange.' 635 of the articles were all about our mission. And that was our goal: to draw more attention to our serious story!

Tony's got plenty of mentions internationally too, especially in countries where we sell our stuff. 98 articles were published in the US, for example. The article "This Candy Company Is Making Sure Its Chocolate Is 100% Slave-Free," published in US business magazine Fast Company, is what we are most proud of. It meant that our mission reached more than 1 million people. We're also pretty thrilled that Oprah Magazine and Food & Wine declared that we're their favorite chocolate. 51 articles were published in Belgium, while in Sweden bloggers blogged about us, but there were no articles in other types of media. So lots to do with our PR-machine over there.

Our Choco Evangelist Ynzo traveled all over the place once again this year. We held 106 Tony's Talks in total at lovely get-togethers, activities and conferences (that's twice a week!) and managed to reach 18,677 chocofans with our story this way. Ynzo held the most disconcerting Tony's Talk in front of 900 firemen at the Efteling theatre (a fairy-tale theme park). And we weren't just invited in the Netherlands. We were welcomed by a Swedish student society in Uppsala and tread the boards for Fairtrade in Belgium.

The number of people we are reaching through our social channels has grown pretty nicely too. Our Sweet Talkers Kirsten, Chloe and Dewi kept all of us up to date about Tony's serious and choco news all year 'round. And the result was not to be sniffed at: our US and European pages went from 73,000 followers to 101,000 on Facebook, and from 25,000 to a whopping 50,000 on Instagram. Eeexcellent! Our group of social media friends, including Twitter and LinkedIn, now consists of 170,000. So that's 50,000 more than last year.



What else we got up to

↓ We celebrated our traceable cocoa butter with the launch of 2 white bars (white and white with raspberry and popping candy) on our cracking FAIR - the White Edition with an impressive 3,500 Tony's friends in attendance.



↑ Our small bars are now unevenly divided (finally!). We also created a video that reminded everyone why our bars are unevenly divided. And why was this again? Exactly: because things are unevenly divided in the cocoa industry. The shape of the small bars is a unique piece of our large bar. The video got 150,000 views on Facebook alone.



↑ For Pride Amsterdam 2017, our Tony's gay bar came out of the closet once again. The caramel seasalt chocolate bar in its bulbous rainbow wrapper was definitely a delicious highlight for all pride goers.

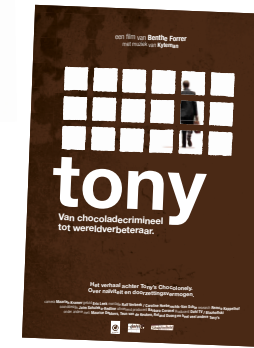
→ We popped to Berlin this year to meet some choco friends. We welcomed them with our chocolate and our story at the LNFA Concept Store for a week. Well? What do you think? Are our neighbors to the east ready for Tony's? Jawohl! So that's why we'll be available in Germany next year.



↑ On the inside of the wrappers of our Limited Editions, friends found a message that called on them to share our recipe for slave free cocoa with the chocolate industry on social media (#slaafvrijrecept #slavefreerecipe). This resulted in a Twitter discussion with Nestlé, who we invited for a chat in our choco kitchen. Thanks for the share, Winny Bos!

So we grabbed our game of Tony's Twister and a big suitcase full of bars and took to the road to visit festivals. Lots of them. First stop: the Gaasper Pleasure Festival. Soon, we were inundated with chocofans who came to taste our chocolate and tie themselves into impossible knots. Left foot, yellow, right hand, red..

↓ Our milk bar got a cheerful temporary jacket when we celebrated the 100th anniversary of the art movement 'De Stijl'. That's because, just like us, Mondriaan's mission was to change the world. He wanted to change the arts, we want to change chocolate. Anyone who showed the wrapper at the ticket office of the Municipal Museum in The Hague got a free second ticket. Because you gotta share, that's Tony's Style!



↑ The Chocolate Case was shown at 26 film festivals across the globe, from South Africa to Norway and from the US to Poland. The film will keep touring and will be shown at 8 more festivals over the coming months.

In the Netherlands, RTL Z broadcast 'The Chocolate Case' on TV five times, with 173,000 viewers in total. The movie is also available on various video on demand channels. Together with Pathé Thuis we organized a promotion that got you a unique code to watch the movie for free when you bought two bars at a Wereldwinkel (a Fairtrade gift store).



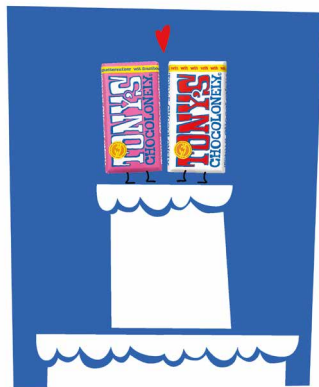
↑ On the Dutch king's birthday, the milk caramel seasalt bar wore a little crown on its royal orange wrapper. Our message: wear your Tony's crown and share it with your friends with #tonysopjekrony! Put that dinky little crown on your head and feel like a king. At least for a day. Power to the people!

↓ In September we celebrated the launch of our awesome new Limited Editions with a real Tony's friends dinner. Now you're probably thinking: "Hang on? What friends? How come I wasn't invited?" Well, we picked ten chocofans who had the opportunity to join a bunch of (former) Tony's and the press and sink their teeth into three Limited Editions. Nom, nom, nom.





← Anyone for chocolate stout? We teamed up with brewery De Prael to create something unique: Tony's Chocolate Milk Stout: a creamy milk stout made from traceable cocoa powder made from cocoa beans bought from our partner cooperatives in Ghana and Ivory Coast. The taste is out of this world!



↑ In December we asked Tony's friends if anyone was getting married in the new year, because we had an awesome Tony's in white surprise for one happy couple. Made from our white chocolate, of course. Talitha and Baukje's were the lucky winners. We created an absolutely crazy white chocolate wedding cake with five layers, made from our own chocolate, and presented it to the ladies as a surprise on their wedding day. I do!

Teleurgesteld in Tony's Chocolonely

Esther Overmars, blogger | 22 januari 2017, 21:42



Het merk is groot geworden door passie en eigenzinnigheid, met een ijzersterk verhaal. En toch maak ik me zorgen.

↑ We appreciate a bit of criticism. After all, we're not exactly the type to hold back ourselves. So when Esther Overmars let us know in no uncertain terms that we could perhaps slow down with all those new bars already, we were quite happy to talk about that. So we went to Facebook and held a poll: well? What do y'all chocofans think? Do you agree? Turned out, opinions were divided. Never mind, it keeps us on our toes.

→ Tin-tastic! Three layers of Tony's bars and a booklet with our story, to share. Our tin and its stack of chocolate bars was an instant success: it sold out in no time at all.



↑ For its CNN Freedom project, CNN created a mini documentary about Tony's Chocolonely's mission, The documentary was broadcast at prime time across the globe.

Terrific tallies of trophies in Tony's trophy cabinet

Of course we are proud as punch of every award, bit of praise and feather in our cap that we receive. Our trophy cabinet is almost bursting at the seams, but we don't just love awards because they give us another excuse for a party: every acknowledgment means that people are getting more interested in making a slave free chocolate industry a reality.



This was the second year in a row that consumers named us the most inspiring organization in the Netherlands. And believe it or not, we were also named most inspiring organization among marketing and business professionals. The first time we won in both rankings. How cool is that!

This annual study is carried out by marketing consultant Synergy, which looks at organizations that inspire others and the reasons why. Our Choco Loco Pascal was happy to accept both awards.



The Chocolate Case won multiple awards, including the Grand Prize for Best Documentary Feature at the New York Socially Relevant Film Festival. We are also mind-bogglingly proud of the fact that according to the Traverse City Film Festival in Michigan, organized by Michael Moore, the movie is "Eye-opening, galvanizing and seriously entertaining. Destined to be one of the hits of this year's festival." Yeah baby!

Certified As B Corp, we're on the 'Best for the World' list. And that is not something to be sniffed at. B Corp is an international network of **Benefit Corporations** that want to use their business force to improve society. Only B corps that meet exceptional standards in a number of impact areas are recognized for their efforts. Needless to say, we're exceptionally happy with that! You'll find out more about the network in the chapter Inspire to act.



This year too, our Cocoa Gadget Arjen (impact chain director) made it to the Sustainable Top 100 of the newspaper Trouw. Indeed, he is still in the top 30, among the most influential and impactful people where sustainability is concerned. Go Gadget Go!

our way of making chocolate

the 5 sourcing principles

Tony's recipe for slave free chocolate

Beantracker

chapter five:

TONY'S LEADS BY EXAMPLE: FROM BEAN TO BAR

Tony's premium

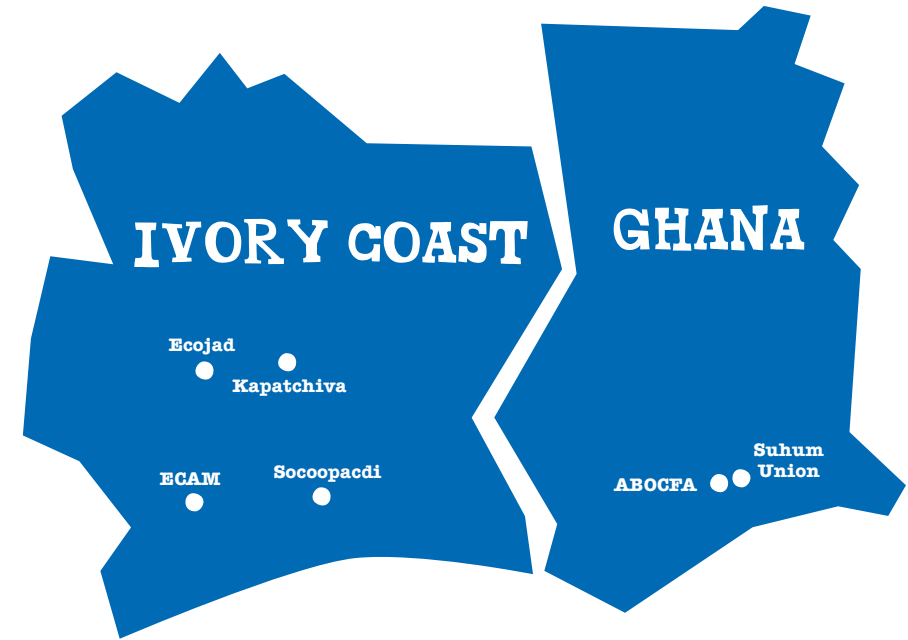
long-term cooperation and relationship

improving quality and productivity

impact on the environment

We aim for everybody in our supply chain to be happy with our chocolate, from the farmer and his children to the consumer who buys the chocolate. We are building a network of reliable partners, who help us realize our vision in the long term. We partner with cooperatives according to our 5 sourcing principles and are creating a virtual platform that allows others to take part as well. Righty ho, here we go:

➔ Last year, we bought beans from these six cooperatives:



➔ A cocoa farmer delivers his cocoa – in some cases via an intermediate collection point – to the nearest warehouse of his or her cooperative. At the warehouse of the cooperative, the cocoa is put into labeled bags, weighed, and stored separately. The farmer immediately receives the farmgate price for the cocoa. Last year, 4,318 farmers supplied cocoa beans to Tony's. Impressive, isn't it?

➔ The bags are collected from the warehouse by a local trader (Kumankoma in Ghana) or the exporter (Ecookim & Ocean in Ivory Coast). These local partners make sure that the beans get transported from the warehouses to the ports of Ghana and Ivory Coast.

➔ When they arrive at the port, the beans are once again stored in separate locations. This to ensure traceability, remember? Our international exporter, CocoaSource, buys the beans on our behalf and loads the bags with beans into shipping containers bound for the port of Antwerp. Now, CocoaSource pays the Fairtrade premium of \$200 per ton of cocoa beans to the local trader or exporter. They, in their turn, then pay the Fairtrade premium to the cooperative. Tony's itself only pays this Fairtrade premium once the bars have left the co-manufacturers.

➔ CocoaSource sells the beans to manufacturer Barry Callebaut. Once they've arrived in Antwerp, the bags are stored in Barry's huge warehouse and Tony's transfers the Tony's additional premium to the cooperative's bank account. Here, too, the beans get their own separate storage space.. Because you're either a traceable bean or you ain't.

➔ Barry Callebaut turns our traceable beans into cocoa butter and cocoa mass. The manufacturer adds sugar and milk powder to make an incredibly delicious couverture (liquid chocolate according to Tony's own recipe). So this is done in Belgium, although some of it is already processed in Ivory Coast. And that's a good thing, because value addition in countries of origin is important!

➔ From Barry Callebaut's tanks, trucks take their delicious content to Tony's co-manufacturers Althaea and Kim's. There, the couverture is poured into unevenly divided molds and all kinds of tasty things such as caramel, nuts or sea salt are added. Wrap it in a wrapper, all done!

➔ From Althaea and Kim's our bars are shipped to our logistics warehouses, and some of them even cross the ocean to the good old US of A. This is how all supermarkets, coffee shops, candy stores and cinemas are stocked, and from there, it's only a small step to our chocofans.



Tony's recipe for slave free chocolate

Our recipe for slave free chocolate is based on 5 sourcing principles. We believe that all chocolate companies should apply these five principles to their relationship with cocoa farmers. Those five principles only work together. So, picking out two or three and doing your own thing is not an option. You gotta stick to all five. Otherwise it just won't work.



Trace that cocoa bean

All cocoa beans are known beans, bought directly from the cooperatives we work with. You will hardly find any chocolate brands in the supermarket that know where, how and by whom their cocoa is produced. Especially when it's sourced in West Africa. Why? Well, imagine the annual cocoa production in Ghana and Ivory Coast as a huge mountain of certified and uncertified beans. Really big. I mean, a HUUUGE cocoa mountain.

The chocolate giants buy their cocoa at the front of that huge mountain. They often don't look over that mountain of beans and don't have a clue where the beans they put in their bars originate from.

