



# TONY'S CHOCOLONELY®

annual fair report

2017/2018



well, it's  
good for the  
garden

yup



## we're in this together..

**It has been one craaazy chocolate year!**  
**Insane flavors in colorful wrappers with real stories, impactful campaigns and loads and loads of fun. So, what were the ups and downs from the past year?**

### number 1 in the Netherlands

In pursuing our mission, we have changed the chocolate landscape in the Netherlands. We're the market leader in the chocolate bar segment in the Netherlands. I know, right? Bar none! On the other hand, we didn't grow as fast as we wanted. We're raising awareness among consumers, chocolate makers, supermarkets and governments in the U.S., the United Kingdom and an increasing number of European countries. We're launching our story and our bars in Germany, Finland and Denmark and are growing in the U.S. and Belgium. We're conquering the world with our brand and our mission!

→ To find out how we're taking action, read **Retailers: the unexpected hero?**

### 268 x child labor at our partner cooperatives

With the Child Labor Monitoring Remediation System (CLMRS), we actively and structurally search for child labor at our partner farmers. Over the last year, we found 268 cases: from heavy lifting to working the land without proper protection (such as boots). We didn't find any cases of modern slavery. Together with the cooperatives, we will be showing how things can be done differently and solving the cases that we found. We'll also keep a very close eye out for any other cases. We want to find every single one of them in order to put that duty of care regarding child labor into practice.

→ You can read more about this in **Strong farmers, professional cooperatives**

### the Global Slavery Index Report cannot be ignored

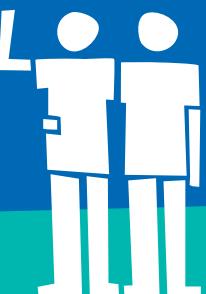
At least 30,000 adults and children are victims of modern slavery in Ghana and the Ivory Coast. It's now impossible to ignore, even by Big Choco – the big international chocolate companies. The structural abuses have been recognized; now it's a matter of doing something about it. We show that chocolate can be made differently. It's time to step up to the plate, Big Choco! Follow our example and carry out those plans.

→ you can read about the study in the separate section of the **Chocolonely Foundation**

### our impact in the eyes of the farmers

What do the farmers really think about our approach and impact? We asked the KIT (Royal Tropical Institute) to look into the impact of our activities. It's not like we never ask, but we wanted to hear the uncensored story. The institute interviewed many farmers and families and we now have plenty of honest stories that we can start working on. Let's raise that bar.

→ join us on a trip to Ghana and the Ivory Coast in **Strong farmers, professional cooperatives**



### child labor – Duty of Care Act.. nope, still nothing

There is still NO legal framework that obliges companies in the Netherlands to take responsibility for social abuses in their supply chain. And that's despite a huge petition with 13,000 signatures and a public support letter from 42 major companies! After a debate in the Senate, the concept act was shelved and it's now gathering dust somewhere. This MUST change!

→ You can find out more about this in **Governments: progress is slow**



### carbon dioxide: it's not okay!

Together with our partners we create carbon emissions in our chain. That's unavoidable when you make chocolate bars. But it's definitely not okay. We have asked an expert to calculate how much carbon dioxide our existence adds to the world. And.. it is a lot. So, next year, we'll be adding these true environmental costs to the costs of making a bar, just like the Tony's premium. This way we'll build a profit & loss account that includes more and more true social and environmental costs. We'll be working on reducing the carbon emissions per bar and are going for a carbon neutral bar.

→ More figures, costs and results in **Let's crunch some numbers**

### oh dear.. slower growth

We only grew 22.5% over the past year instead of the 50% we had in mind. The long, hot Dutch summer didn't exactly help us achieve our objectives and while we did grow internationally, it was not as fast as we wanted. Strictly speaking, that's why we bought too many beans last year, which will impact the volume of beans over the coming year. We'll take responsibility, of course, and will limit the impact on farmers and cooperatives.

→ You can find out more in **Let's crunch some numbers**



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# MAKING AN IMPACT



That's what it's all about. When I'm old and wise and rocking in my rocking chair, I want to be able to look back on my working life and be proud of Tony's Chocolonely, proud of the difference we made in the world. Because Tony's Chocolonely isn't a chocolate company that makes an impact, no, we're an impact organization that makes chocolate. Same thing, you say? Well no, it's completely different at the core. Because impact is the actual goal, while chocolate (and making money) are the means. Profit or loss is the result of the decisions made. When I took on Tony's Chocolonely in 2011, I never dreamed we'd be able to make so much impact and that we'd find so many committed people: Go Team Tony's!

We're making a direct impact by reaching more farmers, but we're also making an indirect impact by getting more and more consumers and chocolate companies involved in our mission. Together we make 100% slave free the norm in chocolate. Because we don't just want our chocolate to be free from child labor and exploitation; we want it for all chocolate worldwide. And to change the way business is done within the chocolate industry, we need a massive group of friends.

All this growth is wonderful.. but my doubts are growing, too. Am I really still the right person for the job? As a willful entrepreneur who wears his heart on his sleeve, I always know what I want – and how I want it – but I'm having trouble finding my way. In the old days, we'd sit around the table with the four of us and crack the hardest nuts, but that's no longer possible. I can't have a chat with every single person every day and I'm no longer involved with every single decision. There's more of a distance nowadays. Which makes sense, really.

Tony's Chocolonely is entering the next stage of its existence. Once the brainchild of the Keuringsdienst van Waarde (the initiation stage) and now flourishing as a company (the entrepreneurial stage), we now want to spread our wings internationally (the internationalization/expansion stage) so we can make even more of an impact on all three pillars of our roadmap. And because this stage requires a lot more maturity, I'd like more shoulders to carry this responsibility. That's why I decided to ask the Chiefs and Heads to step in even more over the past year. I couldn't do my job without them and want to work with them to raise that bar much, much higher.

Last year, we opened our Super Store under the historic Trade Exchange Building "Beurs van Berlage" in Amsterdam, where commodities like cocoa were once traded centuries ago.

This year – a year later than expected, but cool none the less! – the Tony's Unlimited line will be launched at the Super Store, allowing everyone to create their own Tony's Chocolonely's chocolate bar! Of course, this line is only the first step towards our big dream: Tony's Chocolonely Chocolate Circus: a humongous chocolate factory that everyone can visit.

I'd like us, as Tony's, to be better lobbyists. We worked hard on the private members bill "Zorgplicht Kinderarbeid" (Duty of Care – child labor), among other things by running an ad campaign in De Volkskrant and Financieel Dagblad. Last year, together with 42 other companies, we sent an open letter to the government to get the Zorgplicht Kinderarbeid Act (which had already been approved by the Lower House) approved by the Upper House. Together with a petition with 13,000 signatures. We were invited for an expert session in the Upper House. Even though the Act doesn't exactly ask for the impossible from the business community, and many large companies want the government to adopt legislation on chain transparency, the Act was shelved for the time being. And things aren't going fantastic for the sugar tax either. At the moment, we often pay more for a couple of apples than for a bar of chocolate. Tax sugar already! Chocolate should be a little gift to yourself or someone else, a gift that's only possible when it has slave free origins and is given to a recipient who is healthy inside and out. The government is currently spending 98 billion euros on healthcare alone and the number of people who are obese is rising at an alarming rate. Ladies and gents in politics: get on with it!

When I look back on the last year, I see that everyone has worked their socks off and that makes me incredibly proud of Tony's growing team. Our fun at work survey says it all: Tony's are really, really, REALLY committed to the mission, love working for Tony's and are really eager to tell other people about who we are and what we do. At the same time, we've noticed that the work pressure can be awfully high for some and that we could work more efficiently, mainly by making our decision-making process clearer and faster.

Despite not growing as fast as we expected, economically speaking, and not getting around to doing everything in our annual plan, we still achieved an awful lot. Tony's Chocolonely is the market leader in the chocolate bar segment in the Netherlands (the biggest, plain and simple!).

The fact that we grew less than planned is mainly due to a slower international rollout than expected and a tropical summer in the Netherlands. We really need to use the coming year to become an international organization because our growth over the years to come will rely on the golden markets (United States & England) and the silver European markets.

Over the coming year, we'll pull out all the stops and tell our story all over the world. To make a real impact, we need to win the hearts of consumers in the home markets of Big Choco, so they cannot avoid us anymore. The counterpart of delay is acceleration, so we'll be starting our own team in the UK in the upcoming budget year.

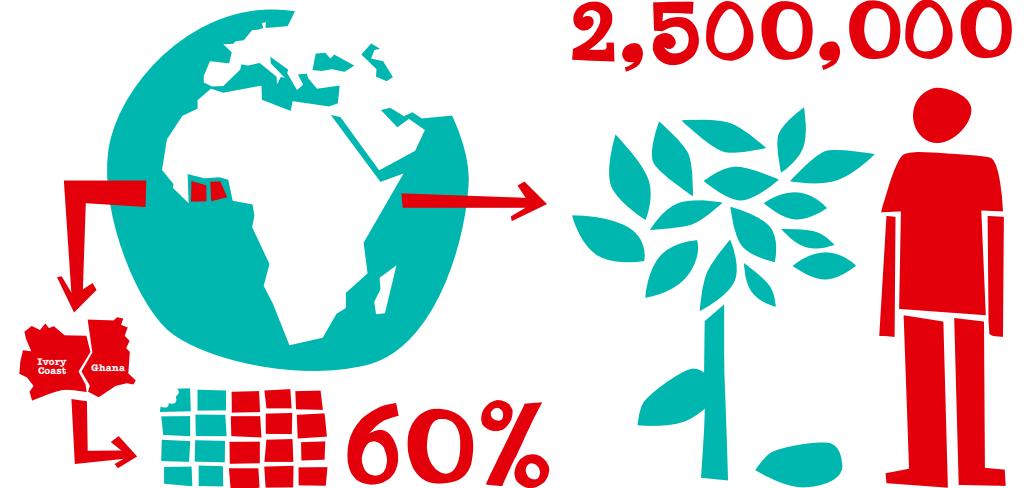
Pedal to the metal! We're going for it. Willful, entrepreneurial, outspoken, but feeling exceptionally positive about our international future! You will hear about us, and that's a promise!

**Henk Jan Beltman**  
Chief Chocolate Officer

**chapter one:**

# WHAT'S THE MATTER WITH CHOCO

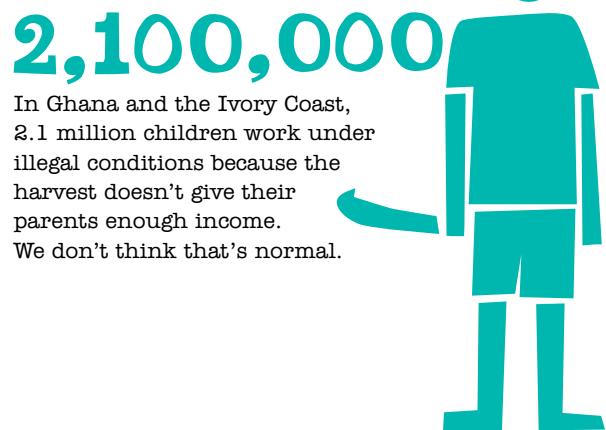
You'll find choco friends sinking their teeth into a delicious bite of chocolate almost everywhere across the globe. Pretty much everyone loves it and has their own favorite flavor. So it's not surprising that, in addition to chocolate, most chocolate makers make humongous profits. There's nothing wrong with making a profit of course. After all, companies would go bust without it. That's just plain common sense. What's not so great, however, is when profit is the result of exploitation at the beginning of the supply chain, where people live in extreme poverty. Think about it. Do you have any idea how much (or how little) a cocoa farmer earns every day?



2.5 million cocoa farming families in Ghana and the Ivory Coast produce more than 60% of the world's cocoa.



The average cocoa farmer in the Ivory Coast earns 46 euro cents a day. There's no way you can live off that or support a family for that meager amount, not even in West Africa.



In Ghana and the Ivory Coast, 2.1 million children work under illegal conditions because the harvest doesn't give their parents enough income. We don't think that's normal.

Worse still, recent studies have confirmed that at least 30,000 people are the victims of modern slavery – adults and children who are being forced to grow cocoa and don't get paid a penny for it. In fact, it's highly likely there are far more victims than that because areas where cocoa is produced illegally have not been included in the studies.

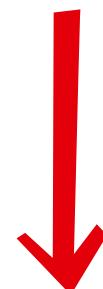
# 30,000

The system works like this: Big Choco – the chocolate makers – buys the cocoa at the front of the cocoa mountain. They don't look on the other side of the mountain; they can't see the living conditions of the farmers who grow 'their' cocoa. They refuse to take real responsibility for the problems of the farmers on the other side of that mountain. And you might be thinking "Alright, so what about certified cocoa beans?" They don't guarantee humane conditions either.



The world market price of cocoa fell by 40% in mid-2017 thanks to a good harvest and market speculation. In the Ivory Coast, the price guaranteed to a farmer for his cocoa fell by almost 40%. So, the decrease of the farm gate price (still) has a tremendous impact on the lives of farming families in the Ivory Coast.

-40%



The price drop offered major advantages further along the chain. Big Choco saved around \$ 4.7 billion in buying costs.

So.. where did all that money go? Now that's a good question. We certainly didn't notice any price reductions (except our own price reduction in stores..). So, yes, that does give chocolate a bitter aftertaste in our humble opinion.

+\$4,700,000,000

Now, it's not about pointing out guilty parties. It's all about who has (and takes!) the responsibility for dealing with these injustices. Every single link in the cocoa chain must take action, and that includes governments. We need real, solid legislation. Legislation that makes companies responsible for identifying injustices and abuses in their chain. Legislation that forces them to take action – they must find wrongdoings and help deal with them.

Extreme poverty without any prospects leads to illegal child labor, exploitation and even modern slavery. As industry, consumers and governments we must all take responsibility for this.

That's food for thought. But don't just think about it. If you want to enjoy chocolate without child labor and modern slavery, you have to actually do something – take action. Do what's necessary so we can have a chain that's equally divided. It should be possible, must be possible, for those at the beginning of the cocoa chain to make a profit.

That means a living income for all farmers. Profit is a means to a goal, not the end goal itself. Agreed? Good. Then read our Annual FAIR Report and find out how we can achieve this equally divided chain together.

#### **Disclaimer: this is not fake news!**

We've thoroughly checked all the facts and they all come from reliable, independent sources. These include the Global Slavery Index, Tulane University, True Price and the Cocoa Barometer, which monitors the state of affairs in chocolate land every other year. And we've also asked PwC to assess the 12 non-financial key performance indicators we're presenting about the progress on our route map. Want to know more about the facts? Give us a call or send us an email!

## chapter two:

# WHY WE STILL WON'T SAY WE'RE 100% SLAVE FREE

It's been a loooong 13 years – years in which we've been supported, encouraged, challenged and eaten up. By now we certainly know how difficult it can be to change an industry. We've grown tremendously: more farmers are receiving a higher premium, we've got a larger range of bars and we're making Serious Friends left and right. We've definitely achieved concrete results, but.. we're not quite there yet.

**T**ony's vision is 100% slave free chocolate. And we're not just talking about our own bars. We want to change things for all chocolate all over the world. As a chocolate maker we are changing the industry from within. Our mission is "together we make 100% slave free the norm in chocolate."

### Journalistic chocolate bar

First, a quick trip to the past. Tony's Chocolonely actually started as a journalistic chocolate bar. Yes, you read right: journalistic. The journalists of the TV show "Keuringsdienst van Waarde" wanted to spotlight the issue of modern-day slavery within the chocolate industry. They rang the alarm by adding a ton of bravery and a pinch of naiveté to produce a 100% slave free bar in a alarming red wrapper.

### Talk about an eye-opener!

The journalists became chocolate makers. It all began with 5,000 Fairtrade chocolate bars. Piece of cake, right? Well, actually.. not so much. It became clear pretty quickly that there is no such thing as guaranteed slave free chocolate. Things are horribly wrong in the cocoa industry in West Africa. Both child labor and modern slavery occur regularly. It turned out that the cocoa used to make those first "slave free" bars wasn't traceable and not compliant with the social agreements of the Harkin-Engel protocol.

Modern slavery, illegal child labor and extreme poverty seem to be the symptoms of an underlying complex issue: the economic model of the cocoa industry is driven by maximum profit. The relationship between producer, purchaser and end user is anything but equal. This non-transparent way of doing business makes it awfully easy to avoid to take responsibility for the abuses at the start of the chain. As a result, people simply accept inequality and extreme poverty and nothing changes.