We do want to take on this responsibility and know exactly what is going on. Once you get to know the cocoa farmer, you are way more likely to feel responsible. And then you can actually take on that responsibility. The cocoa beans in our cocoa butter have been 100% traceable since November 2016. The beans in our cocoa mass were already 100% traceable.

Over the past financial year, which started in October 2016, 95.1% of all the beans in our couverture were traceable! That 4.9% is missing because the beans in our cocoa butter weren't traceable yet for the first two weeks of that year. So there you go. Now you know.

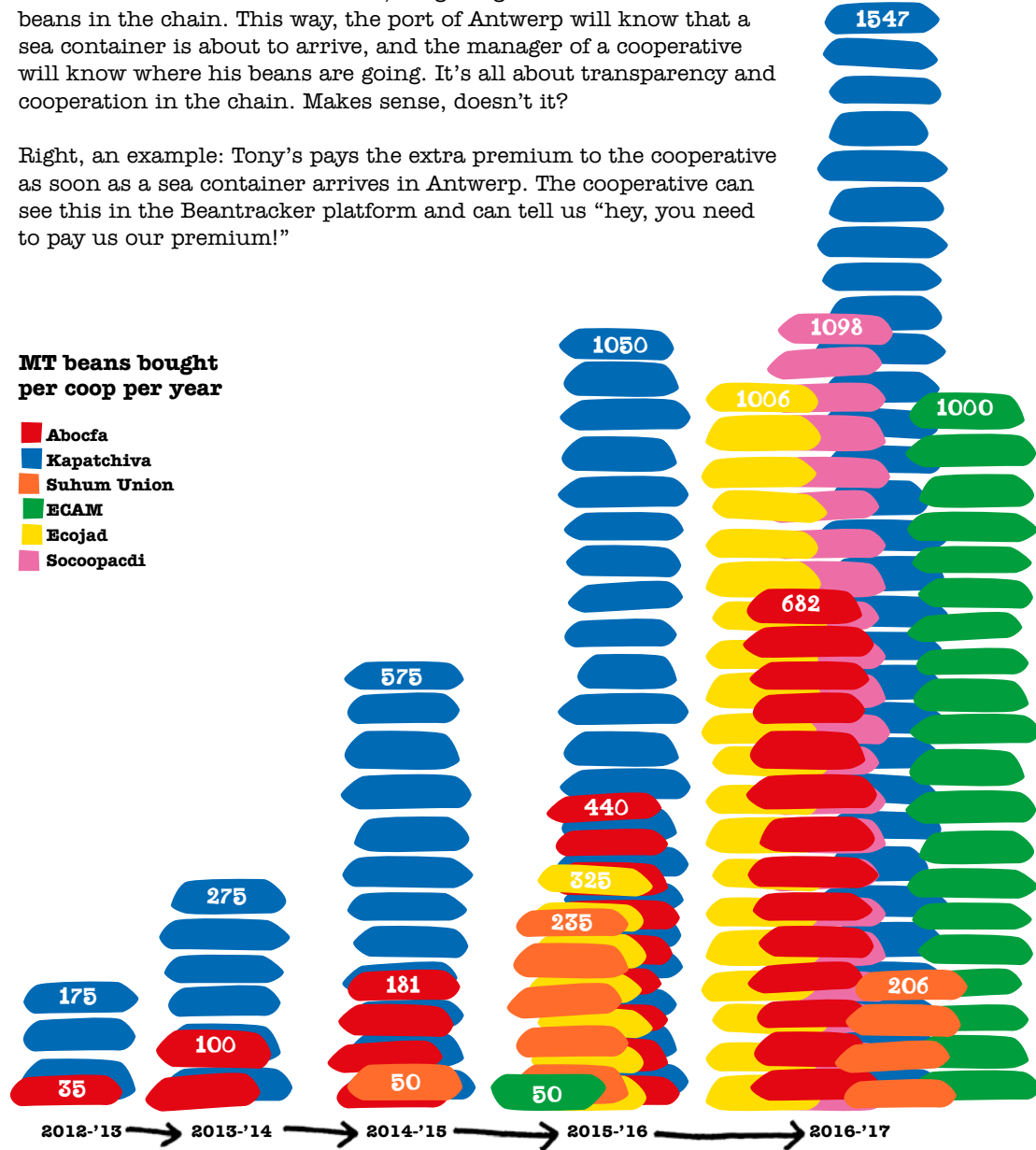
The principle in practice: Beantracker

How does traceability work in practice? In November, we launched "Beantracker", the system that our partners in the chain use to track their stocks. Because everyone involved enters their bean stocks, we get a good overview of all the beans in the chain. This way, the port of Antwerp will know that a sea container is about to arrive, and the manager of a cooperative will know where his beans are going. It's all about transparency and cooperation in the chain. Makes sense, doesn't it?

Right, an example: Tony's pays the extra premium to the cooperative as soon as a sea container arrives in Antwerp. The cooperative can see this in the Beantracker platform and can tell us "hey, you need to pay us our premium!"

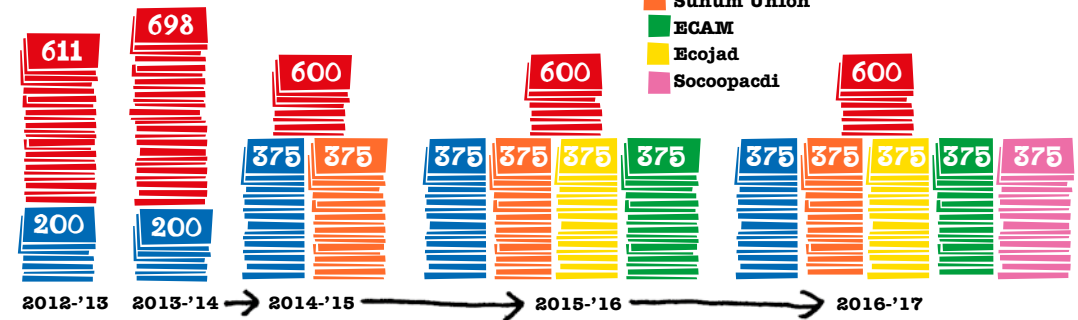
MT beans bought per coop per year

- Abocfa
- Kapatchiva
- Suhum Union
- ECAM
- Ecojad
- Socoopacdi



Received premium in \$ per ton per coop

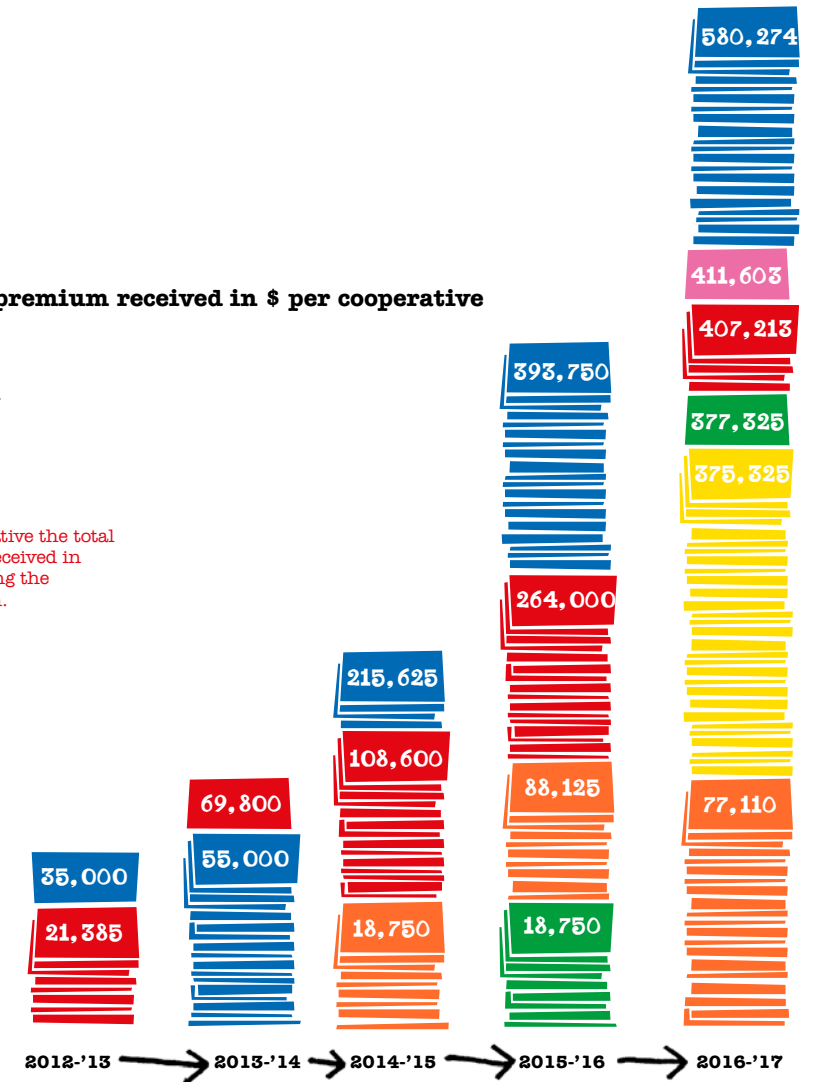
- Abocfa
- Kapatchiva
- Suhum Union
- ECAM
- Ecojad
- Socoopacdi



Total Tony's premium received in \$ per cooperative

- Abocfa
- Kapatchiva
- Suhum Union
- ECAM
- Ecojad
- Socoopacdi

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




Traceable Cocoa Butter Pilot

Using cocoa butter produced in West Africa for our chocolate has been on our wish list for a looooooong time. Good news! Local production is coming. We conducted a successful pilot in Ivory Coast last year. Our bean to bar tender Frans kept a very close eye on the machines for three days to make sure everything went well. Over the coming year we're going to see how we can move the production of cocoa butter from Europe to Ivory Coast. Local production means it becomes possible to use the mid-crop beans that are harvested outside the main season (the main crop). Tony's hasn't been buying mid-crop beans up until now. We bought 225 tons of mid-crop beans for the pilot. Our total premium for this pilot batch was \$110 per ton higher than the \$375 for the main crop season. With this \$110, we closed the gap between the minimum Fairtrade price (\$2000 per ton) and the world market price, and the additional Tony's premium remained unchanged.

And on top of that, it will result in a significant reduction in carbon emissions in our supply chain. Awesome! If that isn't a win-win situation, we don't know what is.

By the way, we don't just want to use Beantracker to count and track beans. We'd also like to add data about the living conditions of the farmer and his children. We'd love to link our bean data to social data. Then we know exactly under what circumstances our beans have been produced. So how do we approach all this? You can read all about it in Inspire to act. Because what's it all about again? Exactly! Taking responsibility. Beantracker has been designed to allow other chocolate companies to use it as their own bean to bar system if they want.

A higher price

 We think that it should be possible for a cocoa farmer to earn a living income from growing cocoa beans. Unfortunately, the current market price for cocoa doesn't allow this. In fact, because of the excellent harvests in both Ivory Coast and Ghana, the global market price has fallen even further. The principle of supply and demand struck once again, and the global market price plummeted sharply. And, not surprisingly, a low global market price affects the farm gate price. In fact, the farm gate price – the price that farmers in Ivory Coast are guaranteed to receive per kilogram of cocoa – decreased during the midcrop season by almost 40%, from 1100 CFA (€ 1.68) to 700 CFA (€ 1.07). Ouch. For the coming main crop season, this farm gate price will continue to be 700 CFA per kilo.

The principle in practice: Tony's additional premium

Tony's premium consists of two parts: The Fairtrade premium and the additional Tony's premium. Last year, we paid a minimum of \$175 additional Tony's premium per ton of cocoa beans. At ABOCFA in Ghana, we were paying \$400 because the cooperative is certified as organic. This is the last year that we paid them an additional premium, because we don't really need any organic cocoa. Tony's premiums last year were the same as the year before. As usual, the Fairtrade premium is \$200 per ton. So, quick bit of mental math (no cheating): in total, we paid the cooperatives \$375 and ABOCFA \$600 extra per ton of cocoa beans.



Purchasing clerk Phedelia, of Tony's partner cooperative Suhum Union, ensures the beans are weighed carefully and fairly.

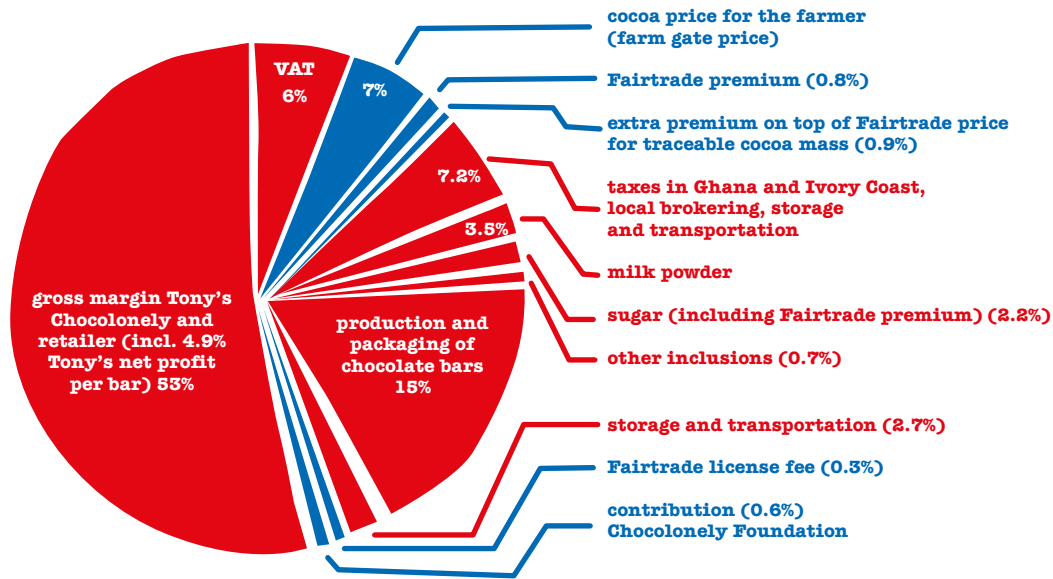
We review the premium after every cocoa season. Based on farm gate prices and any new insights on living incomes for Ghana and Ivory Coast, the amount of Tony's premium per ton of cocoa will be adjusted up or down. And, this much is certain while writing this annual FAIR report: because of the low farm gate prices in Ivory Coast, our Tony's premium there will be MUCH higher next year than it was in the previous year.