### Fight or flight

We could have chosen the path of least resistance. We could have just said "our chocolate is 100% slave free, pinky promise." We could have moved out of West Africa and bought cocoa from areas where such injustices don't happen. We could have started our own fully controlled farm. But we did none of the above. Why? Because ab-so-lute-ly nothing would have changed for the 2.5 million exploited farmers and their families in Ghana and the Ivory Coast. Zip, zilch, nada.

### Tony's choice: let's fight the good fight

Anyone who has an inkling about us knows that running away isn't our thing. That's why we're deliberately staying in West Africa, working where the social abuses are at their worst. We're there where chocolate giants, Big Choco, buy their cocoa.

## What do we mean exactly by slavery?

Slave free, slavery, modern slavery.. all topics that raise some critical questions. It's a pretty touchy subject. We get that. Even the industry can't agree on a definition. That's why we think it's important to explain what we mean:

### We call any form of forced labor or exploitation of adults or children

- including the worst forms of child labor\* which are not acceptable under any circumstances – modern slavery.

\*Only outside of the family.

In most cases, children are forced to work away from their family and do not have the option of stopping. They are also abducted by traffickers, taken far from their homes and forced to work on strangers' cocoa farms. Neither they nor their parents benefit from the money they "earn." Adults who are victims of loan sharks and have no choice but to keep handing over their income to pay off impossibly high interest rates are also considered entrapped in modern slavery. The situation makes it impossible for them to build a life for themselves.

## All forms of child labor

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

Source: International Labour Organization (ILO)

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

<sup>1</sup> Where applicable at the national level.

<sup>2</sup> Age-group limits may differ across countries depending upon the national level.

<sup>3</sup> Children in employment other than those covered in 1a, 2a and 2b.

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

## Chocolate can be made differently

We got cracking and are now at the point where we can show that it's actually possible to change the way chocolate is made. Our approach from bean to bar is scalable and as unambiguous as can be with a transparent, open chain.

## Working toward a new norm

But we can't do it alone. Alone we could make our own chocolate slave free, but together we can make all chocolate 100% slave free. The more people choose slave free chocolate, the sooner 100% slave free becomes the norm. We need to work together with the key players in the cocoa industry to change the rules of the game. The chocolate chain has five key players: cocoa farmers, chocolate makers, stores and choco friends at the core. The governments in the producing and consuming countries play a critical role in making sure both change and the new rules of the game are set in stone.

In this Annual FAIR Report, you'll find out how things are currently stacking up and what still needs to be done to make 100% slave free the norm. But first we'll give you some info about our team and our roadmap. Then we'll zoom in on each key player who can change the rules of the game or implement them. We'll start with the farmers in Ghana and the Ivory Coast and finish with the consumers. Fasten your seatbelts, here we gooooooo!



# chapter three: ONE TEAM, ONE MISSION

14

We are an impact organization that sells chocolate and is trying to change the chocolate industry from the inside. If you wake us up in the middle of the night we'll yell "together we make 100% slave free the norm in chocolate!" Because every single day, every single Tony works towards achieving our goal: 100% slave free chocolate worldwide. Yep, you read right. 100% slave free chocolate worldwide. Pretty ambitious but we believe an achievable goal. And, of course, an ambitious goal needs an ambitious team. Team Tony's!

Tony's Chocolonely hasn't stopped growing since it first saw the light of day in 2005. The numbers of farmers we work with, chocolate bars sold and new Tony's in our team are all on the up and up! At the start of the last fiscal year – September 30, 2017 – Team Tony's consisted of 63 wonderful people. We think that's pretty impressive, but the more the merrier, right? And guess what? Exactly one year later, the counter has now reached 87 Tony's, or 100 if we include the 13 flex Super Store tigers in our Super Store. And that's 100 Tony's around the globe, by the way. The U.S. now has 7 Tony's, too. Dena and Brittany started in Portland last year and Melissa in New York City. Isn't that fantastic!? And let's not forget our first British Tony – our very own Ben – in England. Jolly good. On top of that, Tony's family is also growing like wildfire! Six of our Tony's had their own little Tiny Tony this year. In addition to a month of parental leave, they also got a Tony's Baby Bonus for the baby's own bank account. And, internally, 14 Tony's progressed to a tougher position. Good going!

## A new base

Back to our home base in Amsterdam. At the beginning of January we moved into our third office on the Westergasfabriekterrein, Pazzanistraat 1, which came with a fancy sauna. Just kidding.. It's what we call the meeting room at the Pazzanistraat. Our home delivery store has also moved to Pazz 1. It was definitely time because working/meeting/chatting on each other's laps due to lack of space was getting a little tedious to say the least. That's growth for ya..



Pazzanistraat 1:  
finally we have  
space for the  
chandelier.

## Tony's for life

Even though 40 Tony's (including five interns) started working at Tony's this past fiscal year, we said goodbye to six interns and, sadly, ten other Tony's for various reasons. Sometimes it was because the wife got a great job in the Bahamas (and who wouldn't say yes to that!?) We get it) or because a temporary project was finished or due to other circumstances. And sometimes the fit between the seat and the person wasn't right. So, together we looked at how we could help them move forward. On their last day we gave them a proper goodbye, including their personal guilty pleasure bar (white chocolate and paprika chips, for example).

Some of the cases were pretty difficult because everyone was fabulous. Not always the separation process went as smoothly as we wanted. So, yes, we could make a few improvements in that area. We are thankful that they worked towards our mission together with us with so much commitment and we'll always keep in touch with them. After all, you're a Tony for life.

## Only Tony's Culture

Last year we dedicated a lot of attention to strengthening our culture. Our culture is about our four core values, our eagerness to always raise the bar and the fact that in addition to being crazy about chocolate, we're always serious when it comes to people. Tony's Chocolonely is outspoken, willful, entrepreneurial and.. makes you smile! To us, these core values aren't just pretty words you hang on the wall; they are our compass for making choices and decisions, like hiring new Tony's, determining our approach and responding to successes and failures. We discuss our core values with the entire team on a regular basis. This past year the US team had its first Q-Meeting (quarterly meeting) and had a whole session dedicated to core values.

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.

### 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.

### 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.

### 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.

## Also makes you smile when no one's watching

But.. what exactly is Tony's Culture? Well, take for example our office desk bingo. This raffle means that you sit at a different desk every six months. Change is always nice and you might end up sitting next to a Tony you don't often work with.

The launch of the relay bar, a chocolate bar with a new flavor every six months, is another great example. We kick it off in true Tony's style.. with a relay race! We dress up in costumes, pass the chocolate baton and sprint through an obstacle course. Obviously.

Surely Limited Editions deserve a lil' something special. We invite former Tony's, suppliers and Serious Friends to a Limiteds Dinner to celebrate that once again we've managed to launch three awesome bars. The theme of Limiteds this year was caramel. So naturally we had a caramel BBQ at Pazz 1 and served caramel dishes. Plus, it's fun to catch up with all of the fantastic people there. Hey, how you doin'..?

Since we like to do things a little different, we had our first ever Formal Friday this year. It was fun to dress up in our very serious business suits but man oh man.. we're so glad that we don't have to do that every day. We like being comfortable in what we wear, so a dress code isn't really our style.



Formal Friday: strike a serious pose!

Team bonding is important at Tony's. The Dutch team hits the slopes for a few days on their annual ski trip, and the U.S. team hangs ten on their surf trip. In Amsterdam the team has weekly boot camp, and in Portland they're aligning their chakras at hot yoga. Namaste.

Crazy, you say? Absolutely. But we take it very seriously. We believe in the power of tradition to celebrate and strengthen our culture. And that makes us smile!

## Culture Club

Last year we launched the Culture Club, a rotating group of Tony's who gets together once a month to describe, monitor and build on why we do things the way we do. After all, every activity and tradition has a thought behind it and we don't want this to get lost. From office bingo to breakfast sessions to happy new fiscal year celebrations to the Monday Morning Meeting, they all have a clear goal.



## Typical Tony's Time

Without fail, every new Tony says the same thing: I've never felt so welcome on my first day at work, but I was also overwhelmed by everything that seemed to come at me all at once. Useful feedback. In any case, everybody gets teamed up with a choco buddy who brings you up to speed. Our Typical Tony's Time – the first three months someone works for us – has improved a lot. This initial period starts with a happy box full of chocolate, our Annual FAIR Report, a T-shirt and a poster-sized step-by-step plan explaining what you can expect in the time to come. We send it to you a few days before you start. The weeks that follow are all about activities that turn you into a fully-fledged Tony in three months. The icing on the cake is a quiz, an Only Tony's headshot and job title and your very own "New Tony on the Block" mug! Oh, and let's not forget a round of applause during our Monday Morning Meeting.

## The Quest-cheer-nair & new remuneration system

We conduct a job happiness survey in which we ask Team Tony's what's going great and where there's room for improvement. Last year we did two: one in December and one in July. We're comparing ourselves to the ten best employers in the Netherlands with 100-1,000 employees because we're pretty darn ambitious when it comes to job happiness and being a great employer. Okay, so what's the score?

The average ratings were solid: 8.0 out of 10 in December and 8.2 in July. Tony's are really, really, REALLY committed to the mission, trust each other and are super happy with our culture and with the new office and extra space. So, everything is fine and dandy? Well, not entirely. Despite adding lots of new Tony's to the team, the perceived work pressure still hasn't gone down. And working efficiently is a bit of a challenge. Ouch..

A point that has been mentioned often in recent years is our remuneration system (in a nutshell, how people are compensated), especially with the question of how Tony's pays in relation to the market. That's why all jobs have been reevaluated this year using the Hay Evaluation System. For each Hay scale, we stick with the market median for corporate Netherlands. As a result, the lower scales have more salary prospects while the higher have slightly fewer. Salaries are only part of Tony's remuneration system, by the way. Sure, they're an important part, but we reward people in many other ways too. For example, we have unlimited vacation days, employee stock participation options "the Golden Wrapper", a month of paid parental leave, concert and football tickets, a sports bonus, a healthy lunch and stocked cupboards for anyone in the mood for a snack, chair massages, boot camp or yoga.. We could go on and on. We're glad to say that our team understands this and it's often mentioned as something they really appreciate.



Happy Choco Shiny New Bookyear!, Anne-Wil and Paul!

## Teamwork makes the dream work

Last year the whole Dutch team went to our Chocademy, our internal off-site training days which were organized Tony's-style from A to Z. The Choco Chiefs and Heads played an active coaching role. We worked on our cooperation skills, did collaborative communication exercises, practiced speaking out and learned to recognize underlying needs. Actually speaking out when something goes wrong is pretty scary and too many people still try to avoid it. But it's way better for the results to speak out and it will make you so much happier (seriously, trust us..) That's why after the summer we launched a project aimed at making speaking out part of our culture. It's a little intimidating, but we're going for it! As can only be expected.

The Choco Chiefs and Heads started a leadership project to ensure that both the entire team and all individuals are thoroughly prepared for Tony's next organizational stage (woah.. intense). Let's just say we may know a lot about each other by now. And the leads have also started a management skills training. On top of that, every Tony's has his or her own annual training budget. More and more Tony's are taking advantage of that, but there's still some room for improvement. So, that's a nice action point for the next fiscal year.

This is Team Tony's  
(September 2018):



# chapter four: OUR ROADMAP AND THE 5 RULES OF THE GAME

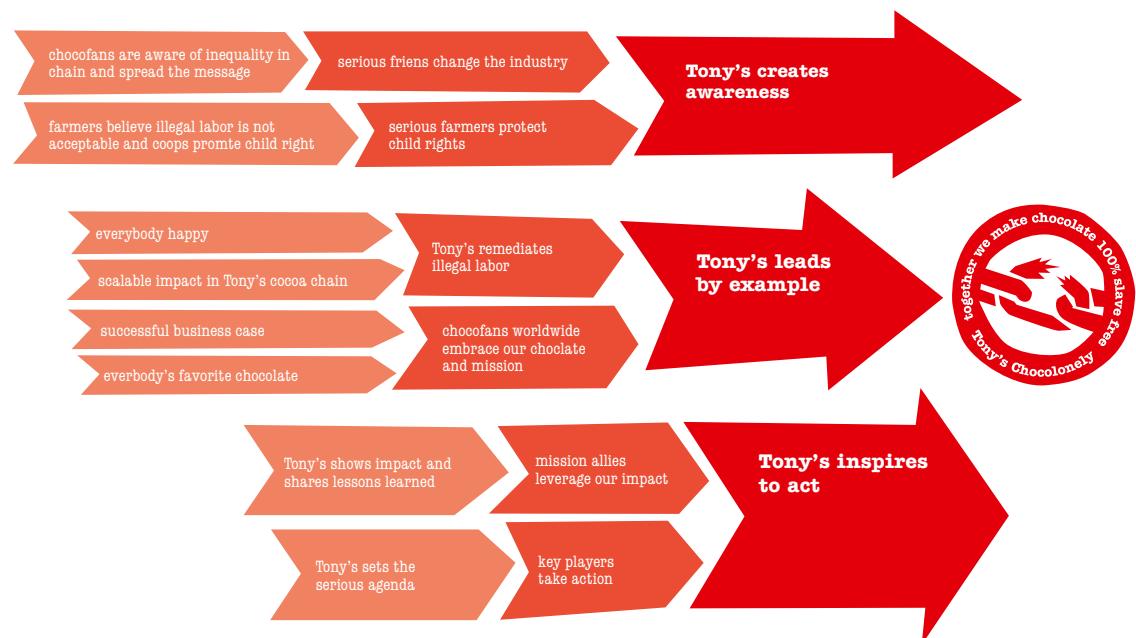
We're often asked, "Does your impact strategy ever clash with your commercial strategy?" Well, no, actually, because we only have a single strategy: our roadmap. And it's all about making impact. This results in a huge amount of commitment and provides a lot of clarity. In fact, we really recommend it to every company.

**B**eing commercially successful is an inextricable part of our roadmap. We want to show Big Choco that you can still turn a profit while following all five of the rules, so you get a chain that's fairly divided. We explain these rules in detail in this chapter. To us, profit is a way to make an impact and not actually a goal in itself. Every single one of our activities and projects is linked to our roadmap. We may make amazingly delicious chocolate – because we're crazy about chocolate – but don't get us wrong: we're 100% mission-driven.

Our roadmap consists of three pillars:

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

For each pillar, we have set a number of goals which – if realized – we believe will get the industry closer and closer to 100% slave free. Each pillar has two to four strategies for how we plan to achieve these goals.



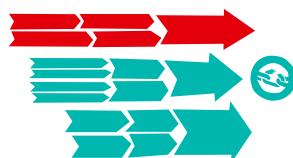
## How are we doing?

We've developed and described our own performance indicators for each pillar (go Diara!); they give us an understanding of how successful we are at achieving our goals. We came up with our own performance indicators because we couldn't find any standard ones to suit our needs. Also, this year PwC performed a review of our 12 performance indicators

in order to provide insight into the status of our sub-strategies and targets. Last year, we had nine non-financial indicators; this year, we have 12! That makes us very proud. Unfortunately, we've not yet been able to link a performance indicator we can submit to PwC for review to the roadmap pillar 'leading by example'.

Besides the 12 non-financial indicators, our roadmap includes two financial performance indicators: profit for the year as an indicator for the 'commercial success' sub-strategy and total premiums paid as an indicator for 'paying a higher price'. Although PwC doesn't review these two indicators as part of the 12 non-financial performance indicators, the financials are obviously in scope of PwC's assurance of the financial statements.

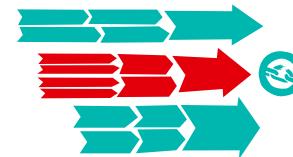
And it goes without saying that we follow the GRI Standards, which ensures that we report transparently on issues that are important to us and to our stakeholders. This time, we've taken our stakeholder analysis up a notch; take a look at our Important Appendices to read more.



### **First pillar: Tony's creates awareness**

By now, 67% of choco friends knows about the existence of slavery on the cocoa plantations in West Africa◊. This was 63% a year ago. That's a pretty neat improvement! We desperately need conscious consumers who make different choices, so we can put pressure on the industry. We want to build close relationships with choco friends who feel particularly committed to Tony's mission and want to actively work on changing the industry. That's why, since September 2017, we've been building true friendships. Most recently we counted 8,569 Serious Friends◊. By regularly informing them about the latest developments, sending them priority invites to the FAIR, asking them to sign petitions and so on, we are speeding up the realization of our mission.

Currently, 3,072 farmers take part in CLMRS, the Child Labor Monitoring and Remediation System◊. Community facilitators make partner farmers aware of what children are and are not allowed to do on a farm. They hold awareness sessions at home and in the communities (accessible to all!). So far, members of our partner cooperatives have participated in 936 sessions focusing on children's rights◊. Keep in mind that some are counted twice, a farmer might have joined both community and home sessions. For Ghana, we know that 307 members took part in these sessions 396 times. So, that means 89 farmers actually attended two sessions. Excellent! We're not sure about the Ivory Coast yet. Starting next year we want to be able to report on the unique number of farmers, so we can report properly on growth over the coming years. We'll be discussing this with ICI, the International Cocoa Initiative.