The route is fully traceable as all of the purchasing clerks' bags carry labels containing the PCs' codes, the region and the LBC.

What is the price breakdown of a bar of chocolate?

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

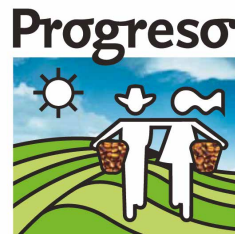


is paid to the farmer or projects that benefit the cocoa farmer

The cooperative itself decides how the premium is spent. The farmers of the cooperative approve the premium plans during a member meeting. We do want to have an advance peek into their plans and give advice where necessary. Oh, before we forget: part of the premium ALWAYS goes to the farmer himself, either in cash or in kind (by providing fertilizer, for example). The rest of the premium doesn't go to waste either. In recent years the premium has been used for things such as the construction of three new schools, the renovation of two schools, four new toilet buildings, one new water pump and four holes for water pumps, installing electricity and the setup of a local hospital, plus professional management support. These improvements are great for farmers, their families and often also for the community in which they live.

Strong farmers

Professional cooperatives have many benefits for the farmers. They are much stronger when they work together. For example, together they can look for new buyers for their cocoa or buy fertilizer for a cheaper price. Sadly, 70% of the cocoa farmers in West Africa aren't members of professional cooperatives yet. To change this, it's important that farmers become aware of the advantages of such a membership. That's why we're really keen on professionalizing our partner cooperatives. Professional management is crucial. That's because the management is responsible for marketing, transportation, administration, finances and training and for finding long-term markets for cocoa. We've got a couple of local partners who guide and support the



management of the cooperatives: SED in Ghana and K'Origins in Ivory Coast. We are also proud to be working with Progreso, who helps out as reinforcement of the management at for example cooperative ABOCFA.

The principle in practice: Annual general meetings

Tony's impact and value chain teams regularly visit Ghana and Ivory Coast for talks with our partner cooperatives, and we attend all annual general meetings (AGMs). During the AGMs, the plans for the coming year and the financial figures are discussed. Those annual meetings tend to be very well attended by farmers. Everyone fires questions at the management, there are some pretty lively discussions, and people have a good laugh too. There are speeches and talks by numerous parties like the local governments, the banks, Fairtrade Africa and, of course, Tony's has its say too. Obviously, we can't visit an AGM without arriving with an extra suitcase with Tony's bars, so the farmers can taste the final result of their hard work. Last year, we visited our new partner Ecojad for the very first time. For most farmers this was the first time they'd met a chocolate manufacturer and tasted chocolate! Hard to believe, isn't it?



Annual general meeting at ABOCFA with lots of strong farmers, a few Tony's, Rita from SED consulting and Afra from Dr Monk.

The principle in practice: Best Farmer Awards

During its AGM last year, our cooperative ABOCFA handed out the Best (Young) Farmer Awards. These awards reward the top 10 best young farmers and the top 10 "old" (ahem) farmers as part of a cocoa growing contest. A contest, perhaps.. but at the same time a nine-month long training session that promotes and improves good farming practices. The award ceremony was utterly nerve-racking for the finalists. Each finalist got an award, but Collins and Asiedu hit the jackpot: a trip to Amsterdam to attend the Tony's FAIR. WOOHOO!

Organic.. don't panic

Tony's does not make organic chocolate. And that's been a conscious decision. It has everything to do with our mission: to change the sector from the inside. Just like the big chocolate giants, we make mouth-watering chocolate for the largest possible audience. By making organic chocolate bars, we'd end up distancing ourselves from the rest of the industry, and it would be more difficult to copy our approach. But before you start thinking we don't care much about the environment, make sure you check the section about the environment later in this chapter!

The principle in practice: new buyer for ABOCFA

ABOCFA really had to find another buyer for their organic cocoa beans, because Tony's doesn't need organic beans. Why not, you ask? You'll find out when you read the text box above. So, what did we do? First of all, we made sure ABOCFA manager Stephen got the chance to go to the big international chocolate fairs Biofach (Nurnberg) and Chocoa (Amsterdam). And with great success, because he bumped into organic chocolate maker Taza Chocolate. After a good chat, things were sorted: ABOCFA will be supplying Taza Chocolate with organic cocoa. Beee-autiful! Ooh yeah, we're happy with that indeed, because it means that, ultimately, ABOCFA will become less dependent on Tony's.

The long term



Modern slavery and child labor are complex problems that need a long-term approach. You don't just fix these things overnight. It's important to work together on an equal footing and to do this for a long, long time to convince people that things can actually improve. That's why, after getting to know each other for a year or so, we will work together with all partner cooperatives for at least five years, and the same applies for our other partners in West Africa. Thanks to this long-term cooperation, the farmers can be sure they have an income and room for investments. Our agreements with the cooperatives are pretty unique in various ways. For example, we guarantee that we'll work with a cooperative for at least five years, but the cooperative is free to move on to another buyer if they offer better conditions. The fact that our cooperation agreements contain a transparency clause and no secrecy clause is also quite unique! Why? Because we want cooperatives to demand from their other buyers that they engage in long-term relationships as well. We encourage them to share the document with anyone and everyone.

The principle in practice: five-year agreements with ALL our partner cooperatives.

The five-year agreements with both Kapatchiva and ABOCFA have been renewed this year! A more than wonderful moment in our collaboration. Ocean (our local trader in Ivory Coast), ECAM, Ecojad and Socoopacdi all signed for the first time. We'll be working with these partners until at least 2022. Right on!

Mind you, we must be honest: Even though we've been working together for the past five years, the cooperatives and the communities aren't quite perfect yet. Sure, we can see the impact Tony's is having, but there's still plenty of work to be done. That's why we get together with the cooperatives every year to draw up a plan in which we don't just record how many tons of cocoa we'll be buying, but also name the top three social impact goals.

New 5-year agreements with Socoopacdi and Ecojad. Procedure: read everything carefully, add a signature, do the handshake for the photo.. champagne!



The principle in practice: through good times and bad

We visit the cooperatives regularly to see what's up. That's how we found out that Suhum Union, one of our partner cooperatives, was involved in a case of fraud. Suhum Union lost their Fairtrade certification, resulting in us not buying beans from them in the upcoming season. So sadly, the farmers are the victims of this case of fraud at management level. Ouch...that touches our hearts. Even though we won't be buying cocoa beans from Suhum Union in the upcoming season, we'll support the new management (the old management was fired) by funding consultants who will train them about responsibilities and how to get their processes sorted out.

Quality & productivity



To realize that farmers in Tony's chain earn a living income, a farmer needs to produce at least 800 kg per hectare. Unfortunately, in practice, we've noticed that the average farmer gets stuck at around 400 or 500 kg per hectare. This has to be improved. We believe that this is a matter of shared responsibility. We provide support with things like the Tony's premium and the right local partners, including consultants who can provide training in the relevant topics, while the cocoa farmer needs to make the right investments and implement good agricultural practices. No messing around! There's work to be done, peeps!

At the same time, we saw global prices fall this year due to excellent harvests. We have a dream, that ultimately there will be fewer, but more professional farmers who can live a good life based on the production of cocoa and other crops. To be able to realize this, unprofessional farmers or farmers who have farms that are just too small must get help so they can start growing something else or find a different way to earn an income. Unfortunately, we're not there yet. Hundreds of thousands of farmers continue to grow cocoa on farms that aren't viable. As long as this situation continues, each chocolate maker remains responsible for paying the right price and supporting the farmers within their supply chain.

The principle in practice: 20,000 new cocoa plants

This year, partner cooperative Ecojad received 20,000 new cocoa plants that they used to start a nursery for new cocoa trees. You might ask yourself: what's wrong with the old trees? Well, cutting down old trees and planting new cocoa trees is essential for a good harvest. Those 20,000 new cocoa plants were the result of a special campaign we worked on together with WAAR. A tree was donated to Ecojad for each Christmas (tree) bar sold.. Chocolate trees became cocoa trees!

Shaking hands,
our Cocoa Gadget
never tires of it.



The principle in practice: everyone can compost

This year, with the financial support of the "Deutsche Investitions und Entwicklungsgesellschaft" (yes, that's a mouthful, so let's abbreviate it to DEG) of the German government, we started working together with Soil&more. We're working with them on a three-year soil improvement project at two of our partner cooperatives: ABOCFA and Kapatchiva. The project teaches farmers how they can use natural waste from their farm – such as empty cocoa pods and rotten leaves – as fertilizer on their farm. This means they don't have to use as many artificial fertilizers and it tends to not exhaust the soil so much. Result: a more fertile farm, lower costs, more biodiversity and a better climate.



Based on our 5 sourcing principles we are showing the world that chocolate can be made differently: without forced labor and exploitation. This way, farmers can earn a living income from their cocoa, we know exactly where our cocoa comes from, and we can put an end to these injustices together. Yeah!

Being green

Our social mission always comes first and is the common thread that runs through everything we do. Reducing our impact on the environment and tackling climate change are not our primary goals. HOWEVER.. definitely not less important. Ultimately every company needs to do its bit for our beautiful planet. It also directly affects our social mission. That's why we developed an environmental policy for Tony's this year. We'll be taking actual, proper steps to reduce our negative impact on the environment. But in our own way, of course! So Tony's core values will play an important part in how we're going to approach this. We'll be looking to work with parties that are trying to find a structural solution for the following 3 themes:

1. Climate change

A serious issue for cocoa farmers in West Africa, so also for us. Yup, cocoa farmers in West Africa are already suffering the consequences of climate change. In fact, deforestation is a major problem in both Ghana and Ivory Coast. And then there's soil erosion, drought and extreme heat, all of which increase the chance of failed harvests. Both heavy rain and prolonged droughts will damage the cocoa saplings as they're trying hard to produce beans for a new cocoa season. All this means that the land that's suitable for cocoa growing is gradually disappearing.

In practice: Collaboration with JustdiggIt

We intensified our collaboration with JustdiggIt last year. JustdiggIt is an innovative Dutch club that "re-greens" dry regions. At the moment, they're mainly active in East Africa. Working with the local community, they are re-greening large zones of degraded and deforested areas. Partly thanks to our contribution of €4,000 euros, they managed to re-green an additional area of more than 50 hectare over the past year (in addition to 18.6 hectare the previous year). And that area is keeping hold of 6,000 tonnes of carbon that would otherwise be polluting the air! That's almost 3 times as much carbon as the previous year. Over the coming financial year, we want to support JustdiggIt gain more ground in Ghana (both literally and figuratively!). And that's not just great for the environment, but also good for the cocoa farmers we work with. So how does it work? First, rainwater is collected. As a result, new plants start



growing. They keep hold of rainwater and cool the soil. When that happens, it starts raining more in the area, and the green zone starts getting bigger and bigger. That green area can then be used for agriculture or for keeping cattle, because there are plants to eat. These projects will have a positive effect on the living conditions of the population. To top it all, the plants also grab carbon from the air. In proper environmental terms: instead of floating into the air and becoming a greenhouse gas, the carbon stays put. A project with a positive social and environmental impact! Now there's something we can get behind.

2. Reducing Tony's carbon footprint

Ultimately, we would like to reach a situation where consuming a bar of Tony's chocolate will help improve our environmental footprint. Very ambitious....we know. Here, too, we're looking at everyone's activities across the chain, not just at the emissions produced by Tony's Team. At the end of 2015, we asked True Price to calculate the level of CO₂ (carbon) emissions produced by the manufacture of a single bar of milk chocolate (506 grams of CO₂) and a single bar of dark chocolate (142 gram CO₂). They calculated it from bean to bar, ergo from where the bean is grown to when the bar leaves the factory. We're currently using these numbers, but we do believe that they could be a little more precise and focus on our entire chain. That's why True Price will be calculating Tony's footprint over the coming financial year, because ultimately we'd like to sell a carbon positive bar of deliciousness.

In practice: fewer emissions in the chain

Right, so we're going for a climate positive bar, which means we need to prevent and reduce the production of carbon emissions in our chain. The cocoa beans from Ghana and Ivory Coast arrive in Antwerp by ship, and our bars are also sent to the US by ship. But maritime transport is one of the most polluting industries in the world. So we'd like to make transport by ship more sustainable (our Children's Council also mentioned the importance of this!). That's why we're taking part in the innovative GoodShipping program, which is part of GoodFuels. GoodShipping has an amazing, important mission: persuading the shipping industry to change to using sustainable biofuel. Hang on, a program that wants the entire industry to change course? Where have we heard that one before..

Fun fact: we honestly considered transport by sailboat, but sadly the wind from West Africa to Europe isn't very cooperative. And, well, with our current volumes we'd need an entire armada of sailing ships, which would be unfeasible (magnificent, but unfeasible).

Over the coming fiscal year we'll be shipping all our bars to the US "green" with the GoodShipping program. We're also supporting GoodShipping's research into the efficient production of biofuel for the shipping industry. Ship ahoy, matey!

Next year our Sourcing Chef Sanne will examine how we can reduce the carbon emissions produced by the manufacture of the milk powder in our milk chocolate bars. About 70% of all emissions in our bean to bar chain come from the production of milk powder. We're currently talking about this with our chocolate manufacturer Barry Callebaut, who adds that milk powder to the chocolate. We're also going through a fair amount of coffee (just a dash of milk, thanks) in meetings with Friesland Campina. After all, these dairy pros know more about milk than we do. So, we did act, but we don't have results yet.