### **Second pillar: Tony's leads by example**

We strive towards an equal relationship with all parties with whom we work. But we can only achieve this with a terrifically strong, motivated team. We get structural feedback about work from the semi-annual job happiness survey. This year, our average score was 8.1◊! Awesome! To be honest, we would NOT be happy with anything lower than an 8.

In 2017 we entered into five-year agreements with all five of our partner cooperatives in Ghana and the Ivory Coast◊. We believe in our partners and their mission to join forces since, after all, there's strength in numbers. Over the past year, 100% of the cocoa beans we purchased through our partners were traceable◊. They were produced by 5,021 farmers◊, all members of the five cooperatives, (remember that, last year, in October it was still 95.1% because traceable butter hadn't been implemented yet). This traceability is really important because it means we know exactly where our beans come from, so we're able to work with the farmers on improvements and to prevent and solve child labor.

We track child labor using the Child Labor Monitoring & Remediation System (CLMRS). Since the start of the CLRMS, we have found 268 cases of child labor◊. Poverty is one of the root causes of child labor. The farm gate price and Fairtrade premium simply don't provide farmers with a living income. That's why we have Tony's additional premium. Over the past year, we paid € 3.5 million in premium (additional Tony's + Fairtrade).

Our annual market growth has shown that an impact company can definitely be successful. Over the past year, we actually became the market leader in the Netherlands, with a 19.03% market share (Nielsen)◊. Our profit was 4.5% and 19% of choco friends said that Tony's is their favorite chocolate brand (Brandtracker)◊. Together with True Price, we also calculated the total CO<sub>2</sub> emissions from bean in West Africa to bar at the customer's distribution center. For the past financial year, this was 18,488 tons of CO<sub>2</sub>, ergo 3.19 kilos CO<sub>2</sub> per kilo (just under 2 lbs) of chocolate◊. Oh my, that's an awful lot. In fact, it's 17,000 return trips to the Bahamas or more than 25,000 years of breathing for 1 person. Yikes. It goes without saying that we're taking responsibility for this in our chain through our collaboration with Justdiggit and GoodShipping.

## All right, so what's PwC's verdict?

You can read all about it in the formal Assurance Report. In this chapter, the indicators that fall within the scope of the external review are marked with the wonderful ♦ symbol. In Important Appendix 3, you'll find the definitions of the indicators that fall within this scope. Important Appendix 4 contains the formal assurance report by PwC.

**67%** of choco friends who are aware of the use of slavery on cocoa farms.♦

**936** farmers involved in CLMRS awareness-raising activities.♦

**19.03%** market share.♦

**5** cooperatives with which we have a five-year Memorandum of Understanding.♦

**100%** of cocoa in our chocolate that can be traced to our partner cooperatives.♦

**3,072** cocoa-growing households visited by CLMRS facilitators.♦

**268** cases of child labor found on Tony's partner by CLMRS.♦

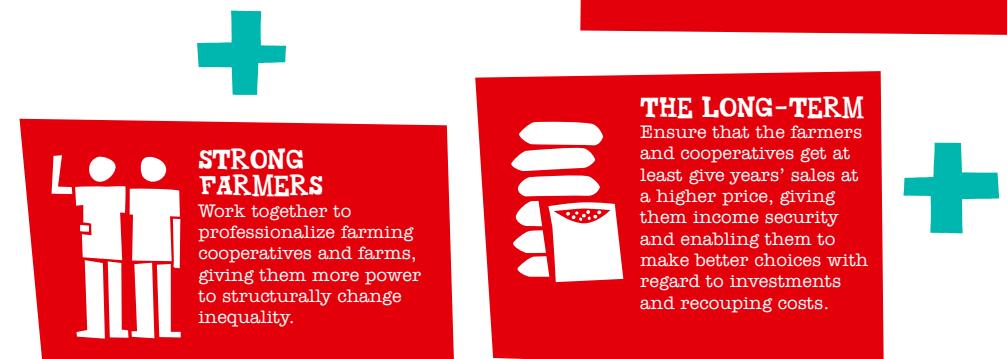


## Third pillar: Inspire to act

Now that we're the market leader chocolate bars in the Netherlands and able to show that we're making more and more impact, we're really going for that third pillar. We've got a successful example for the second pillar, but with Big Choco we can change the entire industry. After all, they're the right size to achieve this. We have not yet persuaded a large player in the industry to copy our rules of the game. We can see that interest is on the rise, but on October 1, 2018, we'd not seen any white smoke yet, so there's a sad lack of any figures reviewed by PwC.

## The five principles of cooperation: our five rules for 100% slave free chocolate

To change an industry's working methods, you first have to take a closer look at the rules of the game. To put it quite simply: they have to change. We've drawn up five rules for the chocolate industry and governments: our five sourcing principles. They need to be implemented all five, otherwise you are cheating and the system doesn't change.



### Rule 1: traceable cocoa beans

This is how it works: CLMRS, the Child Labor Monitoring and Remediation System.

The cocoa beans used to make the cocoa butter and cocoa mass for our bars are 100% traceable. Yes, we're pretty proud of that! Our chain doesn't have a heap of beans we're hiding behind. Our partners can trace their stock using Beantracker.

From plantation to the bean warehouse in Antwerp, it's always perfectly clear where the beans are. And how many there are, too. We're not the only ones who can use the Beantracker to check the stock of beans per location; our partners can, too.

## Blockchain pilot

Of course, things can always be improved, which is why the Beantracker is definitely not “finished”. Over the past year, we tested whether Blockchain’s technology would be useful for traceability in practice. Blockchain is lightning fast (real time), requires no intermediaries and is reliable because no one can cheat with their data. Accenture, an international consulting firm, approached us for a Blockchain pilot. They had made time available internally to support a real situation using Blockchain. We asked our trader Ocean and partner cooperative Socoopacdi to record every single transaction at nine locations in the Ivory coast for 900 metric tons (mt) of beans. It turned out to be an incredible challenge with considerable time pressure, but it worked! In the 100% digital world, Blockchain always works perfectly, so it’s great for Bitcoin-like applications. But, in our pilot, Blockchain was linked to the real, unruly ol’ world, which meant that the figures had to be entered incredibly carefully. And that turned out to be pretty tricky in practice. Also, since this technology is very, very new, Accenture spent an awful lot of time trying to figure out how to program this flow in Blockchain. Let’s just say the approach in this new technology was not always loud and clear. Soooooooo.. even though we look back on a successful pilot, reverse engineering Beantracker as an application in Blockchain technology would cost a great deal of time and money. And let’s face it, Beantracker actually works really well already. So, we’ll stick to the Beantracker with the current technology, but we’ll be keeping a close eye on developments.

So, when a sea container with cocoa beans docks in Antwerp, the manager of the cooperative will see this in the Beantracker. And he’ll know that the cooperative is entitled to a premium for those beans. So, if they’re waiting for that premium, they can check on the Beantracker to see when they’ll get it! This way, we know exactly where, how and by whom our cocoa is being produced. And we take responsibility for the circumstances in which the farmers are growing these beans by rolling out the CLMRS at all farmers who supply to us. In the chapter about farmers and cooperatives, we tell you how much child labor we have found through the CLMRS. Did we mention transparency?

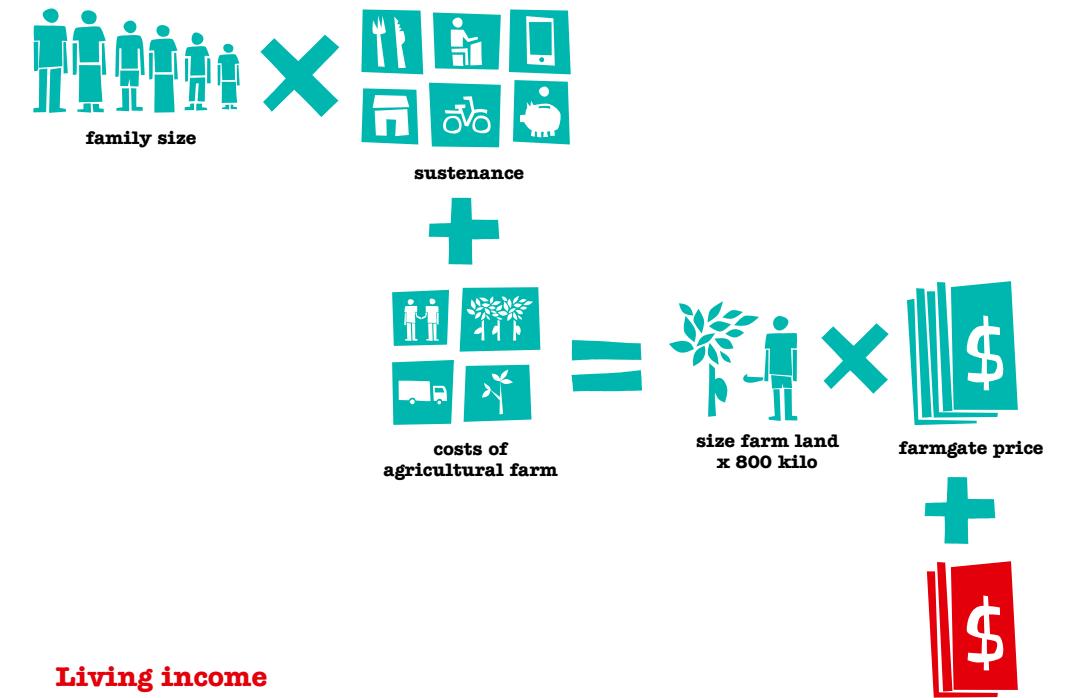
## Rule 2: a higher price

This is how it works: an additional premium



Until there is a structural solution for the excessively low cocoa prices, we fill the gap between a living income and the price that a farmer gets for his beans with a premium.

The Tony’s premium consists of two parts: the Fairtrade premium and the additional Tony’s premium. The amount of the premium is calculated at the start of the season. Every year, the governments of Ghana and the Ivory coast determine the minimum price farmers should be paid for their cocoa based on the global market price (the farm gate price). We also check annually whether the figures for living expenses and cost of running a farm are still up to date. For 2017/2018, the Tony’s premium in the Ivory Coast was \$ 400 per ton of cocoa, while in Ghana it was \$ 175 per ton of cocoa. These amounts are paid on top of the Fairtrade premium of \$ 200 per ton, which we also pay. Last year, 5,021 farmers benefited from Tony’s premium.



## 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.

Tony’s premium (Fairtrade premium plus Tony’s additional premium)

## A 1.5% price decrease

Last year was an excellent year for cocoa. And a good harvest means plenty of supply. Cocoa became cheaper. As a result, the international cocoa price fell by almost 40%. That’s why the government in the Ivory Coast dropped the farm gate price from \$ 2.00 kilo to \$ 1.27 per kilo – which was a massive problem because the farmers became even poorer. Tony’s increased their additional Tony’s premium to fill the gap:

→ We more than doubled our additional premium in the Ivory Coast. Together with the Fairtrade premium of \$ 200 per ton of cocoa, we paid \$ 1,870 per ton of cocoa in the Ivory Coast this year. That’s 47% on top of the farm gate price.

→ By the way, the government didn’t lower the farm gate price in Ghana. That’s great for the cocoa farmers in Ghana, but it does mean that the government has less money to invest in schools, roads and hospitals. In Ghana, we paid \$ 2,120 per ton, including the Fairtrade premium, so that’s 21% on top of the farm gate price.

→ We pay the extra Tony’s premium straight to the cooperatives of our partner farmers, so not every link in the chain (such as local and international traders, cocoa processors or bar manufacturers) in the chocolate chain receives a percentage of this higher premium. This way, we circumvent the “miraculous” value increase throughout the chain. So, thanks to the excellent year for cocoa, our chocolate became cheaper, despite ramping up the Tony’s premium! In April, we reduced the recommended retail price by 1.5%.

### Rule 3: improved productivity and less dependency on cocoa

This is how it works: not yet well enough



The fact is, paying a higher price isn't enough. Producing at least 800 kg per hectare per year is a prerequisite for us. Without using child labor, of course. A production like that is feasible – and there are farmers who actually manage it – but we estimate that the cocoa farmers who supply us tend to get stuck at around 500 kg per hectare on average.

We are still playing around with ideas on the best way to further improve this together with the farmers. Honestly, it isn't just a lack of knowledge or the quality of the beans. It requires a lot of investment in the plantation and an awful lot of hard work.

And farmers should be able to recoup these costs. You'll learn more about these ideas in the chapter on farmers and cooperatives.

### Rule 4: the long-term

This is how it works: showing commitment



It's really important to work together on an equal footing and to do this for a significant amount of time to convince people that things really can be improved. That's why, last year, we signed a five-year cooperation agreement (AKA a "Memorandum of Understanding") with five cooperatives, in some cases for the second time. Our promise: we'll buy cocoa from you over the next five years. This means the farmers can be sure they have a guaranteed income and room for investments. Now, that is showing commitment. Oh, and before we forget, our cooperation agreements include a transparency clause. You heard it right, no secrecy clauses here! Because we're happy for cooperatives to share the agreement with other potential buyers. That way they can demand the same commitment and agreements. And.. this actually produced results this year! In addition to Taza Chocolate, cooperative ABOCFA has also managed to commit Uncommon Cacao as long-term a customer for their organic cocoa. We're happy with that!

### Rule 5: invest in strong farmers and professional farming cooperatives

This is how it works: investments in direct contact, time and money



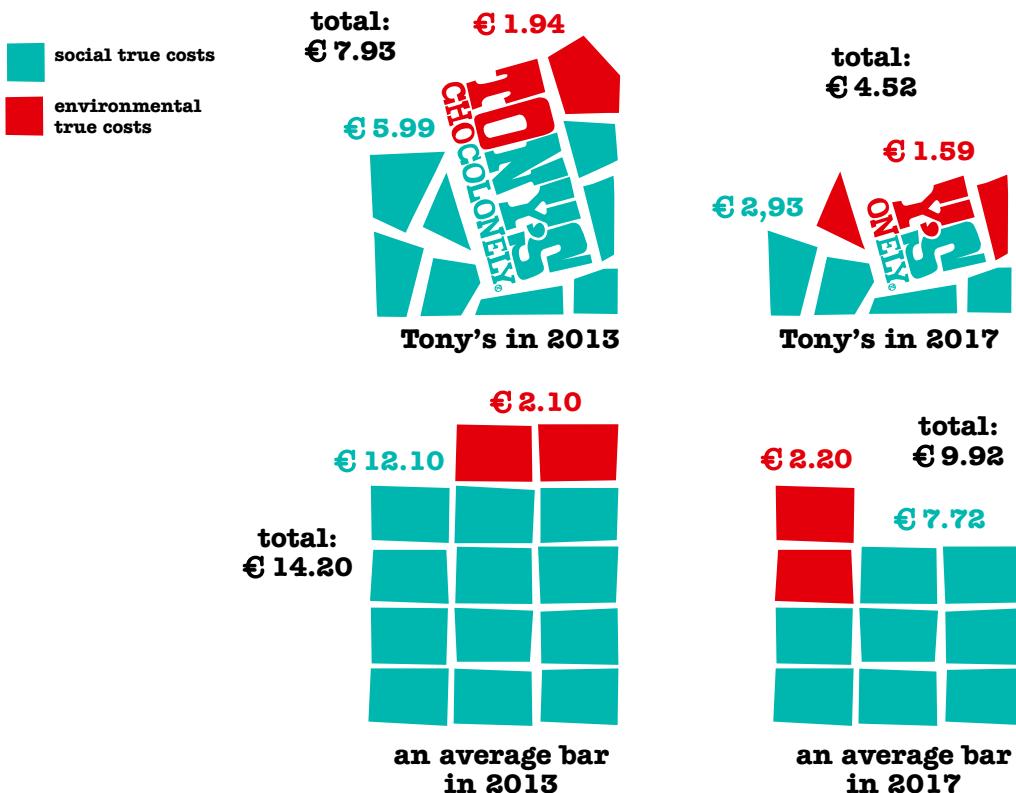
In a world where combatting child labor is seriously complicated, it's more important than ever that farmers collaborate with each other and that they develop their farms. Strong cooperatives have tons of benefits for the farmers. To name but a few: helping farmers to find international markets, organizing transport, providing training and buying farming equipment together. Farming organizations have huge potential and it's great to see that players are recognizing this more and more. We are in direct contact with the cooperatives, discuss joint annual plans with them and discuss their strategy extensively. Over the past year, all our cooperatives drew up five-year strategic plans for the very first time. In addition, each year, they hold an annual members' meeting during which they have a transparent discussion of the finances and the members approve the way the premium is spent.

### So, um.. Are the 5 sourcing principles actually working?

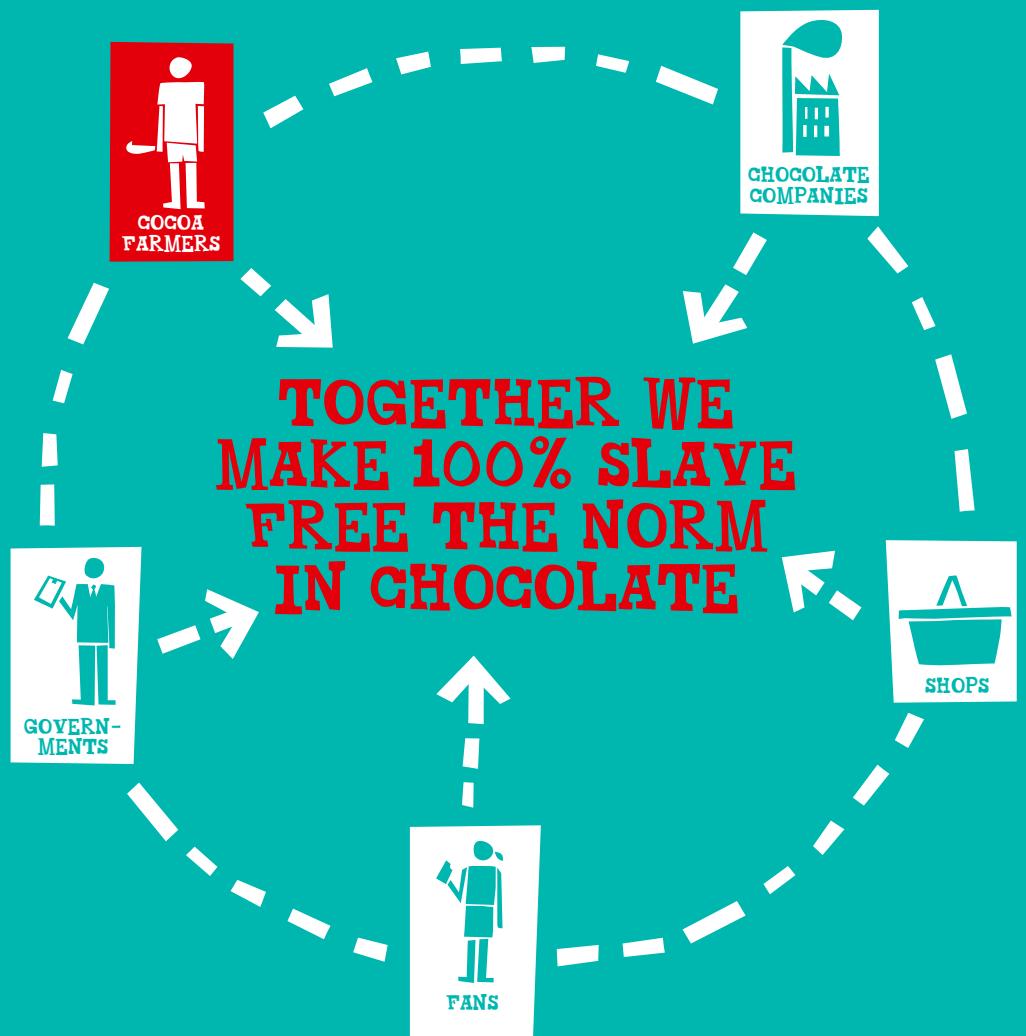
We asked (and paid) the Walk Free Foundation and Tulane University to identify instances of forced labor and exploitation in our supply chain. The survey they conducted didn't reveal any recent use of slavery at farms linked to our partner cooperatives. But four farmers claimed to have been victims of forced labor in the past. There were also said to have been ambiguous informal agreements with farm laborers. We are addressing this jointly with the cooperatives.

In addition to the above study, we asked True Price to take a critical look at the results we achieved through playing by our rules (our Five Sourcing Principles). True Price calculates the true cost of a product, including negative social and environmental impacts such as child labor and CO<sub>2</sub> emissions. In Ghana, the cost of living was found to be higher than suggested by previous research. So, for next year, we have adjusted our living income model accordingly. Based on its research, True Price concluded that the true cost of a Tony's bar is 55% lower than the cost of the average bar on the shelf. And in the last five years, have reduced the social true cost of our bars by 51% (and our environmental true costs with 18%). We know this because True Price also calculated the true cost of our bars and the average bar on the shelf five years ago, so it's easy to compare the figures.

The true costs of a bar, as calculated by True Price.



# chapter five: STRONGER FARMERS, PROFESSIONAL COOPERATIVES



We're repeating it one more time. Teamwork makes the dream work. We're nothing without our partner cooperatives in West Africa. Every single little bean in a Tony's Chocolonely chocolate bar originates from Ghana at partner cooperative Abocfa or from Ivory Coast at partner cooperatives Kapatchiva, Ecojad, ECAM and Socoopacdi.



This year, 5,021 farmers supplied us with 7106 metric ton (mt) cocoa beans through the cooperatives. Over the past year, we've made significant investments in the cooperation with and professionalization of our partner cooperatives. We support them in all kinds of areas, such as by helping them improve their management. A professionally managed cooperative provides better services to its farmers, like better and less expensive manure, better training, better and more customers who pay reliably and short-term loans that help farmers improve their living conditions. In fact, when cocoa farmers have good living conditions, the likelihood of child labor and other types of illegal labor decreases significantly.

## The gauge: the five-year plan

And what's really awesome is that this year, for the first time, every cooperative drew up a strategic five-year plan (with a little help from us and Fairtrade). This plan contains a clear mission, vision and strategy for the coming years. Most of them want to at least grow larger and eradicate child labor completely. The five-year plan is an excellent basis for the annual plans and a great gauge for keeping an eye on how things are going.

Thanks to our collaboration with Fairtrade, the cooperatives were able to take part in the West Africa Cocoa Program. Part of this program is SCOPEinsight, a kind of.. ahem.. organizational analysis. Basically, it's about the organization of the cooperation: what is going well, what needs improvement and what is required to achieve this. The participants also attend a personalized training program organized by Fairtrade. Terrific!



## **So, what do the farmers think about all this?**

We are involved with 5,021 farmers and five cooperatives. That's a great number (but not much really compared to the 2.5 million cocoa farmers in Ghana and the Ivory Coast). The cooperatives are our touchpoint to all these farmers. Thanks to the cooperatives, we know exactly who grows the cocoa beans for our bars.

Their insights are tremendously important for eradicating illegal child labor and structural exploitation in the chain. On every trip to West Africa we talk with cocoa farmers at annual meetings, during training sessions, etc. This year we went a step further and asked the KIT – Royal Tropical Institute – to investigate the impact of our activities. What do the farmers really think of our approach and the impact of our actions on their lives?

In this chapter you'll find a whole bunch of quotes, not only from farmers but also other partners (some with a wonderful portrait) who have been interviewed for this study and wanted to share their strong and valuable vision. And that makes us smile!

The pictures were taken by American-Ghanaian photographer Joshua Kissi, who joined us in Ghana and the Ivory Coast to create portraits of the cocoa entrepreneurs we work with. In the coming financial year, we'll be launching a project called "Reframed, Cocoa & Colours project" together with Joshua. Through his photographs, Joshua aim to tell stories and smash stereotypes in order to fight inequality. Wait.. that sounds awfully familiar! Yep, that's why we love his work. These cocoa entrepreneurs are colorful, strong characters – that's pretty obvious right away!



**Romeo Alvares Wohi Teme,  
Administrative Manager at ECOJAD:**

"Two years ago, I became the administrative manager of ECOJAD. I'm in charge of everything related to certification and projects such as the CLMRS. Farmers never had an answer whenever I would ask them about the journey of their beans after leaving the farm. This struck me and made me decide to become more active in the sector. This job enables me to follow my passion and use my study background to educate people and strengthen groups. I like to be a role model for the youth. When I was younger there were no elders who advised me. Being an MRA (Monitoring and Remediation Agent within the CLMRS) enables me to do this."

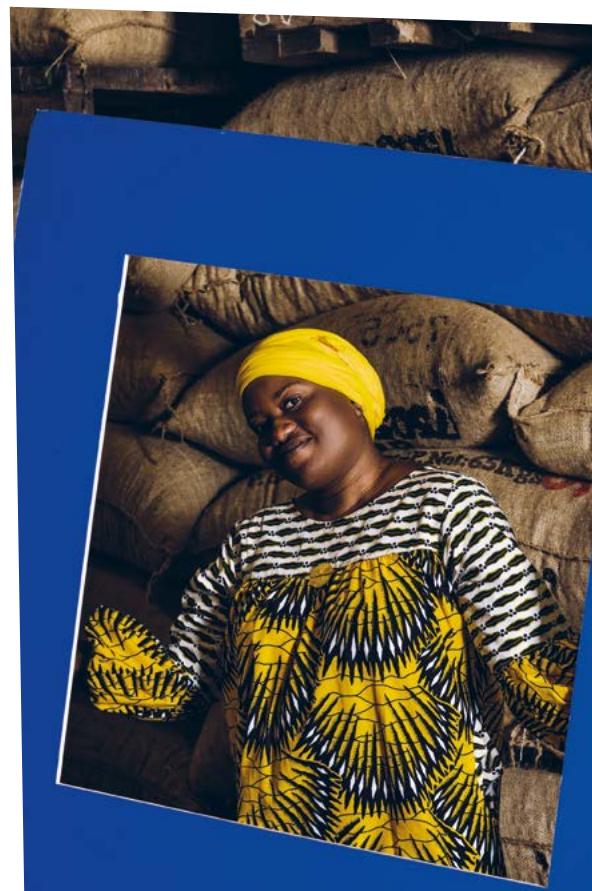
## **Doumbia Assata, President of ECAM:**

"I'm the president of the cooperative ECAM and also cultivate cocoa and rubber myself. ECAM has 1542 producers of which 246 female members. I have a passion for setting-up projects that prioritize female empowerment. I favorize this one project that stimulates male members to handover part of their land to their wives to make the women more (financially) independent. We have constructed a school, a school canteen etc. The school fund was set up with Tony's. School reopens at a time when farmers lack money. We also do a lot of awareness raising at schools and in communities through theatre shows. This is done by women, as there is a higher trust level and for children it's like their mum is talking to them. Whenever we finish a good project, we invite other cooperatives for the celebration. This is how we inspire others to act!"

## **The premium plans: from version 1 to version 2**

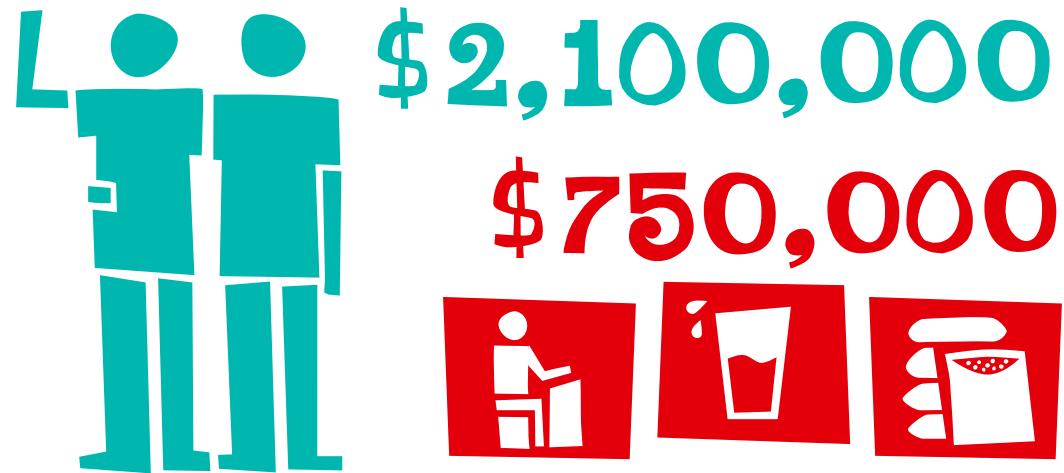
As you will know by now, Tony's pays farmers a higher price through its Tony's Premium. The cooperatives play an important part in this respect: they jointly decide what they'll spend the money on. This decision is recorded in a premium plan. At the end of the season, when the exact amounts are known, this plan is approved by the members during the annual meeting.

Piece of cake, right? Well, not quite. Since the farm gate price fell so much in the Ivory Coast, we had to more than double our premium last year. We also bought more beans than ever! So, that was a huge challenge for the cooperatives, namely to make sure that all this money was spent properly and fairly. How about joint investments? a new truck? Computers? Definitely essential for the professionalization of the cooperatives, so certainly not a bad thing. But the most important thing is that the farmers' income goes up or that they can lower their costs. So, more money and tools go straight to the farmer and more joint investments benefit everyone. We discussed everything with the cooperatives and the premium plans were adjusted afterward. But.. Completely eliminating poverty remains a huge headache, also in our chain. As we continue to grow we'll need more and more traceable beans, so we'll need new farmers who can supply us. And, with every new farmer, we'll have to start from square one. The members of a cooperative can also decide to divide the premium among all its members because they want to treat all members equally.



That's definitely understandable because this lets way more farmers benefit from the premium, although the amount will be lower per farmer. Needless to say, we'll continue to talk about such dilemmas with the cooperatives.

This year, the farmers decided to spend the premium like this:



By far the largest part, more than € 2.1 million, went directly to the farmers and their communities. € 750,000 was invested in things like schools and wells. Plenty was invested in the cooperatives themselves: in better cocoa storage, trucks and reinforcement of the organization.

**Dominique Yeboua Kablan, ECAM Secretary:** "Tony's is all about equal business. They gain, we gain. With the premium, the cooperative has already supported the implementation of many community development projects, such as water pumps, training for the women's groups, and literacy training. Not all communities have benefited from these projects yet. However, some months ago the cooperative has developed a five-year strategic plan with some exciting projects."

### Key points of the KIT's impact study

We're on the right track. Most farmers are positive about their relationship with us. The study shows that our the rules of the game are important. Below you'll find a number of key points from the study, which will be included in our strategy:

- Farmers and cooperatives are happy with the premium. The timing of the payment (just before the start of the school year) means that it's easier for farmers to send their children to school. They used to have to get loans at insanely high interest rates (often around 50 - 100%, holy moly!). So, this makes a big difference.
- We don't yet have any hard figures that proof to what extent the premium has improved the farmers' incomes. In practice, the premiums don't necessarily lead to a living income. This may be because the farmer's productivity is too low, the farmers make the democratic decision to invest part of the premium in a new storage space for cocoa or because new farmers are delivering to us through the cooperative, and that means we have to start from scratch.
- The cooperatives receive a considerable amount of premium every year. Ensuring it's spent well is a huge responsibility. Each year, the cooperative management reports to their members during the annual meeting. And we support this transparency by having an independent audit carried out to check that the premiums are spent exactly according to plan. This way we get better and better at collecting great data. But the KIT has also indicated that our data collection needs improvement. We still have a long way to go.
- The long-term relationships are essential for the cooperatives – they provide more stability and thus give farmers and cooperatives the opportunity to invest more.
- The farmers say they have a lot of confidence in their cooperatives. We and the cooperatives worked our socks off for that, so we're really glad to hear it! The conclusion is that they function well, develop well and are democratic and transparent. A slight point of criticism for us: sometimes we can overload the cooperatives with projects. Coordination needs to be improved and we must allow people to share their thoughts on a strategic level more often. That also applies to our other partners in Ghana and the Ivory Coast, by the way. So it is a good thing we have those five-year plans? So let's get to work!

## **Tony's investigation into child labor: initial results**

We've been working with the CLMRS for a year now. Hang on.. with what? With a serious program with a long name: The Child Labor Monitoring & Remediation System (42 letters, seven words, double-check if you like). The CLMRS helps us gain insight into child labor at farms who are members of our five partner cooperatives. The CLMRS was developed by the International Cocoa Initiative (ICI) together with Big Choco Nestlé and they did a chocolate-worthy job.

So, how are things going? In the past, various parties did a lot to combat child labor. Child labor is illegal in both Ghana and the Ivory Coast and this is also stated in the criteria of the sustainability certifications. That's why parents, farmers and cooperatives find it quite nerve-wracking to talk about child labor. Sometimes they're afraid they'll lose their certification. We really want to change this because if you can't talk about it, you can't deal with the problem. Through the CLMRS, we try to create a familiar environment that encourages talking about child labor. Mind you.. that takes time. Tip from the KIT: communicate about children's rights rather than child labor.