3. Tony's Sourcing Policy

We want to limit our impact on the environment as much as possible, not just by using the right cocoa but also through inclusions and by choosing different packaging materials. In practice this means that we prefer to work with raw materials that have been produced locally (if possible!) and according to the Fairtrade standards. We also like to keep a close eye on waste. When we pick our packaging materials we prefer options that are made from recycled material. This is still a big challenge, because unfortunately we're still using aluminum foil. We just can't find a sustainable alternative. Any ideas? If so, let us know!

Team Green

Let's talk about you and me. Let's talk about all the good things and all the bad things that may be.. Last year we examined our own activities to figure out how green team Tony's actually is. Well, it is getting better. I mean, we tend to eat organic, local food for lunch. NO MORE AVOCADOS. We know, it's tragic, but they're not very sustainable! Bicycles are, of course, so that's why we have Tony's Bikes that we use to cycle to appointments. We also like to take the train, bus, metro or tram. We separate our waste and try to waste as little as possible. The cleaners clean with biodegradable cleaning products. And you're not going to believe this, but we collect coffee grounds, which are then used to grow oyster mushrooms, which are then used to make bitterballen (delicious Dutch snacks), which we then eat as a snack on Friday afternoons. It's like a miniature circular economy, isn't that adorable? Our printer behavior, though.. Honestly, guys, think before you print!

Sustainable Development Goals

In April, Tony's signed the call for a sustainable coalition agreement. Along with over 150 other companies and civil society organizations, we are insisting on a sustainable coalition agreement in which all policies are assessed based on the Sustainable Development Goals of the United Nations: sustainable development goals for a better world. You're not going to be surprised that Tony's supports this entire list of 17 development goals, but our mission focuses the most on:

- ➔ ending poverty, because it is one of the main reasons for the use of child labor
- ➔ decent jobs and economic growth
- ➔ sustainable consumption and production
- ➔ tackling climate change
- ➔ education: indirectly through support of the Chocolonely Foundation.



WHERE DO ALL THE GOODIES COME FROM?

These ingredients are Fairtrade: cocoamass (in couverture), sugar (in couverture), cocoa butter (in couverture), nougat (specified: sugar, honey, natural vanilla flavor), coffee crunch, cardamom, cinnamon, cocoa nibs, cloves, cane sugar (in chocolate milk) and the cocoa powder (in chocolate milk).



almonds from California

pecans from the United States

honeycomb from the UK

nougat from Belgium: Fairtrade

marzipan from the Netherlands and Romania

carrot and poached pear from the Netherlands

raspberry from Eastern Europe

rye and 'Fair Milch' milk from Germany

sugar, mainly from EU, world: Fairtrade mass balance

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

carrageenan, red wine powder, walnuts, caramel & popcorn from France

rosemary from Turkey: Fairtrade dispensation

popping candy and melon from China

coriander from Marocco

hazelnuts from Spain

toffee from France and Europe

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

salt from Bonaire & Australia

cocoa powder from Ghana

cocoa from Ivory Coast and Ghana: Fairtrade

coffee from Ethiopia and Columbia: Fairtrade

coconut from Sri Lanka: Organic

cinnamon and nutmeg from Indonesia

sojalecithine: non-GMO

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

cinnamon and cardamom from Sri Lanka: organic and Fairtrade

lemon powder from Spain, Argentina, Brasil and Italy

cane sugar from Mauritius: Fairtrade

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



Family portrait

Just look at them, our gorgeous Tony's family. Everyone showed up to take the ultimate family portrait for our annual FAIR report. How cute! The elder of our tribe is the red milk chocolate, who has produced more than sixty spin-offs so far! Every variety is unique in its own way, always with an amazing flavor. And guess what: there's more to come!

new customers
in the
Netherlands

a (slightly) more
expensive bar

international growth
in the US, Belgium
and Sweden

chapter six:

TONY'S LEADS BY EXAMPLE: BUSINESS IS BOOMING

hot-off-the-press
financial figures
and ratios

Tony's impact
costs

Golden
Wrapper and
dividend
distribution

We're asked sometimes – okay, lots of times – whether it's alright for 'a social enterprise' to be commercially successful. Actually, developing a successful business case is one of the seven strategies identified in our roadmap. So, the answer to that question is a wholehearted 'Yes'. What it comes down to is this – and we've said it before: if we can make a commercial success of our business while making an impact, so can large chocolate giants.

The Netherlands loves Tony's Chocolonely and Tony's Chocolonely loves the Netherlands. Most of our revenue, i.e. about 93%, is generated in the Dutch market. And our presence in the Netherlands is growing all the time. We're happy to welcome new customers who consciously choose to sell our chocolate bars. Chocofans can now also find us at Pathé cinemas, Holland & Barrett health food stores and at Schiphol International Airport in Amsterdam. But also stores in small villages stock our products. Great!

Good news: we've (slightly) raised the price of our chocolate bar

The recommended retail price of our bar went up slightly in the past year for the following reason:

An increase in the price of cocoa butter

Our cocoa butter has been made from traceable cocoa beans since last year as well and as a result it now also comes with Tony's additional premium! So that's seriously good news for cocoa farmers. Paying a higher price is one of our 5 sourcing principles. In addition, the market price of cocoa butter had gone up earlier, one of the reasons being the collapse of a large cocoa butter plant. However, thanks to last year's good harvest, the price of cocoa butter is set to drop again – it always takes a while before the 'lower-price' beans end up in the cocoa mass and the butter. But of course they come with Tony's additional premium. And that premium will be rising next year. So, we'll see whether the price of the bar should stay the same or whether there's room for decreasing the price of a bar in the year ahead. If you want to find out what's going on, please check our website regularly.

Obviously, we don't decide to increase our prices overnight. Retailers and supermarkets don't like price hikes and that can occasionally stir up a heated debate. Of course we're always happy to engage in a dialogue with them. We tell them exactly what motivates us to increase our prices and show them figures that are available for everyone to see. Our story is completely transparent.

Create your own wrapper

In our webshop, chocofans are going completely out of control with Tony's personalized wrappers. They're choosing their own backgrounds and decorative details, uploading their pictures and writing little blurbs to personalize their wrappers to the max. Anything goes: one super-special bar for your loved one, 18 delightful bars for a family get-together or more than 500 for the entire company. Our wrapping machine can do it and our wonderful wrapping staff make it happen. The team saw no fewer than 555,909 bars pass through the wrapping machine this year. Holy cannoli! That's a whopping 50% more than last year, which is exactly what we had expected. Together with our printer Wihabo (bit of a complex name, don't you think?) we've worked hard to improve our processes behind the scenes. And that's bearing wrappers uhhh.. fruit. So, if you want 1,000 or more personalized bars to hand out at your festival? Hit us with your order!

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

Cross-border activities

To change the chocolate sector from within, we need to get the large chocolate giants to notice us. Most of them are located in the US. In Europe, the Netherlands is by far not the only or largest country where people eat chocolate. Belgians and Swedes love it too. So, you can find us in an increasingly number of countries. We'll just miss the financial year-end deadline in Germany, but we'll actually be entering the German market shortly. Good news. Or 'Gute Nachrichten', as they would say in Germany.

We divide our international markets into gold and silver (and bronze) markets, depending on how important they are in achieving our mission. The table above tells you what our classification criteria are: by degree of importance in achieving our mission, and by adopted approach.

Tony's in the US

The US is home to three of the five largest players. Together, they control more than 35% of the worldwide chocolate market. That's what we call a golden market to make an impact in. And things are going well in the US: our revenue quadrupled over the past year, rising from \$ 550,000 to \$ 2.4 million. Let's roll!

We've been active in the US for over two years now. The ripple that started in Portland is spreading all the time; stores in – nearly – all states now stock Tony's! And there's more good news: distribution, quality processes and the US webshop are running

smoothly. And Team Tony's USA is up and running and operating under its own steam too. Team Tony's is located in Portland: 5 Tony's, including two with Dutch roots: Peter and our new Tony Nicolai!

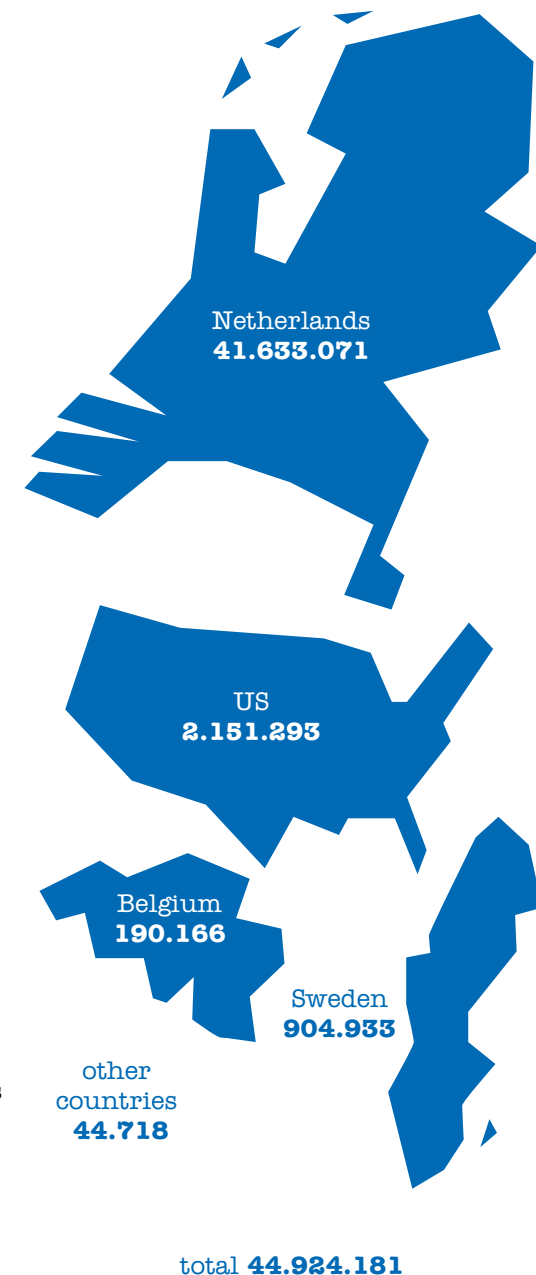
We take our US ambition very seriously: we'll be shoring up our operations and our goal is to raise our revenue to 7 million euros. You can't blame us for thinking big in a country like the US! One of our priorities is that we need to spend more time and energy on marketing in the US. Selling products is not synonymous with creating awareness. We have a wonderful and authentic story and what country loves a good story better than the US? Our main challenge is to create a buzz about slave free chocolate. And once we've gained momentum, things might move fast. Mark our words.

Tony's in Belgium

To Tony's, Belgium qualifies as a silver market with plenty of opportunities. The Belgians are crazy about chocolate and the country is home to one chocolate giant. In our silver markets, we team up with a local distributor to create awareness among consumers and seize business opportunities. In Belgium, our new distributor is PAB. PAB understands Tony's and strongly supports our mission. This offers added value in their dialogue with customers.

We expect to achieve substantial growth of our European-based revenue in Belgium. About 130 stores run by Delhaize, Belgium's largest supermarket chain, now stock our products. Over the coming year, our new partner PAB will make sure that chocofans can find us in all 600 Delhaize supermarkets. Our bars are also available in many OKay neighborhood supermarkets, in Albert Heijn supermarkets and in corner stores across the country. We guess we could say that the Belgians like our bars, and that goes for our story and our mission too. We organized a number of Tony's Talks. They went down like Belgian waffles!

Revenue figures



Tony's in Sweden

Sweden qualifies as a silver market too. The Swedes are crazy about us and we love them too. It was a good year in terms of revenue development. We're following a clear distribution strategy and our products are available in the largest supermarket chains. You do have to look closely, because we're somewhere near the bottom of the shelf and there's just a few flavors. Well, we've got more to offer. That means our main challenge in Sweden is to increase our product offering and showcase our story even better. We have no doubt that we can make a go of this. Bra! (that means 'good' in Swedish, now you know..).

Happy new fiscal year!

The past fiscal year ran from 1 October 2016 to 30 September 2017. October marks the beginning of the new cocoa season for farmers' cooperatives in West Africa and we've aligned the timing of our fiscal year to this season. As a tradition, we celebrate the first Monday of the new fiscal year, which happened to be 2 October this year, by wearing our finest bling, wishing each other a happy new fiscal year and raising a glass (or two) with a Dutch doughnut.. (say whattt?).

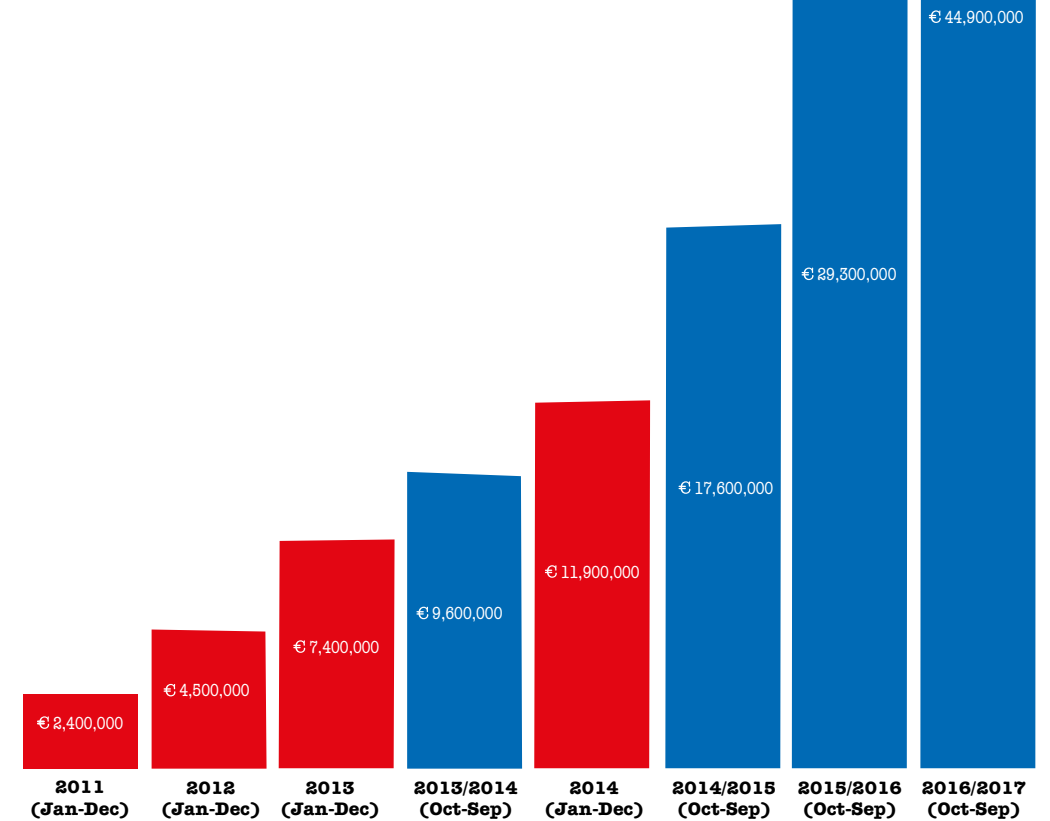


Uhhh.. any New Year's resolutions, Klink?