In addition to awareness activities on children's rights in the cocoa communities, we collect social data to find out whether, where and why child labor occurs. We want a solution for all the cases we find (and we REALLY want to find all of them). Together with the ICI, the cooperatives are tackling the question of what is needed to achieve this. We believe it's really important that they do this themselves because the cooperatives and their members know best what's going on and what the right solutions might be. They have a much better idea than we do. During their study, KIT also checked out the CLRMS. And it turned out that the Community Facilitators – those who conduct talks and do the monitoring – really have a sense of ownership where the CLMRS is concerned. In most cases, they're intrinsically motivated. But they would like more insight into the data they collect. In fact, so would we. Over the past year, the data we received from ICI wasn't always complete and there was the occasional backlog in the processing of field data. Diara, our impact meter, spent a lot of time discussing things with ICI and checking the data received. But the period of time between the actual field work and information received from ICI is still too long. So, there's work to be done!

### **Gaah John Wallis, Board Member at ABOCFA:**

"I'm part of the board of ABOCFA. I would like to see more women in the board of the cooperative as they are more flexible and bring new ideas. If you give a man and a woman both 400 cedis and return the next day. The woman will still have the money in her pocket whereas the man has probably already spent it. They are more responsible. I used to work for the government in Accra. After I retired I came back to Suhum to farm cocoa. I love to educate young people. That's why I became a community facilitator."



### **Jerome Kouadio N'Guessan, Community Facilitator, ECOJAD:**

"I'm from this area, Daloa. After high school I went to Abidjan, the capital to do maritime studies. About two years ago, I heard cooperative members talking about the CLMRS and the search for people with good reading and writing skills and a nice personality. My role is to interview farmer households and inform them about the risks related to child labor. The system is very relevant as it clarifies what is and isn't allowed. I love the fact that I can still use the expertise I acquired during my studies. People recognize me here as the CLMRS guy and come to me with issues. The work is much appreciated!"

### **Jean-Yves Delaveux, Program officer at the International Cocoa Initiative:**

"We have shifted from a punitive to a supportive approach which keeps the complex issue of child labor visible, and because we can now see it better, we can address it better. A combination of key elements, such as Tony's strong focus on results, the pursuit of operational sustainability through the transfer of the CLMRS function to the cooperatives, the additional premium that Tony's pays to farmers for their production (thereby tackling the poverty-driver of child labor in parallel), and the joint actions of Tony's Chocolonely Foundation in the communities, have allowed ICI to come up with new solutions for transferring CLMRS costs and implementation to the cooperatives that will feed ICI's collective learning and so help the cocoa sector at large adapt and evolve its approach."

So.. did CLMRS do its thing over the past year? Heck yeah. We have now visited 3,072 households and interviewed 3,935 children between the ages of 5 and 17. So far, members of our partner cooperatives have participated in 936 sessions focusing on children's rights. And 268 cases of child labor have been identified at our partner cooperatives. These cases are usually children who help their parents a few hours a week. During the work, they are exposed to activities that inhibit their development. This includes things such as lifting heavy weights, working with chemicals, the use of a machete or working at the farm without wearing protective clothing. So, we're not talking about human trafficking, let's make that clear.

268 cases of child labor. And that's at the very least. Because CLMRS cannot guarantee we have found all cases of child labor and CLMRS community facilitators have not yet visited all of the farmers. So, it's a shocking number, although we did expect it. Especially since CLMRS community facilitators are likely to find more cases of child labor as trust develops and people feel safe enough to talk about it and also as more farmers and communities take part. Transparency and trust.. that's the way we do things at Tony's. We want to find and provide solutions for all cases of child labor. In September, we started providing solutions to reported cases of child labor (= remediation).



**As it was the first time, Stephen – the manager of ABOCFA – kicked off the remediation activities with festivities to create awareness in the community. After this moment, all remediation actions will take place in anonymity.**

- We arranged birth certificates for 185 children so they could go to school. You're only allowed to go to school if you have a birth certificate. We distributed 172 school packages (with things such as school uniforms, bags, math kits and sandals). And we handed out eleven bicycles so children could get to school more easily.
- We arranged 100 medical checks and, for 107 children, healthcare insurance – to make sure children are/stay healthy and don't have to stay home sick.
- We distributed 29 wheelbarrows. Wait, wheelbarrows? Yes! So children don't have to lift heavy weights when they help their parents after school. We're also paying for professional training for four teenagers to give them other career opportunities.

### **Best Farmer Awards**

During the annual meetings, the cooperatives share plans for the coming year and discuss the financial figures. They also hand out the Best (Young) Farmer Awards. This competition is a Tony's initiative and we finance it. Farmers between the ages of 18 and 35 can register for six months of agricultural training. The award is presented based on how the farmers put the lessons into practice on their own land. It also encourages the farmers to implement new or different agricultural techniques and teaches them to be proud of what they do. So, it's much more than just a competition. But the award ceremony is always a nail-biting event.. for both us and the farmers! We organize the Best Farmer Awards together with four of the five partner cooperatives. Socoopacdi found it a little too early and had other priorities.. No problem!

**Sarah Larweh, Cocoa Farmer, Entrepreneur and Board Member of ABOCFA and Participant in Best Farmer Award, ABOCFA:** "They come to your farm to do inspections to see if you are applying best practices and whether they are not harming the environment. I hope I win."

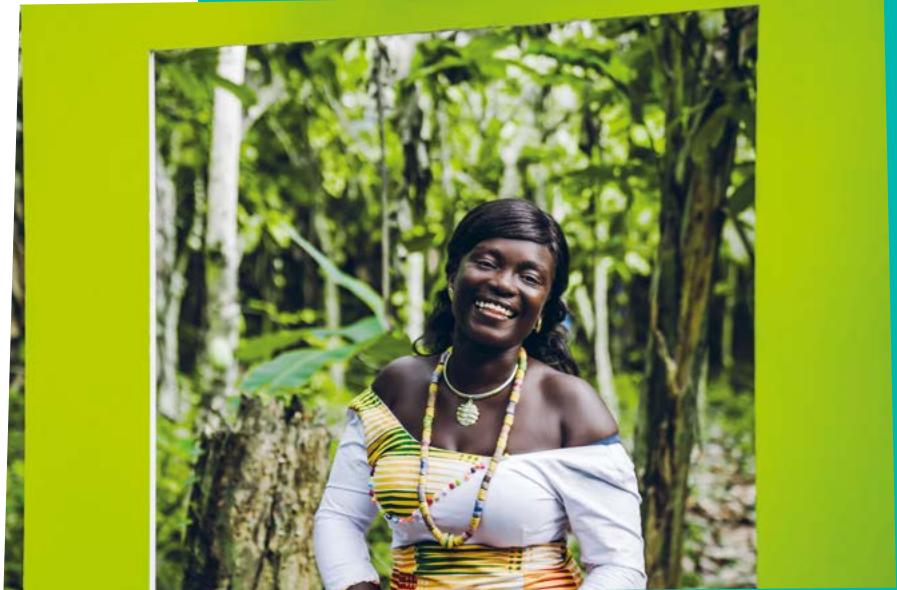


**Faustina Tei, Cocoa Farmer and Winner of the Best Farmer Award at ABOCFA:** "Both my husband and I work hard on the land. But I told him that I would be the one participating. Without regrets. I won!"

So, why is an award like this so important? Young people are getting less and less interested in farming. It's back-breaking work and earns too little. Young people are also increasingly moving to the cities to find work. As a result, the average age of the farmers is creeping up. It's important that farmers maintain their land well and produce at least 800 kg of cocoa beans per hectare in order to use the land efficiently. We also use these 800 kg per hectare in our Tony's premium calculation model. And that's exactly where the opportunities for young farmers lie. They're often less afraid to innovate, which means the plantations become more and more professional. And that should be rewarded with thunderous applause, professional farming equipment and a fantastic grand prize: a trip to Amsterdam to attend the Tony's FAIR. Chocolicious!

### **Didier Digbeu Kakou, Cocoa Farmer, Nursery Owner and Winner of the Best Farmer Award at Ecojad.**

"From a young age I knew that I wanted to work in cocoa. My father used to be a success farmer. Actually the second best of the entire region. He would travel far to get a haircut. That's how successful he was. I decided to become as good as him, or even better! I left school quite early as I believe one cannot only be successful by becoming a civil servants". When I started, everybody laughed at me, but I ignored it. I used different methods, better methods. I started a nursery and would call everybody together to plant the small trees. I also gave the village chief 2 hectares so that he could inspire the youth others to go into cocoa too. How I won?; I always want to be the best! I slept less, continuously trying to improve my practices. Every day, I would ask the trainer what I could do extra. Everybody was getting tired of me but that didn't stop me. I was extremely happy when I found out I won. I won a motorbike and I'm even going to Holland. Something my father never realized. Everybody comes to me now for better farming practices. I help them to develop their minds. I inspire them. I used to be nobody, now I'm somebody. My name will remain in the history of the region."





**Tony's Tour in the Ivory Coast. Celebrating our partnerships!**



### **Tony's Tour**

Right. Thanks to the impact study we now have a pretty good idea about the effect our efforts have on the farmers and the cooperatives. And let's not forget that we also add a dash of that good ole Tony's vibe! We want to make people in Ghana and the Ivory Coast smile, too. That's why we have the Tony's Handshake. We ask the farmers for ideas and suggestions for something awesome and then we get them a budget. And what happens next? Well, take the excellent annual FAIR in Amsterdam, for example. Our partners in the Ivory Coast and Ghana were really excited about experiencing it. Their wish was our command! We organized.. drum roll.. an awesome Tony's Tour! It visited all five partner cooperatives in Ghana and the Ivory Coast to turn all the annual meetings into a party. It was a humongous success! And obviously a party, too. Duh. We paid plenty of attention to the cooperation and our mission too, of course. Tony's red party truck certainly covered an awful lot of miles on dusty West African roads. During the annual FAIR meeting, Ivorian comedian and celebrity Magnific thoroughly interrogated the farmers about our mission (nicely, of course). The Tour ended with an awesome concert in Daloa, a city in the Ivory Coast. This way we made farmers more aware of Tony's and got to celebrate an amazing party together. And that's 100% Tony's style!

Also totally Tony's style: a soccer game organized by the cooperatives for the villages in the cooperatives, also thanks to the Tony's Handshake. Kapatchiva and Ecojad in particular took things very seriously. And the winners were ecstatic. Oh.. also cool: the cooperatives told us they'd never seen this much solidarity between the different villages. Gooooaaaal!

### **Serious Farmers' Movement**

Alright, have we reached the end line? Nope. Over the next year, we'll be focusing on the Serious Farmers' Movement. By connecting strong professional Ghanaian and Ivorian farmers and entrepreneurs, we're increasing Tony's impact in West Africa. Serious Farmers are serious cocoa farmers and ambassadors for children's rights, not to mention the fact that they're 100% behind our mission. And, of course, Serious Farmers also inspire other farmers to join. These farmers are great at telling the Tony's story in their own environment. Much better than we would be able to from Europe. With all this, we are aiming to create a movement on the ground in Ghana and the Ivory Coast. Hang on.. aren't the choco friends who are uniting themselves as Serious Friends on the other side of the chain doing exactly the same thing? Yes they are! And that's serious business!

### **Portrait of Emmanuel Ocloo, 48, ABOCFA member:**

Emmanuel Ocloo has been in the cocoa business for roughly eight years and inherited the farm from his father. Being entrepreneurial is 'a must' according to him, as cocoa doesn't generate a stable income throughout the year. He grows other crops too, such as maize, cassava and plantain. Besides that, he runs a stall where he sells drinks. Recently, he decided to expand his business activities by setting up a nursery since access to seedlings can be a challenge for farmers in the area. It seems to be a lucrative business as he plans to sell the seedlings for 1 cedi a piece. He tries to educate the children in the area by asking them to collect used water sachets which he uses as flowerboxes for the seedlings: 'reduce, reuse and recycle'. He saves the money at the bank and uses it for the education of his children.



We've said it before and we'll say it again: the productivity of the farmers must go up in order to achieve a living income. We learned an awful lot about this over the past year:

#### **agricultural training: less theory, more practice!**

The current approach to agricultural training doesn't necessarily lead to higher productivity. We really need to get rid of the idea that training is a group of farmers in a classroom "listening" to a lesson about agricultural techniques. It is way better to get your hands dirty your own land. The cooperatives are working on "coaching on the farm", which means theory becomes practice straight away. We're excited to find out what the effect of this will be on the productivity of the farmers over the coming years.

#### **composting: you can learn it**

 Soil erosion is a major problem. It increases the use of artificial fertilizer and results in poorer harvests and cocoa diseases.

We're helping farmers at ABOCFA and Kapatchiva to improve soil quality. We do this with the support of Soil&More and partial funding from the German government. The project teaches farmers how they can turn natural waste, such as empty cocoa pods or rotten leaves, into fertilizer that they can use on their farm. It saves costs and it's sooo much better for the environment!

#### **old trees: replacing with new trees**

The average cocoa tree at a cocoa farm is around 20 years old. And, at that age, the tree only produces a fraction of what it used to produce. Therefore, a farmer has to cut down part of the trees each year to free up space for replanting. Such an investment only produces yield much later and it's something the cooperatives can help the farmers by, for instance, distributing cocoa trees free of charge.

The Ivorian government recently decided to ban the distribution of new cocoa trees to prevent deforestation and over-production (and a subsequent drop in price). So, sadly, the farmers in the Ivory Coast can no longer replant the trees on their own farms. To be continued..

#### **hiring manpower: more affordable labor**

Growing cocoa as a serious business is seriously labor-intensive. So, it could really do with an extra hand or two at times. But NOT children's hands. ABOCFA in Ghana already has "pruning gangs", which are doing great. Everyone prunes together, which results in a better harvest. The more you prune, the more they bloom! Bingo!

In the Ivory Coast, the situation is a little different. There are many informal groups that help each other on the farms. That increases the likelihood of underpayment and unfair relationships, however. That is why we've asked the cooperatives to think about how they can make paid work as fair and professional as possible and how we can support them in this regard.

#### **land rights: better organization**

Hardly any of the farmers have formal land rights. Land rights give farmers security and the possibility to take out loans, lease the land, sell it or transfer the rights to relatives. It's also extremely important to know where the farms are, so you can be sure that they're not located in illegal areas such as rainforest. Besides, when a farmer knows how large his plot of land is, it's easier to figure out how much fertilizer is needed or how big the harvest will be. At the moment, this is not the case. Luckily ,we have a pretty good idea about all the farm locations and we even know the GPS coordinates of more than half of them. Onward to (literally) putting 100% of the farms on the map!

#### **income: not just cocoa**

It's a strange dilemma, really. Are we, as chocolate maker and cocoa buyer, also responsible for the other crops that the farmers grow? We believe the answer is a resounding "yes". Ultimately, we believe that cocoa farmers should be able to earn a living income. Period. Any farmer who is dependent on a single product lives an uncertain life due to things such as possible crop failures or price fluctuations. And that certainly applies to cocoa. That's why we're glad to see that the cooperatives are setting money aside in their premium plans to help farmers diversify. In fact, some cooperatives have made an impressive amount of progress in this regard. ECOJAD, for instance, bought a cassava processing machine for the women members and ECAM used the Tony's Premium to set up a trading site for chickens. Bok bok bok!

#### **climate change**

More and more of the farmers we're working with tell us that climate change is really starting to become a problem. The droughts are getting longer and the rainfall is unpredictable. Cocoa diseases also tend to stick around. Climate change is something everyone has to deal with increasingly. That's why everyone – including our company – is responsible for taking better care of the little blue planet we're all sharing together. We take responsibility for this by reducing our emissions in the chain and compensating where necessary (more on that later). But that doesn't really help the individual farmers in Ghana and the Ivory Coast, of course. So, they're getting support from the cooperatives, which organize agricultural training specifically tailored to dealing with the changing climate. Farmers have indicated that this is really helping them and that, without these training sessions, their harvests would be even worse. But, ultimately, we just need to stop global warming already!

# chapter six: CALL TO BIG CHOCO TO TAKE ACTION

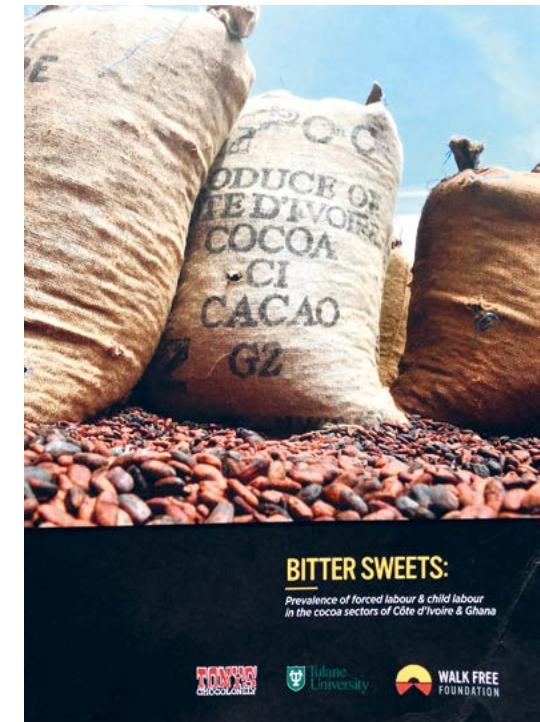


The cocoa supply chain is shaped like an hourglass. There are millions of cocoa farmers on one end, billions of consumers on the other and a few chocolate giants in the middle. 70% of the market is dominated by three couverture (liquid chocolate) manufacturers and eight cocoa traders and processors. These few multinational chocolate companies wield the power in the supply chain. And, as we all know, with great power comes great responsibility!

If we can get the chocolate giants to change the way they work, we can eliminate the most glaring abuses in the cocoa industry within five to ten years. But there are hurdles that need to be overcome.. At the moment, the business model in the cocoa industry is driven by profit maximization. Profit what? In other words, the goal is to make as much profit as possible. And one of the undesirable consequences of this approach is exploitation in the cocoa supply chain.

## We now have official figures: the Global Slavery Index

Last year, the Chocolonely Foundation partnered up with the Walk Free Foundation and Tulane University to conduct a survey of forced labor (including modern slavery) in the cocoa industry. We are very proud of this first independent study, which exposes the extent of the problem. The results show that 30,000 adults and children are victims of modern slavery. And these figures are supported by the Global Slavery Index 2018. The survey was confined to official cocoa-growing areas that produce average to large volumes of cocoa. Recently deforested areas where cocoa is grown illegally were not included. Yet, from stories we have heard, we understand that things are far worse in these areas. So, the actual number of victims is likely to far exceed the official number of 30,000. At this point, the problem can no longer be denied. Only by working together can we make all chocolate 100% slave free!



## Chocolate giants have set sustainability goals..

You have probably heard of the world's biggest chocolate companies. They include Mondelez (Milka, Côte d'Or, Toblerone), Nestlé (KitKat, Smarties) and Mars. There are also large companies that make liquid chocolate (it's known as couverture). They include Barry Callebaut, Cargill and Olam. These companies are increasingly prepared to acknowledge the systemic abuses in the cocoa industry. Last year, some of the biggest names in the chocolate industry, such as Barry Callebaut and Mars, announced ambitious plans to eliminate child labor from their supply chain over the next few years. We are delighted to see Mars embracing a number of our Sourcing Principles, including paying higher premiums and ensuring that all of its cocoa is traceable by 2025. But undertaking to ensure that farmers can earn a living income would be better still. When it comes to identifying problems in the supply chain, Nestlé is far more transparent than most. In fact, Nestlé was one of the initiators of the Child Labor Monitoring and Remediation System (CLMRS). But we still have a ways to go..

It's good to have ambitions, but they need to be put into practice. There is still no industry-wide commitment to achieve the Sustainable Development Goals established by the United Nations, which include putting an end to child labor. Besides, it's not possible to eliminate child labor and modern slavery without also tackling the poverty experienced by the farmers. And factors such as poverty, the chance to earn a living income and the price of cocoa are precisely the ones that are too often overlooked. That's why Arjen, our Cocoa Game Changer, took to the main stage at the World Cocoa Conference in Berlin and urged all parties to accelerate their efforts, so all cocoa farmers can earn a living income.



Raise the bar, Boekie!  
No really, higher up in the air!

## .. we have yet to see results

Besides scrutinizing our performance (see the chapter on farmers and cooperatives), True Price also assesses the progress made by the big chocolate companies. In terms of the adverse side effects (the "true costs") of the chocolate industry, little has changed since the previous survey conducted in 2013. The relative (28%) reduction in the "true costs" compared with the earlier survey in 2013 is accounted for by the increase in cocoa production and corresponding decrease in the cost of the side effects per kilo.. This is disappointing. Especially since we show that chocolate can be made differently and our results are 55% better than the industry average. It's time to step up to the plate! Put your ambitious plans into practice and follow our example!



## **Tony's is producing cocoa butter in Abidjan with Barry Callebaut**

Barry Callebaut, one of the chocolate giants, plays a key role in our supply chain. We are working together closely to change the industry from the inside. In the middle of last year, we embarked on an important project. It involves producing the cocoa butter for our bars in Abidjan in the Ivory Coast. We are doing this in partnership with Société Africaine de Cacao, the West-African arm of Barry Callebaut. Local production is a tremendous milestone and one that we are extremely proud of because it has several positive impacts. It allows the farmers to increase their income and also reduces our CO<sub>2</sub> emissions. This is how it works:

→ We found a use for locally grown mid-crop beans. These beans are harvested outside of the main season and are smaller and of poorer quality. Since they don't meet the export standards established by the Ivorian government, they are not allowed to leave the country. So, cocoa farmers earn far less during the mid-crop season. But.. and here comes the good news: mid-crop beans can be used to make cocoa butter. So, the farmers can sell to us for longer and earn more during the mid-crop season. What's more, we also pay the Tony's premium for mid-crop beans..

→ Shipping cocoa butter to Europe, rather than cocoa beans, reduces CO<sub>2</sub> emissions. Local production reduces the number of sea containers we need. This is because each container can carry almost twice as many tons of cocoa butter than if it were carrying cocoa beans. We've worked it out for you: this year we saved 70 tons of CO<sub>2</sub>. It might not be much, but it's a start!

## **In search of more sustainably produced milk powder with Barry Callebaut**

We've also embarked on another ambitious project with Barry Callebaut. The milk powder in our supply chain accounts for 67% of our emissions. This year, we felt it was time to grab the bull by the horns. Together with Barry Callebaut, we started looking for more sustainably produced milk powder for our bars. We've been wanting to do this for a while, since we want our bars to also contain traceable and more animal-friendly milk powder. We moooooved into a whole new world.. We talked to the Dutch Society for the Protection of Animals, scientists, CLM (an independent consultancy specializing in sustainable food, farming and rural development), the Sustainable Dairy Chain, Friesland Campina (a Dutch multinational dairy cooperative), Caring Dairy and many other people who know far more about milk (powder) than we do. We visited a dairy farm, petted some calves and saw a biodigester. But there are still some major challenges to deal with. To be continued..

## **Big Chocolate companies are addressing deforestation**

Last year, we attended numerous cocoa conferences and couldn't help but notice that, as well as the need for a living income, deforestation is currently one of the biggest issues in the cocoa industry. The Cocoa and Forest Initiative was founded by the governments of Ghana, the Ivory Coast and Colombia in partnership with all of the key players in the cocoa industry. The goal of the initiative is to end illegal cocoa production and ensure that protected forests are more effectively protected.

While it is good that deforestation is on the agenda, it is also important to note that exploitative low cocoa prices are one of the root causes. When farmers are able to earn a decent living, they can invest in the land they already own. And, with traceable cocoa beans, you know that your beans weren't grown on illegally deforested land.

We have not (yet) joined the Cocoa and Forest Initiative, but will monitor its development. However, we do have a related concern that is directly linked to our mission: it's true that many cocoa farmers live in the rainforest – even though it's illegal. But what will happen to them and their families if they are forced to leave?

## **Climate change and 'our' 18,488 tons of carbon emissions**

As we mentioned before, cocoa farmers are suffering greatly from climate change: rain is unpredictable and dry spells tend to last longer. We make chocolate bars and Easter eggs from cocoa beans that grow in Ghana and Ivory Coast; the carbon emissions in our chain contribute to the local climate change. We'll be taking ownership of these carbon emissions. And by that we mean true ownership, from bean to bar. By preventing and reducing emissions in the chain where we can or – where we can't – by offsetting emissions through innovative and smart partnerships. Our bean to bar carbon emissions stood at 18,488 tons in the reporting period, i.e. 3.19 kilos of carbon per kilo of chocolate. Tony's wouldn't be Tony's if we hadn't asked our partner True Price to develop an awesome calculation model for carbon emissions from bean to bar.

## **Carbon dioxide: it's not okay!**

It's a technical work of art for sure! We know what causes the most emissions (milk powder) and what bar is the most environmentally friendly (dark almond sea salt or pecan coconut) and the least environmentally friendly (white..). You didn't think we knew that, did you? The good thing is that we can manage the model ourselves and don't need True price to calculate our total emissions for us every year. We've asked PwC to review the model and our carbon emissions for us. Perhaps we should say in this context that we feel that the 'cost' of carbon emissions should be included in the cost price of a bar. That's why we'll start incorporating carbon costs in the production costs of our bars next year. Let's go for a carbon-neutral bar!

## **14,444 tons (i.e. 78% of our total emissions) of carbon emissions offset with Justdiggit**

Our partnership with Justdiggit is still going strong. Justdiggit regenerates dry land in Africa by involving local communities. This year, our contribution of € 130,000 was used to add 121 hectares of land; in total, we've now greened 189.7 hectares with Justdiggit in Kuku, Kenya. This greened land has locked in 14,444 tons in carbon emissions. Justdiggit has now started a project in Ghana as well, which will help to benefit our cocoa farmers. A project with a positive social and environmental impact.. what else could we wish for?



JUSTDUGGIT

## **26.43 tons of carbon emissions prevented with GoodShipping**

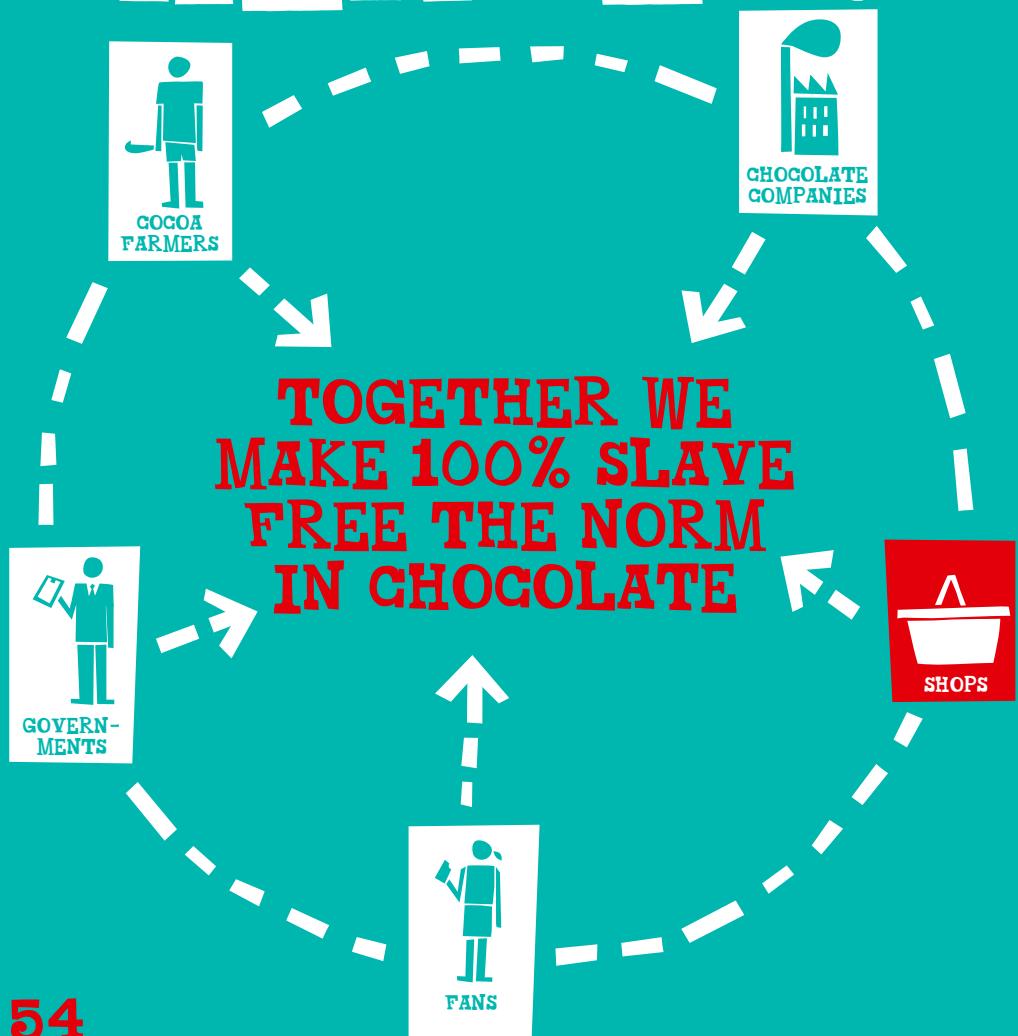
We're also looking at ocean-shipping, which is one of the most polluting industries in the world. We want to make our ocean transports more sustainable, and we've already made a start. In the reporting period, we shipped all our bars to the US using biofuel. We paid € 10,000 to save 26.43 tons in carbon emissions. It's just a smidgen to be sure, but hey, we have to start somewhere. We've partnered up in this initiative with the GoodShipping Program, which aims to change the standard in ocean-shipping from fossil fuel to biofuel. Anchors away!



GoodShipping

Program

# chapter seven: RETAILERS: THE UNEXPECTED HEROES?



It's important not to underestimate the role of supermarkets and other shops that sell chocolate. Retailers determine which products appear on the shelves. They're also in charge of procurement for their own private label chocolate bars. That's a whole lot of purchasing power. In fact, the combined market share of private label chocolate bars at retailers in the Netherlands is good for the second place.. So, who occupies the top spot? Can you handle the suspense? Conclusion: supermarket chains and other retailers wield considerable power in the chocolate supply chain.

**T**hese days, almost all of the chocolate on the shelves is either Fairtrade, UTZ (pronounced 'ootz') or Rainforest Alliance certified. Who got the chocolate manufacturers to obtain certification? That's right! The big retail chains. They are committed to ethical and sustainable practices. This is no small achievement. In fact, it's a huge step in the right direction. We want certification systems and retail chains to now use their power to take the next step. We want them to introduce new rules that apply, in addition to certification, and to ensure that they are reflected on the shelves. Let's make sure the rules are absolutely clear.. and let's get this show on the road!

## Supermarkets are ready to go beyond certification

Many of the big supermarket chains are aware that certification alone is not enough. And this awareness is growing. We're proud to say that we have now sat down and explained our rules to almost all of the supermarket chains in the Netherlands (at their request, of course). This was prompted by consumer demand for transparency in the production chain (the first pillar of our roadmap in action!). During midyear meetings with our customers, we spend the majority of the time discussing our mission, roadmap and Principles of Cooperation. We show the impact we've had since the last meeting and examine how we're doing in this respect. Only towards the end of the meeting do we talk prices and shelf space. So, we are able to have increasingly honest and meaningful conversations about the rules required in addition to certification. All the same, we can't switch on the disco balls just yet.. but the story isn't over!

We've been hard at work implementing the third pillar of our roadmap: Inspire to act. Mireille, our Choco Activator, spends her days trying to convince other companies, from retailers to chocolate makers, of the merits of our 5 Principles of Cooperation. On September 30, 2018, we still didn't have any allies in our mission. It was a bit of a bummer for this annual FAIR report. But.. thankfully we're now well into negotiations. We have yet to set an announcement date by the time this report goes to print. However, we'll be able to tell you more at the Tony's Fair 2018. You can also read all about it on our website.

## **Market leader in the Netherlands (disco balls, if you please!!!)**

By pursuing our mission we've changed the chocolate landscape in the Netherlands. Who do ya think occupies the top spot in the Netherlands? Hmmmm? Well.. We do! Tony's has been market leader since December 2017!

We ended our last financial year with a 19.03% share of the Dutch chocolate bar and tablet market. It goes without saying we're stoked about that. Not just a little pleased, but as happy as a great big chocolate egg. Last year Tony's entered the Netherland's Biggest Grocery Brands Top 100 at number 84. We are the first chocolate brand you encounter in the chart. And, apart being the largest chocolate bar and tablet brand, we're now the largest brand in the chocolate category as a whole.

So, here's to all the lovers of crazy flavors, colorful wrappers and funky social media posts! It's happening! We are being copied. Even outside the chocolate category (seasalt caramel peanut butter..really?!). But come on, we want our 5 sourcing principles to be copied by other brands, not our flavours or funky social posts. Because this is where our strength lies, in our way of doing business based on equality and direct relationships.