And what were our financial results like this past fiscal year? We've outlined our financial information below:

- ➔ Revenue was up 53%, rising from 29.3 million to 44.9 million euros. Our target was 44 million. To generate this level of revenue, we sold 28,756,133 bars, yeehaw.
- ➔ The net profit margin stood at 6.0%. Our target was 5.5%
- ➔ Our gross profit margin amounted to 40.5%. Our goal is to reach at least 40% – every year. We don't mind a couple of percentage points higher, but more than that is not our ambition. Our 40% margin allows us to cover salaries, logistics costs, our impact projects, building leases and our utility bill, among other expenses.

Net revenue



Tony's impact costs

We make impact costs for the direct or indirect benefit of the farmers affiliated with our partner cooperatives in order to achieve our mission to make all chocolate 100% slave free. Our impact costs amounted to 2,223,000 euros in the reporting period, which corresponds to a little over 4.9% of revenue.

impact costs	2015/2016	2016/2017
Tony's premium	588	1,126
Fairtrade-premium	403	578
Tony's additional premium	185	548
impact consultancy costs	146	363
Fairtrade licence fee	206	285
Tony's Chocolonely Foundation	293	449
total impact costs	1,232	2,223

What do these costs cover?

→ Tony's Premium: the Fairtrade premium plus Tony's additional premium
Our financial contribution to farmers and their cooperatives as our pledge to flesh out one of the 5 sourcing principles: a higher price. Over the past fiscal year, this involved at least 200 US dollars per ton of Fairtrade beans plus an additional Tony's premium of 175 US dollars per ton of beans (except ABOCFA, which involved 400 US dollars per ton of beans, remember?).

→ **Fairtrade premium of at least 200 US dollars per ton, recognized as an expense item: € 578,000**

→ **Tony's additional premiums paid to farmers' cooperatives, recognized as an expense item: € 548,000**

The share of the Fairtrade premium and Tony's additional premium that has been expensed in the statement of profit or loss corresponds to the total number of bars sold during the year. The difference between the recognized premium and the prepaid expenses represents the premium on the beans that are still in stock. This difference has been recognized in our balance sheet in the form of prepaid expenses; we will recognize it as an expense item in the next reporting period. Last year, we transferred a total of 935,549 euros to the six cooperatives; of this amount, 548,000 euros was recognized as an expense item and 387,549 was capitalized.
Hello? Still there..? Let's move on.

→ Contribution to Fairtrade license: € 284,851
This amount, which concerns our membership of Fairtrade/Max Havelaar, is not deducted from the Fairtrade premium.

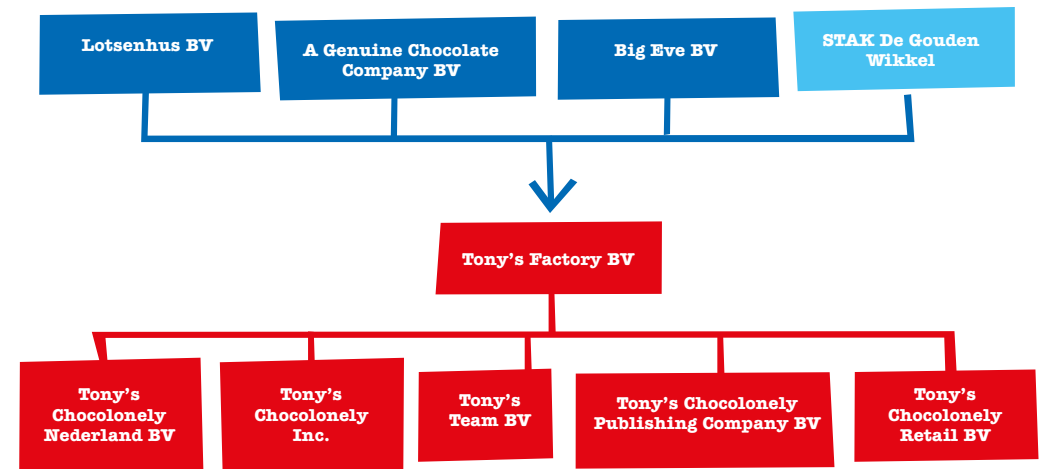
→ Contribution to Chocolonely Foundation: € 449,242
We reserve 1% of Tony's Factory BV's revenue every year to fund projects undertaken by the Foundation.

→ Impact Consultancy: € 363,478
This involves costs associated with projects such as the Tony's Young Farmers Awards and fees paid to local consultancy firms that provide support to our partner cooperatives.

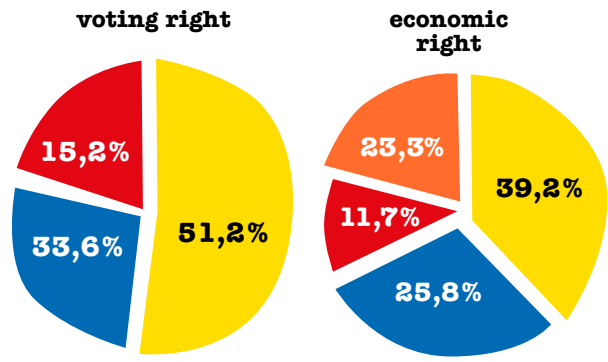
Ownership structure, shareholders and legal form

This annual FAIR report is about the operations and financial results of Tony's Factory BV and its five subsidiaries. Together, they are referred to as Tony's Chocolonely.

Tony's Factory BV has four shareholders. The shareholding structure has changed a little in terms of voting rights since the last reporting period:



- A Genuine Chocolate Company BV (Henk Jan Beltman)
- Lotsenshus BV (Maurice Dekkers)
- Big Eve BV (Eveline Raymans)
- STAK 'De Gouden Wikkkel' (Team Tony's)



De Gouden Wikkkel (The Golden Wrapper)

The shareholders are committed to sharing the success of Tony's Choclonely with Team Tony's. Every Tony who's on a permanent contract and whose year-end performance rating is positive has the opportunity to buy a Golden Wrapper, one of more depositary receipts for shares with no voting rights attached. At the end of the reporting period, 26 people held Golden Wrappers. As soon as a dividend is distributed, the holders of Golden Wrappers will receive their fair share. Say what?.. Do we, as a social enterprise, actually distribute part of our profit in the form of dividend? Yes, we do, and that's a deliberate choice on our part.

Dividend policy

Tony's Choclonely shows that making a profit does not necessarily have to present an ethical dilemma. Our ambition to pursue a scalable and commercially successful business model with the same sound and sustainable earnings as a non-social enterprise is a key aspect of our roadmap. But where profit is an end for others, it's a means to an end for us. From our early beginnings, that has been part and parcel of Tony's impact strategy. This is how we want to inspire other businesses in the chocolate chain to adopt our business model. Our wish is to distribute dividend on the profit we generate every year.

We plan to distribute a dividend of 900,000 euros in the upcoming reporting period, which corresponds to 40% of total impact costs and 33% of profit for the reporting year.

We have agreed that any dividend distribution is subject to the following conditions:

- ➔ After the dividend distribution, our cash resources and equity should meet the statutory requirements and be high enough to allow us to implement the business plan, with our mission as a guiding light. (check!)
- ➔ Tony's has made a deal with itself and with the Supervisory Board that the dividend distribution will not exceed 50% of the profit realized in the reporting period. That said, it's not our goal to distribute 50% of our profit every year. Lower is fine too. (check!)
- ➔ Tony's aim is to cap the dividend distributions to shareholders and holders of depositary receipts in the De Gouden Wikkkel trust office at 50% of the total chain impact costs (which are being incurred to achieve our mission at West African cocoa farmers). (check!)

We do have to say a few words about the previous reporting period, though. In December 2016, we distributed a dividend of 700,000 euros from the general reserves, based on the financial results for 2015-2016. This corresponded to 48% of the profit for 2015-2016, but we distributed 84,000 euros more than we should have based on our own dividend policy. In other words, our impact costs fell short by 168,000 euros. Cumulatively speaking, we're putting things right this year by recognizing a higher expense item for impact costs. This is how we offset last year's 'dividend surplus'. We thought this was worth mentioning, just to be transparent. Any questions you may have about this we'd be happy to answer of course.

You're actually still here?!? Wow, congratulations, you're ready to move on to the nitty-gritty: the statement of profit or loss and the balance sheet. You should be proud of yourself!

Notes to the statement of profit or loss

Bean counter and Choco Chief Freek has written the notes to the statement of profit or loss and the statement of financial position. Freek, take it away.

Our revenue has increased from 29.3 million to 44.9 million euros. We saw a considerable rise in all our customer segments in the reporting period. The retail channel showed the highest growth in absolute terms. This was mainly attributable to the expansion of our product offering and the availability of our products in a larger number of stores. We also raised our selling prices a little in the past year. In the Netherlands, our market share increased from 12.4% to 16.7%. In the year ahead, we expect to be able to secure a share of 20% of the Dutch market. We also want to generate more revenue from countries other than the Netherlands in the next reporting period. Our goal is to raise this percentage from 7% to 18%.

Our gross margin rose from 39.5% to 40.5%, the main reason being the lower cocoa price on the world market. It was not just the price of cocoa (the Terminal Market Price) that dropped, but the depreciation of the pound sterling also reduced costs. Cocoa is traded on the London Stock Exchange. As a result, we needed fewer euros in the reporting period to buy the same number of pounds Sterling. These fluctuations do not directly affect our financial accounts, though. We buy our chocolate from Barry Callebaut. Barry conducts trades for us on the London Stock Exchange and makes allowance for any fluctuations in market and currency prices in the prices we're charged for these trades.

The premiums we pay directly to the farmers stayed the same, but – due to the larger share of traceable cocoa butter – we've managed to pay our additional premium on a larger volume of beans; this has been recognized as such in our costs.

As you can see from our employee benefits expense, our team has grown exponentially. We welcomed a lot of new Tony's this year. There are now 63 of us: a rise from the 40 Tony's that were around last year.

We incurred more marketing expenses in the reporting period than we did last year. The Tony's Fair was a resounding success this year too. Each year, we welcome more chocofans, so putting on our annual FAIR meeting is getting a little more expensive every time. And we spent money launching the expansion of our product offering – Tony's style.

Selling expenses are fixed amounts we pay to supermarkets as part of the commercial deals we've made with them. Our selling expenses rise as we sell more. We've invested heavily in our Impact Team, which is reflected not only in our employee benefits expense, but also in our travelling expenses. We're committed to visiting our farming cooperatives on a regular basis.

Our impact costs have gone up too. We've started to roll out CLMRS, expanded our Young Farmer program and hired PwC to review nine of our impact performance indicators. And.. as we sell more, we also transport more products to our customers. Our logistical expenses have risen considerably as a result. Given that we sell Tony's bars in the US now too, these expenses have increased in both absolute and relative terms. What's more, we've invested a lot in moulds, office furnishings, the webshop

and the website. These investments will be written off over several years' time. A growing business is required and able to invest, and this is reflected in the increase in our amortization and depreciation charges. Because we secured a larger bank loan, our interest expense and fees have gone up.

All in all, our profitability has risen from 4.9% to 6.0%, a modest, yet robust, figure that demonstrates that a social enterprise too can effectively operate a positive economic business case and – with a little help from the bank – can continue to invest in order to achieve more growth and make a greater impact.

Notes to the balance sheet

Our balance sheet discloses a number of items that need addressing. First, it shows that we made significant investments in the past reporting period. We have a new website and a new webshop. We also invested in chocolate moulds and a photo-book entitled Bitter: Chocolate Stories. What is remarkable also is that our inventory and receivables balances look high. This is down to the fact that we're in the midst of the busy chocolate season, which runs from September to mid-December. As a result, it may appear at the end of the fiscal year (30 September) that our customers are in the habit of paying late and that we're sitting on a relatively big chocolate mountain. Fortunately, this is not the case. Our customers pay perfectly on time and our value chain people manage our inventories efficiently. The busy season basically starts a lot earlier for us. Nowadays, things tend to heat up as early as in August. If we were to review the statement of financial position throughout the year, we would qualify our working capital management as efficient. The year-end positions in the statement of financial position is a matter for bean counters to review. To us, it's more important to align our operations to our farmers' cocoa season.