Fortunately, even without their colorful wrappers, our bars spread our message: things are not being shared equally in the chocolate supply chain! It's what's inside (the wrapper) that counts: incredibly tasty chocolate that tells a compelling story of successes and failed attempts, always with the same goal: 100% slave free chocolate. Worldwide.



Fun fact: Our small bars are now also unequally divided. So, even without their wrapper, all of our bars now illustrate the inequality of the supply chain.

## **What was that about certification?**

It's a step in the right direction, but certified chocolate on supermarket shelves doesn't mean that farmers earn a living income, nor does it guarantee that the supply chain is free of child labor. While certification systems are increasingly addressing the need to create structural improvements, the emphasis is still on checking and enforcement.

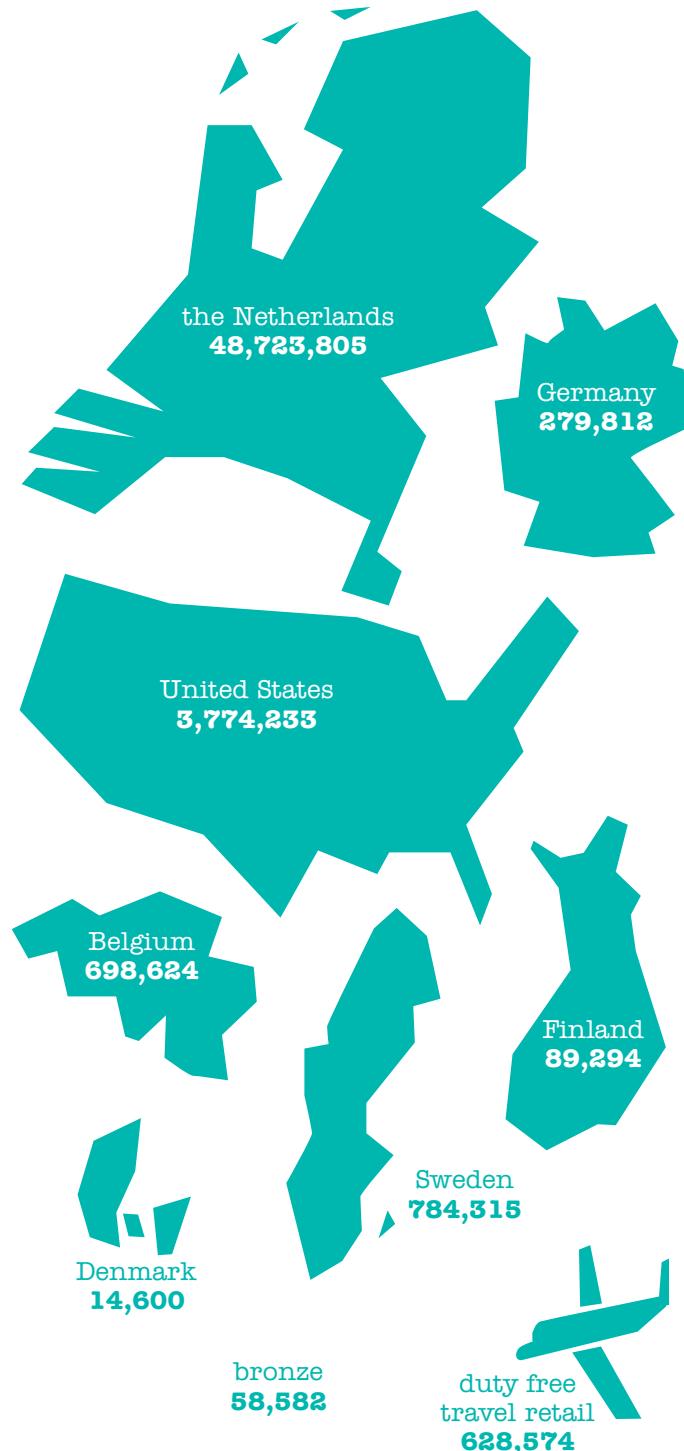
The main certification schemes in the cocoa industry are UTZ and Rainforest Alliance (RA) (they recently merged!), the Fairtrade label (Max Havelaar in the Netherlands) and Organic (which seeks primarily to minimize environmental impact). Our bars were Fairtrade certified from the start. We share the same commitment to strengthen the position of farmers and cooperatives and ensure that they receive a good price. And cooperatives and farmers are satisfied with Fairtrade, not only because of the higher price, but also because of the support they receive. Nevertheless, Tony's Chocolonely is the outspoken member of the family. Every year we reassess whether Fairtrade is still the best fit for us. This is something we discuss with Max Havelaar on an ongoing basis. Our methods do not tie us to any one certification system, so we are also frequently in contact with UTZ-RA. Not only about their standards and developments, but also issues that exist throughout the industry. We are happy for the certification systems to present us with challenges and we also challenge them. Last year, we were delighted to see the certification systems make the possibility of a living income a key item on the agenda!

## **From 4 to 3.. but unfortunately not yet to 1..**

Rainforest Alliance and UTZ have merged and are developing a new code that will be introduced in 2019. We are monitoring this closely and meet with them to discuss things we'd like to see included in the new code (such as a living income for farmers and greater transparency about child labor!). We also want certification to be more affordable for farmers.

It's a shame that the four main certification systems didn't all join forces. A truly missed opportunity. Many cooperatives, including our partner cooperatives, are UTZ, RA and/or Fairtrade certified. And some also have Organic certification. This involves additional work and costs which is a crying shame! The certification systems do differ in certain respects. For example, Fairtrade pays a fixed premium of \$ 200 per ton of beans, whereas UTZ works with a negotiable premium. But other than that, as far as we are concerned, the differences are not too wide to be bridged.

**Revenue figures per country in euro's**  
total **55,051,839**



### Tony's Chocolonely around the world

It's fantastic that we are the market leader in the Netherlands, but that's not yet the case in other countries where we have to start at the bottom of the totem pole. We classify our international markets as gold, silver or bronze, depending on how crucial they are to achieve our mission. We also want to wake up consumers, chocolate manufacturers, supermarkets and governments in the U.S., UK and other European countries. So, we're spreading our message there as well. This should put us on the radar of the chocolate giants. Here's a quick run-through of what we've been up to outside the Netherlands.

Last year, 88% of our sales were generated in the Netherlands. Just under 7% were generated in the U.S. (one of our gold markets) and just over 3% were generated in Belgium, Sweden, Finland and Germany (all of which are silver markets). Our bronze markets accounted for just over 1% of our sales.

### U.S. of A.. it's huge

Our Portland team grew from three to seven Tony's so we can now tell our story in more places. We set up our (new) trade show booth at the four largest and most important food tradeshows – with more than 50,000 visitors per show. Wow! It was the place to be to share our chocolate and our story with the big supermarket chains and independent retailers.



Team US of A in da house (with a few Dutchies added for flavor).

### So, are you ready to rumble?

Last year we changed our product range in the US. We welcomed Dark Milk Pretzel Toffee and Milk Hazelnut and said FAIR-well to our Dark Coffee Crunch bar. We'll miss you. But not for long, with our Limited Editions and chocolate Easter eggs embarking on an adventure in America. (Where's the confetti?) KeHE – one of our customers and distributors – presented Tony's to its customers as a featured brand.. and an increasing number of retailers now (since September 2018) sell Tony's in the U.S. Want to know which ones? They're all listed on our new U.S. website. Did you know we are B corp certified. In the US this is a well-known movement of organizations that use their business for doing good.

So, Tony's is experiencing promising growth in the U.S., with (in euros) a 76% increase in sales. Of course, our ultimate goal is to spread our message and make Serious Friends. We'll tell you more about the challenges we're facing in the chapter on consumers.



## YouKay

The United Kingdom (UK) is one of our gold markets. As a home market of chocolate giants, it is crucial for achieving our mission. This is being tackled by our own local team. Team Tony's UK was set up September 2018. How cool is that?! UK country manager Ben is based in London (splendid!). In September, we put out the first feelers at the Specialty & Fine Food Fair to see if the UK was ready for Tony's Chocolonely and we were warmly received. We are now busily preparing to make and sell the first bars. In not too long Tony's will also be on the shelves in the UK. It's the best thing since sliced bread, so they say.



Are you cleaning up the mess yourself, Ben? Splendid.

## Tony's Chocolonely, le chocolat éthique qu'il nous faut à Pâques

LIFESTYLE

Charlotte Gruel Jobs

TONY'S CHOCOLONELY

TONY'S CHOCOLONELY

## The PR machine on a roll

WEISST DU, OB DEINE LIEBLINGSSCHOKI OHNE SKLAVEN PRODUZIERT WIRD?

GE MISCHT TELLER

TONY'S CHOCOLONELY

FRANK JAN BELTRAM, CEO VON TONY'S CHOCOLONELY

We haben die BSCI-UTZ und Rainforest Alliance-Schokolade auf die gleiche Qualität geprüft. Die Ergebnisse waren übereinstimmend. Eine BSCI-Prüfung ist nicht leichter als eine UTZ-Prüfung. Das ist kein Grund, um die BSCI-Prüfung zu ignorieren. Es ist wichtig, dass beide Prüfungen auf demselben Kriterium basieren. Das ist der Unterschied zwischen BSCI und UTZ.

Was interessiert uns die Verarbeitung? Als Schokoladenliebhaber sind wir sehr sensibel für die Herstellung von Schokolade. Wir möchten sicherstellen, dass die Schokolade nachhaltig produziert wird. Das ist unser Ziel.



## Silver markets

What's happening in the silver markets? In Belgium, Tony's can no longer be ignored. Last year, our sales grew by more than 360% and we are now sold in Delhaize, Belgium's second largest supermarket. And, at the beginning of October, (not quite in this financial year but still worth mentioning) we closed a deal with the Colruyt group, the largest supermarket giant in Flanders.

The Scandinavians are also crazy about Tony's Chocolonely. We are now sold in 200 stores in Sweden, 73 in Denmark, 50 in Norway and.. 20 in Finland! Yes, that's right! Last year, we entered the Finnish market: yhdessä teemme suklaasta täysin orjatyöstä vapaata. So, we'd like to extend a warm tervetuloa (Google it!) to our new Finnish distributor, Transmeri Group, and our first Finnish customer, Ruohonjuuri. Scandi coffee drinkers can find us at Espresso House, a Scandinavian coffee chain a bit like Starbucks. In Sweden, we didn't see any growth. In fact, sales fell from € 904,000 to € 807,000. We're going to change our approach so we can guarantee growth next year.

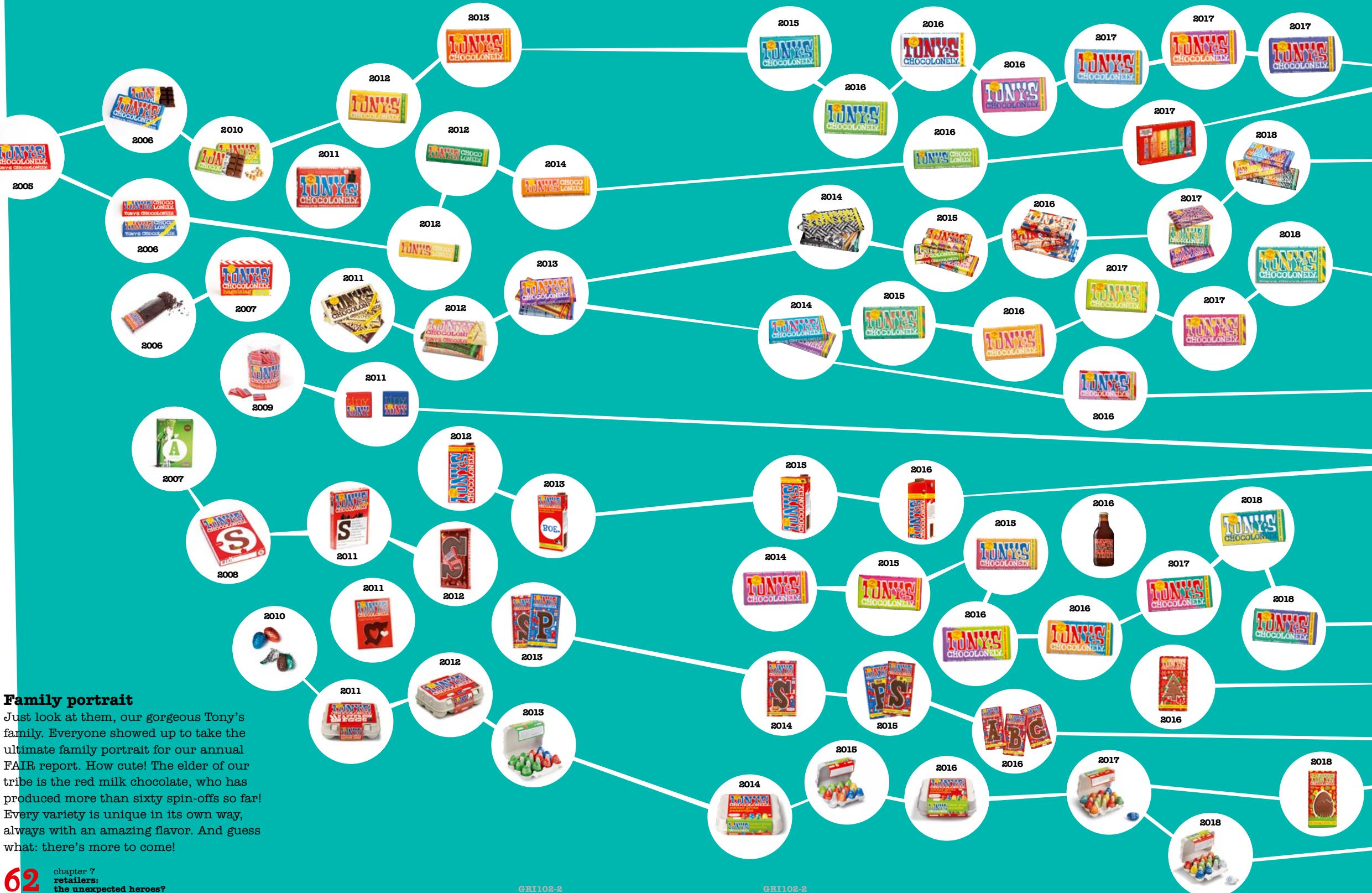
In Germany, where our distribution partner is BestBrands, we've been on the shelves since January 2018. We can be found mainly in Edeka and Rewe supermarket stores around Hamburg (the city, not the sandwich). Choco friends can also find us in HelloFresh fridges in various offices.

Let's make no bones about it.. outside the Netherlands we're still a minnow. Nevertheless, the U.S., UK, Scandinavia and our neighbors across the border are crazy about Tony's. They also want to know more about the abuses in the industry and what they can do to change the situation. And, take it from us, American, British, Scandinavian and Belgian choco friends can make a difference!

## Bronze markets and Duty Freeeee!

We're going the extra mile – and further still! Tony's is now also sold in bronze markets like Spain and the Gulf state of Kuwait, thanks to our distribution partner Van Tol. Chocoladiewadiewoo!