On the liabilities side, we can see that our solvency ratio has dropped sharply. This is mainly attributable to the fact that we've reduced our equity. First of all, we repurchased shares and depositary receipts for shares from our shareholders and participants in the 'De Gouden Wikkkel' trust office. To fund this, we contracted long-term bank loans. In addition, we distributed dividend to the shareholders and to the Tony's who participate in 'De Gouden Wikkkel' trust office. We reduced our equity in constructive dialogue with our bank (Rabobank) and co-financier (Dutch Good Growth Fund), our Supervisory Board and the Choco Chiefs (the company's legal representatives); our actions were in line with our internal policy rules and – obviously – with the relevant accounting and statutory requirements. We do realize that we need to shore up our financial position in the year to come. Our goal is to achieve a solvency ratio of 15% by the end of the next reporting period.

In closing, it's worth mentioning that we were subject to a statutory audit requirement for the first time this year. Earlier, a mere review report issued by an auditor was enough to get our financial results approved. This year, PwC audited our financial statements in accordance with the relevant financial reporting requirements. They also reviewed nine of our impact KPIs. And we're happy to report that they issued unqualified auditor's reports on both!

Let us know if you have any questions about the statement of profit or loss or the balance sheet.

Profit & Loss Statement (in €)

	2016/2017	2015/2016
Net Revenue	44,924,181	29,305,706
Costs of Sales	26,721,642	17,737,335
Cost of goods sold	26,173,556	17,552,598
Tony's Additional Premium	548,086	184,737
Gross Margin	18,202,539	11,568,371
Gross Margin Percentage	40.5%	39.5%
Personnel expenses	4,257,118	2,916,266
Selling expenses	5,849,457	4,223,739
Marketing & PR expenses	1,078,348	731,840
Promotional contributions	3,585,899	2,602,104
Fairtrade License Fee	284,851	206,080
Chocolonely Foundation Contribution	449,242	293,057
Travel and representation expenses	324,275	255,803
Other selling expenses	126,842	134,855
Logistics expenses	2,107,891	1,119,656
General expenses	1,827,333	1,125,512
EBITDA	4,160,739	2,183,198
Depreciation	266,019	168,185
EBIT	3,894,721	2,015,013
Interest costs	217,663	83,162
Income Taxes	959,766	486,644
NET PROFIT	2,717,292	1,445,207
NET PROFIT PERCENTAGE	6.0%	4.9%

Balance Sheet (in €)

	30-09-2017	30-09-2016
Fixed assets	1,871,100	749,146
Tangible fixed assets	1,136,878	676,263
Intangible fixed assets	734,222	72,883
Inventories	4,766,124	3,320,232
Trade and other receivables	8,846,217	5,257,193
Trade receivables	6,362,773	3,764,723
Other receivables	1,483,444	492,470
Loan CocoaSource	1,000,000	1,000,000
Cash at hand	2,222	1,415
Total Assets	15,485,663	9,327,986
Shareholder's equity	1,417,949	1,774,544
Issued and paid up share capital	35,829	41,095
Share premium reserves	-	637,710
Legal reserves	216,978	51,709
General reserves	-	-401,177
Undistributed profits	1,165,142	1,445,207
Long-term liabilities	2,426,667	-
Current liabilities	11,641,047	7,553,442
Bank accounts	3,651,026	1,978,204
Current portion of long-term liabilities	773,333	-
Trade creditors	4,460,878	3,392,699
Taxes and social security premiums	414,748	643,349
Other payables and accrued expenses	2,341,062	1,539,190
Total Liabilities	15,485,663	9,327,986

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

Tony's as a serious partner who can keep the sector moving

initiatives of others

living income on the agenda

chapter seven:

INSPIRE TO ACT

professorship

Child Labor Monitoring and Remediation System: CLMRS

Memberships ICI, B Corp and Fairtrade

With a market share of 16.7% \diamond we're no longer a minor player in the Dutch market. High five! And the bigger we get, the more impact we make. Mind you.. globally, we're (still) just a tiny little newbie. Needless to say, that's something we want to change. The big choco giants who can truly change the industry are multinationals with headquarters outside the Netherlands. To these chocolate giants, the Dutch market is still just one of many. So how do we get the industry moving? Well, we go on road trips. Lots of road trips. Slowly, both the industry and everyone else is realizing we've actually got something important and useful to say. We're showing that it's possible to do things differently, openly discuss the issues and come up with solutions. So what have we done this year?

International contacts

We sat down to have a serious discussion with one of the top 3 chocolate makers in the world, a Dutch store chain and a Dutch chocolate maker. Verkade's chocolate makers also came for a visit to discuss what we could achieve together. We're planning to meet again.

Symposiums

From board room to symposium: we'll do anything.. We stopped by the Dutch Embassy in Ghana and took part in group discussions on child labor in the Netherlands (the discussions were in the Netherlands, not the child labor). During these group discussions we talked about the role of the government and possible collaborations between business, NGOs and the government. And with some financial help from us, Stephen Ashia, manager of our partner cooperative ABOCFA, had the opportunity to take the stage at the Chococ Conference in Amsterdam in January. At this multi-day event, key players from the beginning to the end of the chocolate value chain came together and debated how everyone can do their part to improve the sustainability of the entire cocoa chain. Stephen did an awesome job bringing the importance of a sound and transparent value chain to everyone's attention from a cooperative's perspective.

Store chains

And then there are the retailers and other businesses who sell our bars. We talk to them about our mission and the impact we make by selling our bars and ask them about their own vision regarding child labor. Maybe the large retailers could change how their store brand is made so you get a chain without child labor or modern slavery? Okay, Tony's frankness and outspokenness does take a bit of getting used to. They seem to be open to the possibilities, though, especially when we translate these actions to the farmer level.. Even though nobody has taken any concrete steps yet, we are optimistic!

Living income on the agenda

Cocoa farmers should be able to earn a living income. That's our opinion. Period. Over the past year we gave this discussion an extra boost by discussing it at various congresses and conferences. We took the stage during the 2016 Partnership Meeting & Cocoa Sustainability Trade Fair in Abidjan (Ivory Coast). And this spring we went to Bonn in Germany where Südwind, Institut für Ökonomie und Ökumene, had organized a conference. Vielen Dank für Ihren herzlichen Empfang und die Einladung! (Thanks for the invitation and the warm welcome!)



Spot the differences; the German MyChoco

More unequally divided bars on the shelf?

No followers? But we have enough followers. Right? In the past year, the shelves were full of cheerful rainbow colors and candy bars with the most unusual flavors. So chocofans have been asking us why other brands have unequally divided bars too nowadays. Does this mean they are also taken action to end the structural abuses? Do they also think the cocoa industry is unequally divided? Like we do? And, um, has anything actually changed behind the scenes? Well? Hmmmm.. Pretty good questions, right? That's what we think too, so we've had a few good conversations with other chocolate companies about this. We hope that over the coming year, other companies will start working according to the 5 sourcing principles too. Get to it, people! Get working in that chain of yours!

Between all those talks and conferences (busy busy busy!) we discussed in several meetings with Fairtrade (Max Havelaar) and UTZ our living income model. And with result! Fairtrade International is using our model as input for the development of their own model. Yup, we are pretty happy about that!

Measuring within Tony's value chain: CLMRS

Last year we launched the Child Labor Monitoring and Remediation System. Beg pardon? Don't worry, we've shortened it to CLMRS. This system helps us get an overview of the child labor situation and ways to prevent it. Remember the project "It takes a village to protect a child"? The CLMRS is what we've replaced it with.

The CLMRS was developed by the International Cocoa Initiative (ICI), and chocolate giant Nestlé has been using it at a number of groups of farmers for some time now. Now a good initiative has been developed by others in the industry. We love that, because as you know: we love being inspired too! The CLMRS is currently the only scalable system in the industry that is recognized by the chocolate giants.

So why did we say goodbye to "It takes a village to protect a child"? Well, the principle was legit (the local community deals with and prevents child labor) but it just didn't work in the long term. Neither the finances (it was fully dependent on donor money) nor the method were scalable. Don't get us wrong, we look back on this project – which we launched in 2015 with Max Havelaar and support from the Dutch Postcode Lottery – positively.

Conclusion: "It takes a village.." was a very useful project that helped us get a better idea of how likely child labor is in certain circumstances and areas. It has taught us a lot! We're actually using some of what we learned within the CLMRS, including the use of mobile technology and the farmer interviews.

C to the L to the M to the R to the S

Last February we set up the CLMRS at the partner cooperatives in Ghana and Ivory Coast. To start with, we trained people and collected basic information.

The actual collection of data started this summer in both Ghana and Ivory coast. Of course you start by collecting data about the size of the families and the living conditions of the farmers. As you can imagine, that took some time. Tony's works in difficult areas and the farmers often don't work where they live. We're making progress



The CLMRS in action, with Tony's Impact Cheerleader Diara above to the right.



with the collection of data, fortunately. Interviews with the children are off to a flying start, for instance, which is great. And although we're far from done yet, so far we've come across 30 cases of child labor on the farms. Yes, most of these kids do go to school, but they also help their family on the land, for example doing dangerous work using machetes (you know, large knives? Yikes!), carrying heavy loads on their heads, or spraying pesticides that end up on themselves and their families. It's good that we've been able to identify these children, because otherwise we couldn't do anything about this illegal labor. We'll have more complete data in a few months so we can share more insights.

Professorship

There are plenty of topics available to investigate and research in the chocolate industry. We support scientific research where we can, so we're proud of the fact that thanks to the sponsorship of Tony's and the ABN-AMRO bank we now have a professorship in Social Entrepreneurship at the Utrecht University School of Economics (AKA U.S.E.) at their faculty of Faculty of Law, Economics and Governance. The first in the Netherlands Professor Harry Hummels is working on a research project called "International Innovation in Chains of Value," starting with the value chain for cocoa. Two PhD students will join the project on October 1st 2017.

Good initiatives of other players in the sector

At the moment, very few key players have a clear and transparent strategy regarding the 5 sourcing principles. They're also not very transparent about their position. Nobody really mentions paying a higher price or the value of establishing long term relationships. You'll also find few companies that talk about what they could do better.

Some of the big players have set some pretty impressive targets this year, though. Take Barry Callebaut, for example. The major cocoa processor, who is part of our chain, launched the Forever Chocolate program, which includes four objectives for 2025:

- ➔ Eliminating child labor from the supply chain
- ➔ Dragging more than 500,000 cocoa farmers out of poverty
- ➔ Being carbon positive and preventing deforestation
- ➔ 100% sustainable ingredients in all products

Wow, talk about a challenge. Needless to say we're talking with Barry Callebaut about how they want to approach this game changer and how we can work together. We'll keep you informed!

Other major players have big plans and ambitions too. Like Mars, for example, which announced its Sustainable in a Generation Plan. Over the next 40 years, they'll be spending 1 billion dollars (you heard it right, ONE BILLION DOLLARS!!!) on this program. They'll be concentrating on things like dealing with slavery in the chain. Alriiiiiiiiiiiiiiiiiight! That's what we'd like to see! Wait a minute.. Can we just ask, in true Tony's fashion: but how? So far, the answers have been a bit.. vague? Which isn't exactly reassuring, unfortunately..

Memberships

We are really keen on encouraging chocolate companies to work together and share their experiences. That's why we are a member of a number of international organizations and networks. Let's put the spotlight on four of these memberships.

Right, so how does the CLMRS work?

A group of selected farmers are trained within the community. These local farmers talk to other farmers in the community several times a year to find out if there's a chance that anyone is using child labor. And then there are school visits, and, of course the children of the farmers are interviewed on a regular basis.

The selected men and women are all lead farmers (Community Facilitators, CF) and they get support from a Monitoring and Remediation Agent". Ideally, a CF regularly pays visits to around 30-40 farmer families.

We have confidence in the CLMRS, especially because its strength is about trust and openness and not only about checking the CFs know the farmers and their families. During the selection process the farmers actually had the opportunity to vote yes or no. Trust makes it easier to talk about child labor and the reasons behind it and to come up with solutions together.

Under the watchful eye of Tony's Impact Cheerleader Diara and after several training sessions and the distribution of the required materials, we could finally start with the collection of data. Yes! The CFs use a handy mobile app for this.

And let's make one thing clear! When we find child labor, we don't walk away. It doesn't solve anything. However, if we find modern slavery on one of the farms that supply to Tony's, there are direct consequences!

So what happens if child labor is found or it turns out there's a high chance that child labor is being used? First of all we team up with ICI, our partner cooperatives, the communities in West Africa and the other key players to see if we can find a sustainable solution. We talk to the parents about which kinds of activities are or aren't right for a child of a particular age, for example. Other options are getting a

birth certificate for the child so they can go to school, or help with organizing activities that would provide some additional income. Basically, it's all about making sure children don't need to work.

CLMRS is here to stay. You'll definitely hear more about it over the next few years. We'll be financing the implementation of the system for at least three years and we've also managed to receive a partial subsidy from the Netherlands Enterprising Agency (RVO). We want to use these three years to make the system more user-friendly and highlight the benefits to the cooperatives.

Howz all that sound. Good, right? We agree. There have been some practical start-up problems, however:

➔ Farmers are afraid to lose their Fairtrade Certification, so they can be a wary about discussing child labor. It's a matter of gaining trust.

➔ It can be difficult for the CF to get to the farmers and their families, because they often don't live where the cocoa trees are planted.

➔ The CLMRS app works on a mobile telephone. As long as it's charged, that is.. and the village of the lead farmer often has no electricity! We solved that problem with batteries that run on solar power.

➔ You can forget about the Internet in most areas, though. It's only possible to send the collected data from the office of the cooperative. Which means that the Community Facilitator has to make extra trips, usually on terrible roads. Sigh.

But (and to ICI's surprise. They're still getting used to working with Tony's) we're really into finding solutions for all these issues. And that's how it's going to stay!

In 2015 we joined the International Cocoa Initiative (ICI), the only initiative in the chocolate-related world that's about combating child labor, and the initiator of.. dun dun duuuun.. the CLMRS. Yes indeedy. We're looking forward to sharing our experiences with the CLMRS with ICI over the next few years and using the opportunity to encourage others to take ending child labor more seriously.



We also talked to the World Cocoa Foundation this year. Buuuuuut.. we decided that we aren't ready to become a member for the time being. Because if we do something, we want to do it right. At the moment we do not have enough people or enough powerrrrrrr to make a difference.

Certified In 2013 we became the first European chocolate-related company and the second Dutch business to become a Certified B Corporation. B Corp is an international network of Benefit Corporations that want to use their business as a means to improve society. Our B Corp membership has allowed us to build a decent network in the States. And we've got exciting news! They put us on their "Best for the World" list! Why is that exciting?



Well, this is a list of companies that have shown significant improvements in their B Corp assessments.

Becoming a B Corp is HARD, by the way. You need to stick to all kinds of strict social criteria and be really good where environmental impact, transparency and corporate governance (running your company properly) are concerned. You need to pass a long, complicated test (scoring at least 80 out of 200 points), and then you can call yourself a B Corp. In 2013 we scored 96 of those 200 points. In 2015 we scored 113 points (we'd tried our utmost to improve) and at the end of 2017 we want to score even higher, of course. Because that's when we can turn on those disco balls, yeah baby!

And finally: Social Enterprise NL and Max Havelaar (AKA Fairtrade Netherlands). We've been Fairtrade certified ever since we brought out our first bar (oh dear, is that really 12 years ago?). At the time, it was the only system that worked on fair trade and improving the farmers' living conditions. Fairtrade certification is a starting point to us, and we encourage other chocolate companies to also look at certification this way. The truth is, that extreme poverty and child labor won't just vanish because someone has a certificate. So we'll keep talking to Fairtrade and actively take part in pilots to find out how we can increase their impact.

One last thing

Of course we love the fact that we get ourselves and others thinking and that we keep each other on our toes. But we'd really like to see more concrete steps and good, solid solutions in the industry. And that's something we'll be putting more time and effort into next year. Agreed. Over and out.

➔ **Finished the chapter, but still got one remaining blank page? Not an issue for our Bean to Bartender, Frans, who always has his camera to hand in Africa.**

From the top left to the bottom right: Korotoum, Boekie and Augustin in Ocean's warehouse, the KumanKoma team's Beantracker training, the best farmers at the Assemblée Générale of Kapatchiva in June, the start of the trial run for traceable butter production in Abidjan.



5,000 farmers benefit from our premium

50% increase in revenue

sneak preview

chapter eight:

LET'S RAISE THE BAR!

hot news about the year ahead

7,600 bean-to-bar beans with Tony's premium

We always set ourselves highly ambitious goals in our annual plan. All these goals are meant to achieve growth.. in impact.

Together we make 100% slave free the norm in chocolate. With this in mind, we want to grow our volumes by another 50% in the year to come. That growth will increasingly originate from countries other than the Netherlands next year. Selling more chocolate allows us to support more farmers. We also want to achieve further growth in our indirect impact: by keeping child labor and modern slavery abuses and their resolution on the international agenda. We want at least two chocolate companies to adopt our 5 sourcing principles. Like we said: we don't shy away from a challenge here and there.

And now for the concrete stuff:

50% revenue growth to 66.7 million euros at a net profit margin of 6%. The profit margin will be the same in the year to come.

at least

5,000 farmers benefit from our premium, but we aim for more farmers.

66%

of chocofans are aware of the existence of slavery in the cocoa value chain.

7,600 tons of bean-to-bar beans with Tony's premium. That's 35% more than last year's 5,625 ton.

That's 35% more than last year's 5,625 ton.

All farming households that supply beans to Tony's are monitored for child labor using CLMRS. If there are any instances of child labor, we want to identify them.

2 other choco players use bean-to-bar beans in the manufacturing of their own products.

25%

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

\$400 Our additional Tony's premium in Ivory Coast rises from 175 to 400 US dollars per ton of beans! In Ghana, the premium stays the same: 175 US dollars per ton of beans.

20%

market share in the Netherlands.

And last but not least, we need more people like you. People who are aware of modern slavery and exploitation in the cocoa industry. And that it needs to stop. People who are willing to team up with us and change things for the better. Together we can make it happen faster. Thanks for joining our campaigns in the year ahead! Great to have you on board!

Sneak preview for the coming year

Want to know what's coming? Be prepared and put your thinking cap on, because there's lots to come! A sneak (chocolate) peak just for you:

We'll be engaging in a complex, but crucially important, dialogue with all players in the chain based on truly reliable – and that's a first – research figures about forced labour in Ghana and Ivory Coast.



We'll open Tony's Brandstore in Amsterdam's Beurs van Berlage.. we'll have a surprise for you in store there halfway through the year.

Early in 2018, we'll be opening another new office at Amsterdam's Westergasfabriek, which will incorporate our store. You're most welcome to drop in for a chat, a great cup of coffee or a chocolate bar.

In the year ahead, we'll be sharing the serious side of our story on a much more regular basis, for instance by showcasing BITTER, an impressive photo exhibition about children from Burkina Faso who've worked on cocoa farms in West Africa. After having been on show at Amsterdam's Beurs van Berlage, the exhibition will go on tour; it's a definite must see! Go to our website to find out where it is right now.



We're visiting our farmers and cooperatives in Ghana and Ivory Coast more often than ever because we want to improve our processes there. Together with them.

We're going to be producing cocoa butter in Ivory Coast.



Our chocolate is crossing more borders; it's now available in stores in Belgium, Germany, Finland, Norway and Denmark.

And.. we're really going to gain momentum in the US.. we'll be working with the Brand Monitor there too starting next year. Based on our financial results, we can take an even more targeted approach to Tony's growth. Yeehaw!

Big plans, don't you think? Together, we'll be going all out to make 100% slave free the norm in chocolate. And all the while, we're just going to keep producing those awesomely tasty chocolate bars in surprising flavor combos. Don't miss it; it'll be serious business..



Please note: this review report is an unofficial translation of the official review report in Dutch, signed by R. Jagbandhan RA on 9 November 2017

Appendix 1: Assurance report of the independent auditor

To: the board of Tony's Factory bv

Assurance-report on the sustainability information in the annual FAIR report 2016/2017

Our Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the sustainability information in the annual FAIR report 2016/2017 of Tony's Factory bv is not prepared in all material respects, in accordance with the reporting criteria of Tony's Factory bv (hereafter: Tony's).

What we have reviewed

The object of our assurance engagement contains 9 indicators on page 37 in the annual FAIR report 2016/2017 (hereafter: the sustainability information), marked with symbol ◊ :

- % of chocofans who are aware of the existence of slavery on cocoa farms
- % of Tony's buyers who buy our chocolate to support the mission
- % of Tony's buyers who share Tony's story with family and friends
- # of farmers supplying to Tony's
- # of coops with whom we have committed a 5-year MOU
- Average score Tony's Employee Quest-cheer-nair
- % market share
- % of cocoa in Tony's chocolate traceable to our partner coops
- % of total market that indicates Tony's as their favourite chocolate brand

All other sustainability information, as well as the data of previous years on the 9 indicators, in the annual FAIR report 2016/2017, is not in the scope of this engagement. Therefore, we do not report and conclude on the other sustainability information. We have reviewed these sustainability information of Tony's in Amsterdam for October 1 2016 until September 30 2017.

The basis for our conclusion

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

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

Independence and quality control

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

We apply the 'detailed rules for auditing firms on assurance engagements (RA)' ('Nadere voorschriften accountantskantoren ter zake van assurance-opdrachten (RA)') and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

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Criteria for assurance engagement

The information to which this engagement refers to should be read in the context of the reporting criteria. It is our opinion that the assurance information obtained by us is sufficient and appropriate to substantiate our conclusion. Tony's is responsible for selecting and applying these criteria. The lack of established practices for assessing and measuring non-financial information offers the possibility of applying several, acceptable measurement techniques. This can affect the comparability over time and between entities.

Responsibilities for the sustainability information and the assurance-engagement

Responsibilities of the board for the sustainability information

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

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

Our responsibilities for the assurance-engagement

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our conclusion.

Our conclusion aims to provide limited assurance. The procedures performed by obtaining a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those performed in obtaining reasonable assurance in an assurance engagement. The performed procedures in this context consisted mainly of gathering information from officers of the entity and applying analytical procedures set out in relation to the information included in the sustainability information. The assurance obtained in assurance engagements aimed at providing limited assurance is therefore significantly lower than the assurance obtained in assurance engagements aimed at providing reasonable assurance.

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

Procedures performed

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

Our main procedures include:

- understanding the systems and processes for data gathering, internal controls and processing of other information, such as the aggregation process of data to the information as presented in the sustainability information;
- interviewing management and relevant staff at corporate for the sustainability strategy and policies;
- interviews with relevant staff responsible for providing the information in the annual FAIR report 2016/2017, and responsible for carrying out internal control procedures on the data and the consolidation of the data in the annual FAIR report 2016/2017;
- on a sample basis, reviewing relevant information and internal and external documentation in order to assess the reliability of the sustainability information;
- analytical review of the data and trends;
- reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the annual FAIR report 2016/2017, is substantiated adequately;

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- assessing the consistency of the sustainability information and the information in the annual FAIR report 2016/2017 not in scope for this assurance report;
- assessing if the sustainability information has been presented in accordance with the Tony's reporting criteria.

Amsterdam, 9 November 2017

PricewaterhouseCoopers Accountants N.V.

Original assurance report signed by
drs. R.P.R. Jagbandhan RA

Appendix 2: GRI Content Index



GENERAL DISCLOSURES

GRI Standard	Information	Description	Page
GRI 102: General Disclosures (2016)	Organizational profile		
	102-1	Name of the organization	79, 85
	102-2	Activities, brands, products, and services	70-71
	102-3	Location of headquarters	8
	102-4	Location of operations	8
	102-5	Ownership and legal form	79
	102-6	Markets served	74-76
	102-7	Scale of the organization	22, 77, 84-85
	102-8	Information on employees and other workers	22, 24
		Total number of employees by employment contract (permanent and temporary), by gender	33 people with a permanent contract (57% women, 43% men), 25 people with a temporary contract (52% women, 48% men)
		Total number of employees by employment contract (permanent and temporary), by region.	33 with a permanent contract (6% in USA, 94% in NL), 25 people with a temporary contract (4% in USA, 96% in NL)
		Total number of employees by employment type (full-time and part-time), by gender.	51 people work full-time (53% women, 47% men), 7 people work part-time (71% women, 29% men)
		Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.	Two people were engaged through different types of contracts (interim, management). In addition, experts such as lawyers are used incidentally.
		Any significant variations in these numbers reported (such as seasonal variations)	No fluctuations, yet significant growth.
		An explanation of how the data have been compiled, including any assumptions made.	Numbers are collated based on our own personnel files and exclude interns. Full-time is defined as 0,8 FTE or more.
	102-9	Supply chain	53-54, 68-69
	102-10	Significant changes to the organization and its supply chain	62
	102-11	Precautionary Principle or approach	65
	102-12	External initiatives	19
	102-13	Membership of associations	90, 92
			International Cocoa Initiative, FairTrade, Food Service Netwerk, B Corp, Social Enterprise NL, EFMI, De Jonge Turken, Huurderscommissie Westergas
	Strategy		
	102-14	Statement from senior decision maker	4
	Ethics and integrity		
	102-16	Values, principles, standards, and norms of behavior	25, 55
	Governance		
	102-18	Governance structure	29
			The management board is responsible for all decisions, including decisions on economic, environmental and social topics.
	Stakeholder engagement		
	102-40	List of stakeholder groups	7
	102-41	Collective bargaining agreements	0%
	102-42	Identifying and selecting stakeholders	7
	102-43	Approach to stakeholder engagement	7
	102-44	Key topics and concerns raised	7-8
	Reporting practice		
	102-45	Entities included in the consolidated financial statements	79, 85
	102-46	Defining report content and topic Boundaries	8

102-47	List of materials topics	7-8
102-48	Restatement of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	76
102-51	Date of most recent report	November 24, 2016
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	8
102-54	Claims of reporting in accordance with the GRI Standards	
	This report has been prepared in accordance with the GRI Standards: Core option.	101-103
102-55	GRI content index	
102-56	External assurance	37-39, 98-100
	Freek, Beancounter and Choco Chief, has selected PwC to assure the annual report for 16/17 and to review the non-financial performance indicators.	

MATERIAL TOPICS			
GRI Standard	Information	Description	Page
Social Topics			
Farmer welfare: Abolishment of slavery			
GRI 103:	103-1	Explanation of material topics and its Boundary	7-8
Management	103-2	The management approach and its components	37-39
Approach	103-3	Evaluation of the management approach	88
(2016) for 408-1, 409-1, 414-1 and 414-2			
GRI 408:	408-1	Operations and suppliers at significant risk for incidents of child labor	53
Child Labor			
(2016)			
GRI 409:	409-1	Operations and suppliers at significant labor risk for incidents of forced or compulsory labor	53
Forced or Compulsory Labor			
(2016)			
GRI 414:	414-1	New suppliers that were screened using social criteria	100%
Supplier	414-2	Negative social impacts in the supply chain and actions taken	11, 54
Social Assessment			
(2016)			
Team Tony's			
GRI 103:	103-1	Explanation of material topics and its Boundary	7-8
Management	103-2	The management approach and its components	22, 25-26
Approach	103-3	Evaluation of the management approach	26
(2016) for TKPI6	TKPI6	Average score Tony's Employee Quest-cheer-nair	38
Economic Topics			
Farmer welfare: improvement of economic circumstances			
GRI 103:	103-1	Explanation of material topics and its Boundary	7-8
Management	103-2	The management approach and its components	12
Approach	103-3	Evaluation of the management approach	15
(2016) for 201-1, TKPI10, TKPI 4, TKPI5, TKPI8			

GRI 201:	201-1	Direct economic value generated and distributed	57, 78-79
Economic Performance			
(2016)			
Sourcing	FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	55
	TKPI4	# of farmers supplying to Tony's	38
	TKPI5	% of coops with whom we have committed a 5-year MOU	38, 62
	TKPI8	% of cocoa in Tony's chocolate traceable to our partner coops	38
Transforming the industry			
GRI 103:	103-1	Explanation of material topics and its Boundary	7-8
Management	103-2	The management approach and its components	39
Approach	103-3	Evaluation of the management approach	92
(2016)			
Everyone's favorite chocolate			
GRI 103:	103-1	Explanation of material topics and its Boundary	7-8
Management	103-2	The management approach and its components	39
Approach	103-3	Evaluation of the management approach	46
(2016) for TKPI7, TKPI11, TKPI1, TKPI2, TKPI3, TKPI9	TKPI7, TKPI11, TKPI1, TKPI2, TKPI3, TKPI9	% market share	38, 87
		% of chocofans who are aware of the existence of slavery on cocoa farms	38
		Percentage of Tony's buyers who buy our chocolate to support our mission	38
		% of Tony's buyers who share Tony's story with family and friends	38
		% of total market that indicates Tony's as their favourite chocolate brand	38
Environmental Topics			
Climate change			
GRI 103:	103-1	Explanation of material topics and its Boundary	7-8
Management	103-2	The management approach and its components	65-67
Approach	103-3	Evaluation of the management approach	66
(2016) for GRI305-4			
GRI 305:	305-4	GHG emissions intensity	66
Emissions			
(2016)			
Our environmental impact			
GRI 103:	103-1	Explanation of material topics and its Boundary	7-8
Management	103-2	The management approach and its components	65-67
Approach	103-3	Evaluation of the management approach	67
(2016) for GRI308-1, GRI308-2			
GRI 308:	308-1	New suppliers that were screened using environmental criteria	66
Supplier	308-2	Negative environmental impacts in the supply chain and actions taken	66
Environmental Assessment			
(2016)			

Appendix 3: Explanation of Tony's non-financial impact KPIs

Definitions of non-financial/impact KPIs

<p>Pillar 1: Tony's creates awareness</p>	<p>1. % of chocofans who are aware of the existence of slavery on cocoa farms. The percentage of people living in the Netherlands that bought at least one chocolate bar no less than three months before the interview, and has often or sometimes heard about the existence of modern slavery in the cocoa sector. This KPI examines how much people know about the injustices in the cocoa industry in West Africa. Consumer awareness is necessary to make 100% slave free the norm in chocolate.</p>
	<p>2. % of Tony's buyers who buy our chocolate to support the mission. The percentage of people living in the Netherlands that bought at least one Tony's bar no less than three months before the interview, and indicate that they completely agree that they buy Tony's Chocolonely chocolate to support the mission. This KPI shows the extent to which the knowledge about our mission encourages people to buy our chocolate.</p>
	<p>3. % of Tony's buyers who share Tony's story with family and friends. The percentage of people living in the Netherlands that bought at least one Tony's bar no less than three months before the interview, and has shared Tony's story and activities with family and/or friends at least once. This KPI tells us to what extend Tony's buyers feel a responsibility to share our story. Consumer awareness puts pressure on the industry to remediate child labor.</p>
<p>Pillar 2: Tony's leads by example</p>	<p>4. # of farmers supplying to Tony's. The number of members of Tony's partner cooperatives in Ghana and Ivory Coast that supplied at least 1 kg of cocoa beans to Tony's during season 2016/2017. The higher the number, the more farmers who benefit from better living standards. Through this KPI, we want to show that chocolate makers can be commercially successful without farmers and their families suffering.</p>
	<p>5. # of coops with whom we have committed a 5-year Memorandum of Understanding. The number of partner cooperatives that supply beans to Tony's with whom we have signed a 5-year "Memorandum of Understanding", measured at the end of the 2016/2017 financial year. These agreements reflect our social mission and way of working (5 sourcing principles). We provide farmers with more security by entering into long-term relationships with them. This enables farmers to make middle- and long-term investments. It also gives us the necessary time to make people more aware of the existence of child labor and improve the circumstances at the farms and in the communities.</p>

	<p>6. Average score Tony's Employee Quest-cheer-nair. Total average score per subject of the job satisfaction survey: (1) your job, (2) working conditions, (3) teamwork & work atmosphere, (4) office, (5) organization, (6) manager and (7) the management team. We didn't include work pressure in the average score because the phrasing of the related question made a comparison impossible. Our survey was completed by Tony's employees who had a temporary or permanent contract on January 2nd, 2017. We are "crazy about chocolate, serious about people." Team Tony's comes first. We believe that anything can be achieved as long as you have a strong team. We obtain feedback on our work from the annual anonymous work questionnaire.</p>
	<p>7. % market share. Percentage of market share (value in Euro) of chocolate bars and tablets sold in regular supermarkets in the Netherlands (including Aldi and Lidl). We've not included organic or niche supermarkets because related data is not readily available. This KPI concerns the financial year of 2016/2017 (from week 41 2016 to week 40 2017). The higher our market share, the more pressure we put on the industry to make the supply chain 100% slave free. Therefore, we keep a close eye on our market share.</p>
	<p>8. % of traceable beans processed in the 5 different couvertures produced during the 2016/2017 financial year. Percentage of traceable cocoa beans used to produce cocoa liquor and cocoa butter in the 5 different couvertures during the 2016/2017 financial year. Here we demonstrate how our beans can be traced from our partner cooperatives all the way to the production of Tony's bars at the co-manufacturers. Traceability is one of our 5 sourcing principles. Cocoa tends to be treated like a bulk product. We believe it's only possible to make companies truly responsible for issues at farm level – like modern slavery and child labor – if they know exactly where their beans come from.</p>
	<p>9. % of total market that indicates Tony's as their favorite chocolate brand. The percentage of people living in the Netherlands that bought at least one Tony's bar no less than three months before the interview, and indicates that Tony's Chocolonely is their favorite chocolate brand. With our incredibly tasty chocolate we lead by example and show that chocolate can be made differently. How? On account of its flavor, our brand and the social impact we make.</p>

The indicators that fall inside the scope of the external review are marked with ◊. See appendix 1, the assurance report of the independent accountant, for details.

List of terms that are worth explaining

Beantracker: a system we use to follow our beans from bean to bar. This way we can track our beans along the chain and know exactly where our beans originate from!

Certification: a certification mark shows that a product is of a particular quality and has a reliable origin. The consumer can see at a glance that the product meets a certain standard that has been set by an independent, expert organization. The three main certification schemes in the cocoa trade are Fairtrade, UTZ and Rainforest Alliance.

Child labor: illegal labor done by children. This concerns labor that deprives children from their childhood and interferes with their ability to attend regular school. The work is often physically and mentally harmful.

Child Labor Monitoring and Remediation System (CLMRS): a system that helps to identify and prevent child labor in cocoa communities in Ghana and Ivory Coast.

Chocolate giants: a selected group of large chocolate companies and cocoa processors that control the cocoa supply chain. Together Barry Callebaut and Cargill process around 70% of all cocoa. On top of that, the eight biggest traders and cocoa processors trade three-quarters of the world's cocoa, and the six largest chocolate companies have around 40% of the market share (Mars Inc, Mondeléz International, Nestlé, Ferrero, Hershey, Lindt & Sprüngli).

Cooperative: organizations of farmers who join forces to stand firm together and create economies of scale. Because together they're stronger!

Couverture: this is liquid chocolate, which has a different ratio of cocoa mass,

cocoa butter, sugar and milk powder for each type of chocolate (white, milk, dark milk, dark).

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

In Ghana and Ivory Coast (where the governments regulate the markets), things work a little differently. Here, cooperatives get compensation as soon as the export price falls below the minimum price. They get paid the difference.

Fairtrade premium: Fairtrade certified cocoa cooperatives receive this premium on top of the price that the chocolate company pays them for their cocoa. The premium travels all the way through the chain and finally ends up at the cooperative. Part of it is paid straight to the farmers. The rest is spent on things like increasing productivity, quality and infrastructure, communal projects, and the organizational capacity of the cooperative.

Farm gate price: the price farmers in Ghana and Ivory Coast get for a kilo of cocoa. The local authorities set this price before the season starts.

FLO-Cert audit: FLO-Cert is Fairtrade's independent audit body. The organization inspects traders and producers along the supply chain to ensure that they comply with Fairtrade standards.

Free on board (FOB) price: the export price of cocoa in Ghana and Ivory Coast. This price is determined on the global market.

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

Harkin-Engel Protocol: a protocol that was signed in 2001 by a number of international chocolate makers who agreed to eliminate the worst forms of child labor. The program was launched by US senators Harkin and Engel.

Living income: an income that allows one to pay for his/her basic needs and those of the family, like food, clothing, decent housing, medical care, education, transport and the possibility to save up a little for the future. The money made by growing cocoa (for example) must be enough to pay for the costs of running the business (the salaries of the workers, fertilizer, new trees) and a living income.

Mass balance: certification guidelines stipulate that certified purchased cocoa beans do not necessarily need to be used in the final product. By buying a certified chocolate bar, you can be sure that a similar amount of certified beans was purchased by the company. However, it could be that only 10 percent of the certified beans end up in your bar.

Modern slavery: all forms of forced labor or exploitation of adults and children including the (unconditional) worst forms of child labor outside the family.

Poverty trap: a mechanism that prevents people who live in (relative) poverty from getting opportunities to improve their circumstances.

Tony's CO₂ footprint: the carbon emissions in Tony's chain: from bean to bar.

Tony's brand monitor: a system we use to measure how much a nationally representative group of chocolate consumers know about the issues in the cocoa sector, our brand and other big brands.

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

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

Tony's additional premium: this is the premium Tony's pays in addition to the Fairtrade premium. That's because cocoa farmers can't get above the poverty line if they just get paid the normal price plus the Fairtrade premium. Even if they increase their productivity significantly. We pay this premium straight to the farmer cooperatives. The farmers can decide themselves what the premium will be spent on.



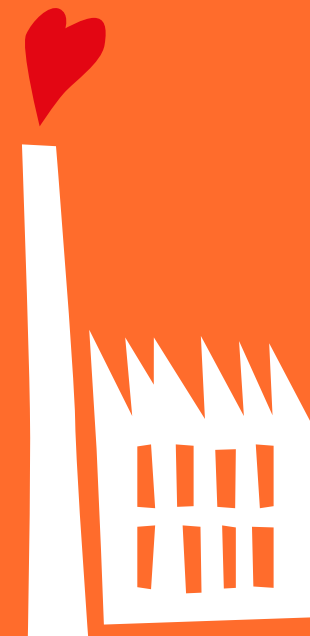
THANK YOUUUUUU!

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.

We're done, the ink is dry. We're going out with a bang, but not without high-fiving these peeps first:

Diara, our rising star when it comes to making an impact: for her smile and for the words we love to hear.. want me to take care of that? Yes!!!!
Femke: for your awesome texts in stressful times.
Boekie: for the brainstorming sessions and your feedback.
But uuuhhhmmm.. Pina Colada?
Klink.. in one word: effing good (hahaha, Elles almost used the F-word)!
Henk Jan, Freek, Pascal, Frans, Bas, Inge, Sophie, Ynzo, Paul, Kirsten and Joost: for all the necessary checks, checks and more checks!
Livewords, Def. and Touch Creative: for kicking it up a notch with the greatest of ease.
GRI specialist Marjolein: for your infectious enthusiasm and for your thorough review.. we got the GRI stamp – yeah!!
Anne-Wil! Choco Co-Captain: a woman on a mission – tough but fair.
Choco Editor Elles: for your fabulous team work, your talent for creating Only Tony's texts and for planning and monitoring deadlines.. where would we be without you?



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

♥♥♥ PRINTED ON PAPERWISE ...

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

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

ClimatePartner^o
climate neutral

Print | ID 11491-1511-1001

So much chocolate.. so little time!

What's been happenin' with our chocolate in 2016/2017? We're a little chocoLATE (heehee), but here's a brief list of what happened this year.

November 2016

From now on, our chocolate milk will be presented in a svelte slim-fit jacket. Look at that detail, and that nipped-in waist. Ooh lala!



April 2017

Like a challenge? This Limited bar is right up your street: white carrot and walnut.. Sweet with a hint of spice. A taste sensation!



April 2017

Milk chocolate with honeycomb and carda.. what now? Unusual and so, so delicious: sweet, a little spice, and a touch of crunchiness. A unique combination especially created for Marqt.



November 2016

Holy moly! Our Classic family just can't stop growing. Welcome to two newcomers in our range: white and white with raspberry and crackling sugar. These white chocolate varieties actually have traceable cocoa butter in them. Alriiiiight!



January 2017

We launch the ValenTony's bar in the US: a romantic Valentine's bar for that special person in your life. I'm in love with youuuuuuuuuuuuuuu!



April 2017

Fiiiiiiiiiiiiinally! Our Tiny Tony's are also unevenly divided. As it should be.



May 2017

In the summertime, when the weather is fine.. there's nothing better than this creamy milk bar with pieces of melon and raspberry. A refreshing and sweet relay bar.



November 2016

The relay bar hands over the baton to another surprising flavor every six months. Milk cinnamon roll. Ooooh yeah!



January 2017

We're positively eggcited and eggstatic about our new eggcellent egg addition. Dark almond sea salt for Easter. Delish!



September 2017

Oh dear, choosing can be so difficult.. But fear not! The rainbow selection is here. It contains six little bars in all six flavors.



September 2017

Make way for our Limited Editions. This year, we're offering a 3-course menu of bars (actually inspired by a 3-course menu): dark milk rye sea salt, milk stewed pear and white stracciatella. Dinnerrrrrrrrrrrrrr! Come and get it.



July 2017

Well, hello there, dark milk & dark milk pretzel toffee. How YOU doin'.. These are our serious Classics: dark milk means more cocoa, so more impact. Go on, take a bite.



end of 2017

And in typical Dutch "Saint Nick's" tradition.. A real Tony's letter bar. Thank you, Dutch Santa!



sun..



water..



and love,
lots of love