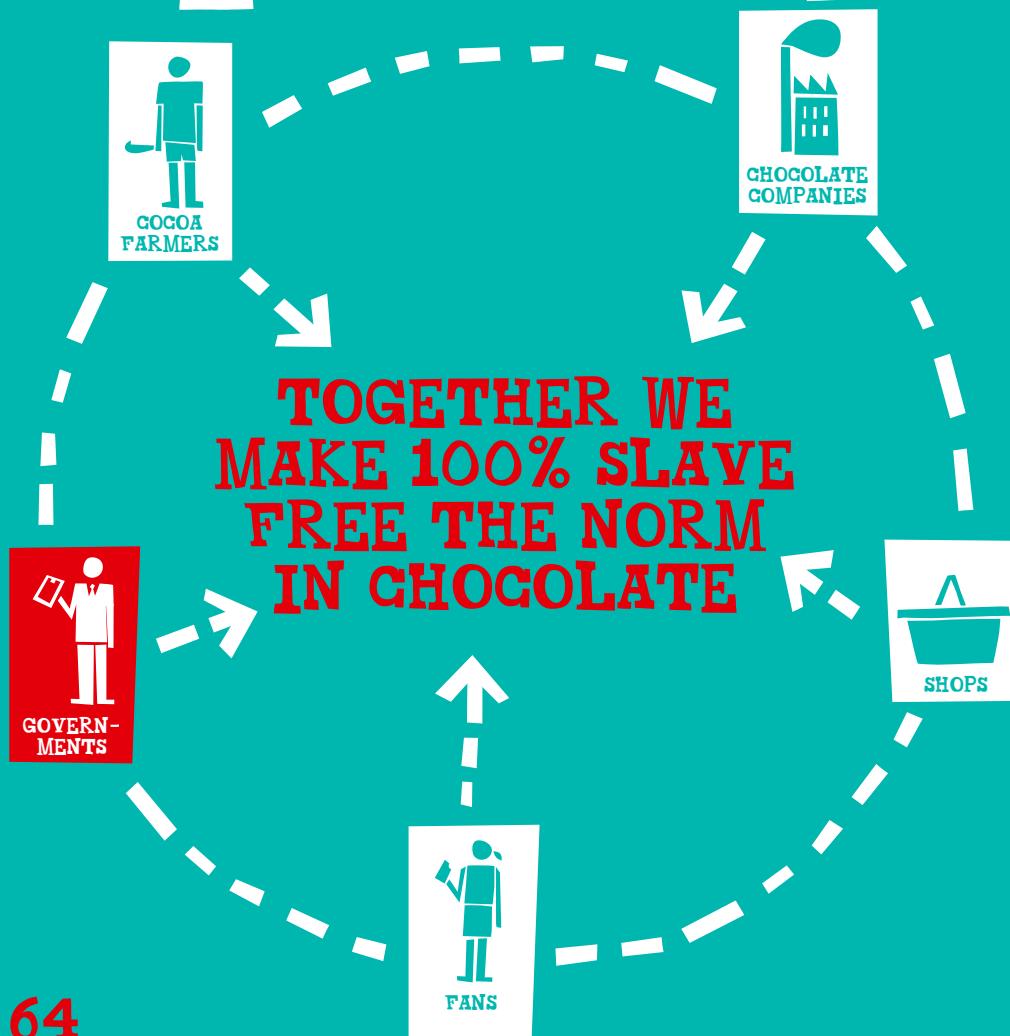
If you did any air travel this year, you may have seen us at an airport. Perhaps Schiphol and/or Rotterdam in the Netherlands. Our airport partners include Schiphol Airport Retail and World of Delights. Our Tony's are already packing their cases, ready to fly to airports in the rest of the world next year – CO<sub>2</sub> neutral, of course. In preparation, Team Tony's U.S. has as also entered the world of duty free: our East Coast Melissa has just signed an agreement with Paradis to sell Tony's at 60 airports in the U.S. Have we got our head in the clouds? Nope! Duty Free & Travel Retail are fully in keeping with our ambition to conquer the world with our brand. See, buy, flyyyyyyyyy!



### 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!

# chapter eight: GOVERNMENTS: PROGRESS IS SLOW



In this annual FAIR report, we zero in on all of the key players who can change or apply the rules in the cocoa industry. Now we come to governments and, well.. we can keep it brief. Tony's has launched successful campaigns in the Netherlands together with other chocolate companies and also with its Serious Friends (thanks!). But, so far, we haven't managed to spur the Dutch government into action.

**W**hy do governments play an important role in the fight against child labor and exploitation of farmers in rural Ghana and the Ivory Coast ? First of all, because governments – both those in consumer countries such as the Netherlands and those in production countries such as Ghana and the Ivory Coast – are responsible for introducing and enforcing effective laws and regulations. And, second, because governments can improve living conditions by providing good education, decent roads and clean drinking water. This alleviates poverty and reduces the risk of child labor and exploitation.

It should be mandatory for companies to show what they're doing to identify and prevent illegal child labor and modern slavery in their supply chain. That's right! We believe all companies must actively seek out abuse in their supply chain. Assuming that "no news is good news" is not good enough. If you know workers in your industry (in this case, cocoa farmers) are vulnerable to serious exploitation, you have a duty of care for the people who help produce your end product or service. The fact that the adults and children concerned live and work in another country makes no difference.

## Enough support, but still no legislation

In Europe, Britain is leading the way with the Modern Slavery Act 2015, which requires companies to investigate the risk of modern slavery in their production chains. And, last year, the Netherlands was not far behind, with a bill for a new Child Labor Due Diligence Act, which introduced a duty of care to solve and prevent child labor. The bill was passed by the Dutch Lower House and "only" needed to be approved by the Upper House (the Senate). In October 2017, the Upper House organized an expert meeting on child labor. Tony's was invited. So, Paul, our Head of Impact, polished his shoes and headed for The Hague. One of the main concerns was that "the Act imposed an excessive burden on businesses." Nope! The Act

doesn't ask the impossible. It requires companies to declare that they are taking all necessary measures to solve and prevent child labor, investigating the risks of child labor in their supply chain and addressing these risks to the best of their ability.

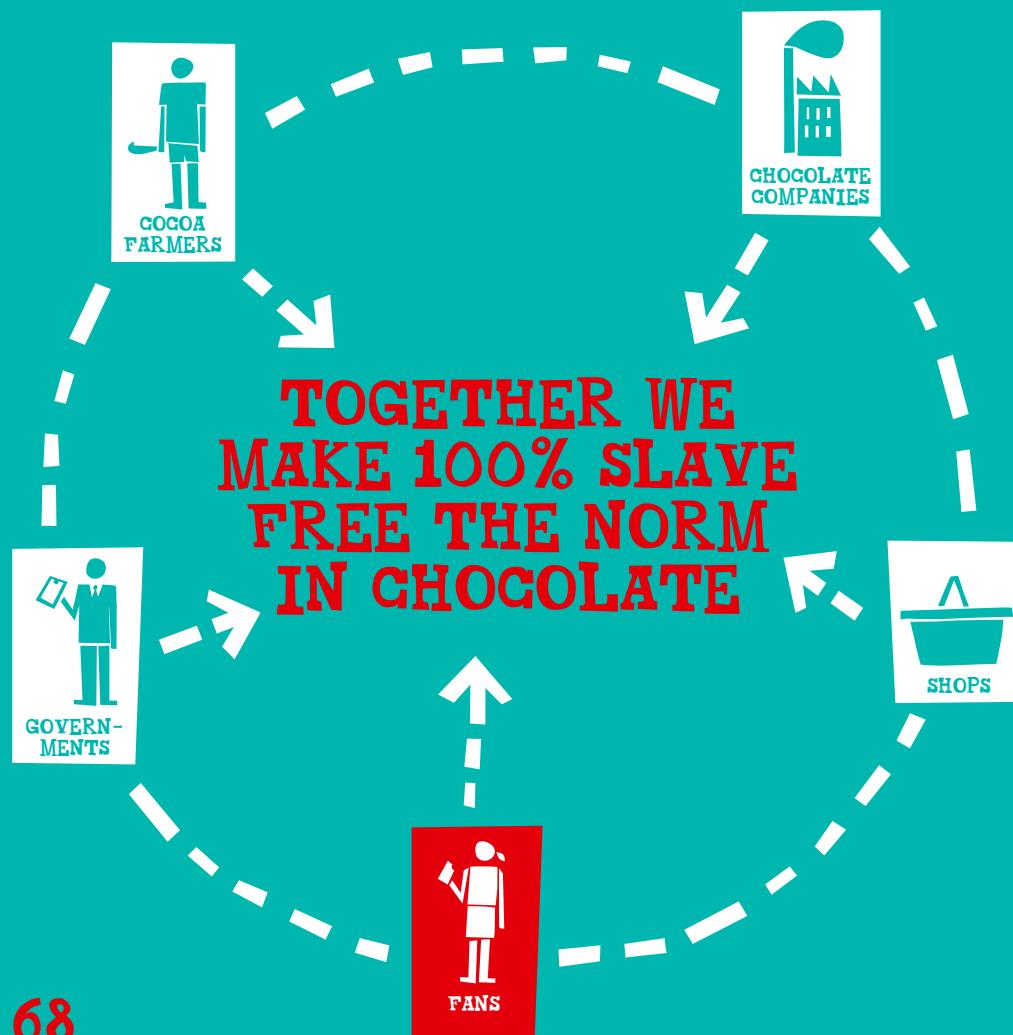
Self-regulation is not solving the problem.



Thumbs up!: Impactus Prime Paul in the Dutch Senate.



# chapter nine: CONSUMERS: POWERRRRR TO THE CHOCO FANS



Hey, choco fan! This one's for you. Do you realize how much power you have? You make choices every day, and what you choose to buy makes a difference. Do you want to pay a fair price for the products you put in your basket – one that everyone in the supply chain is happy with? You can demand transparency, traceability and sustainable business practices. Really!? Yep. And one way is to share our story and our chocolate.

The more chocolate we sell, the more cocoa we can source according our 5 sourcing principles directly from cocoa farmers and the more it impacts the lives of them and their families. So, the first thing is to eat Tony's. You can also do more to support Tony's (if you aren't doing so already) by taking part in our campaigns and actively joining us in our mission. How? Read on to find out!

## Real friends don't come and go

Tony's has a lot of choco friends and is always meeting new ones. Where, you ask? At our Home and Super Stores, at Tony's Talks, at Tony's FAIR, at talks given by our Choco Evangelist Ynzo, at (international) tradeshows, at choco workshops in our choco kitchen with Celine, our Recipe for Success, through our website, social media... and so on. Everywhere, we meet wonderful people who tell us stories, ask us questions and surprise us with letters, pictures, things they've made, their own mini missions, cakes, lightning visits and spontaneous phone calls. We think this is awesome because it's how true friendships are forged. And that makes us happy.

We made so many new friends last year. We now have 8,569 Serious Friends in the Netherlands and the U.S.. And by Serious Friends we mean choco friends who have contacted us through our website or in some other way. We want to get to know them, inspire them, stay in touch and provide them with resources so that together they can make an impact. Because, hey, you don't get far without friends.

## BITTER Chocolate stories

In the Netherlands, the BITTER Chocolate Stories exhibition features striking photos and children's accounts of their experience on cocoa farms in West Africa that show the serious side of our story. The exhibition can be seen at the Tropenmuseum in Amsterdam until September 1, 2019. And.. we've now launched Tony's Unlimiteds! So, you can now make your own Tony's Chocolonely. (At last!!) At Tony's Superstore in the Beurs van Berlage building in Amsterdam, you get to operate our chocolate-making machine. How cool is that?! Create your own flavor and watch your bar roll off the production line with your own eyes..

## Real friends are forever

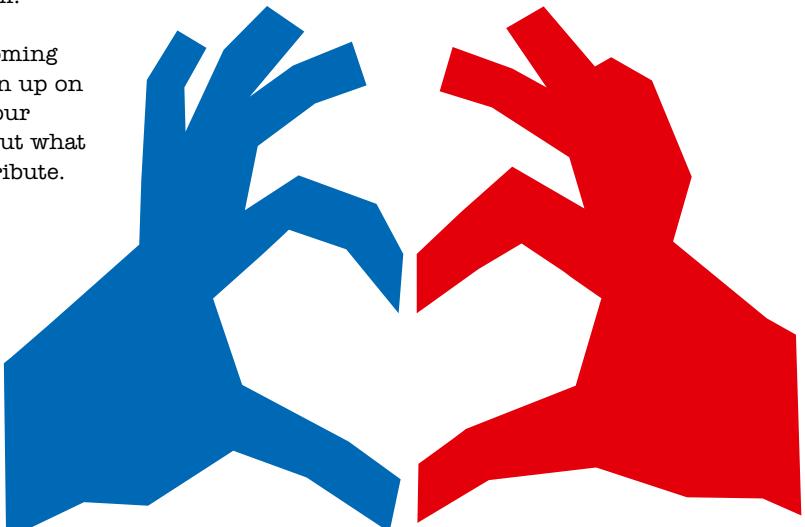
Serious Friends feel that together, with us, they can change things. They support our mission and that's mega-important to us. Serious Friends speed up achieving our mission and collectively they put pressure on the other players in the supply chain. And, if a Serious Friend clearly means business and demonstrates this with their own mini campaign (for example), we become Serious Friends Forever (SFF). So, Tony's friends strategy identifies different levels of commitment.



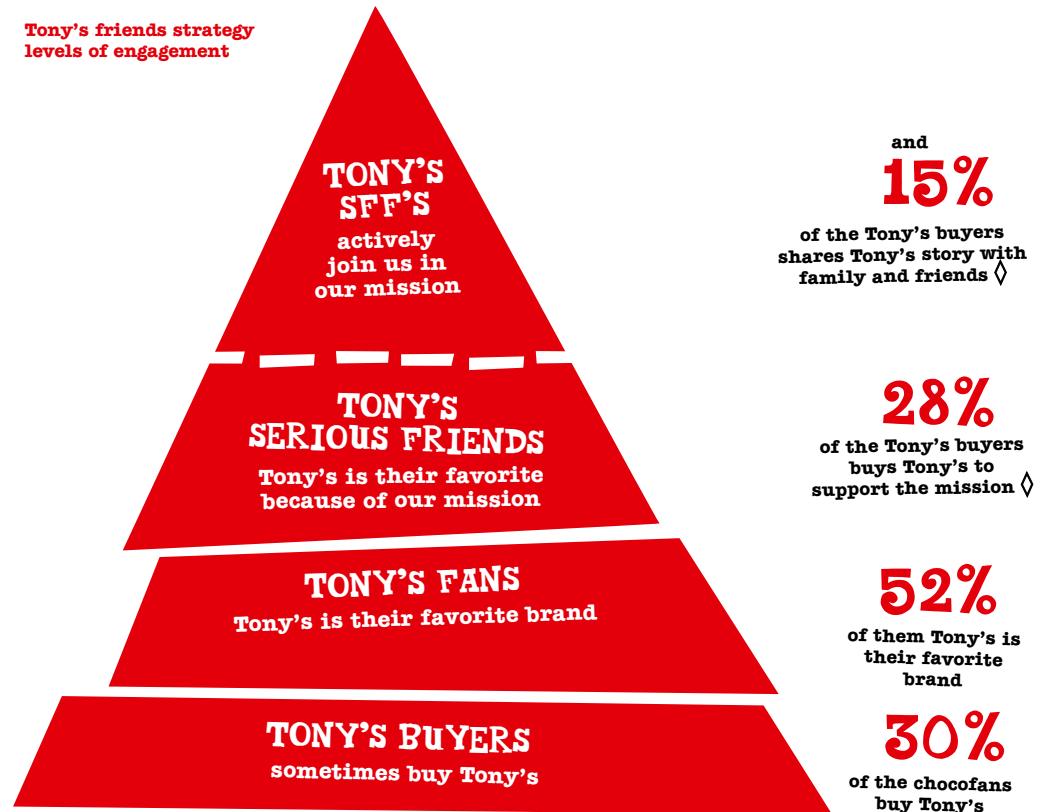
BITTER Chocolate Stories at the  
KIT Royal Tropical Institute.

Serious Friends and Serious Friends Forever have a special place in Tony's heart <3. We have each other's contact details and keep in touch by email and through apps. And SFFs are always welcome to join us on special and enjoyable occasions. In September, for example, Serious Friends Corelien, Anneloes, Lennaert, Maartje, Suzanne, Myrthe and Esther joined us for the opening of the BITTER Chocolate Stories expo at the Tropenmuseum in Amsterdam.

So.. if you're thinking of becoming a Serious Friend, you can sign up on the Serious Friends page on our website. There you can find out what we do and how you can contribute.



Tony's friends strategy  
levels of engagement



**Tony's friends strategy: Mini Missions and Serious Friends Forever**  
Some of our Serious Friends surprise us with their mini missions: inventive campaigns and initiatives that create impact by raising awareness of the problems in the cocoa industry. Lots of mini missions combine to create mega impact and speed up achieving of Tony's mega mission: together we make 100% slave free the norm in chocolate. That's what friends are for, and that's why we are Serious Friends Forever. Here are a few examples of mini missions that make us very happy:

→ **Eveline Sissing** launched an online platform that allows locals in Utrecht to seek and exchange everything imaginable. The platform has almost 3,500 users. What's the currency? You guessed it! Solid Tony's Chocolonely bars. (Milk Caramel Sea Salt is the favorite.)

→ Can you imagine hitching a ride from Amsterdam to Barcelona without a cent, but with a whole stash of Tony's Chocolonely bars? This summer, **Alex and Naomi** did just that. They told our story along the way and ended up in the newspaper. Thumbs up!

→ Tony's goes Harvard. **Jan van der Kaaij** and **Professor Benoît Leleux** developed a case study on Tony's Chocolonely. It was so impressive that it's now included in the IMD and Harvard Business School curriculums.

→ Fashion designer and champion of sustainable fashion, **Stella McCartney**, heard about Tony's Chocolonely at a sustainability conference. She immediately decided to display Tony's Chocolonely at her new VIP Flagship Store in London to spread the message. Welcome to Stella's World!

→ **Eugenia Zoidaki** is helping us achieve our mission by making earrings out of Tony's wrappers.

→ British economist **Kate Raworth**, author of the best-selling Doughnut Economics, cites Tony's Chocolonely as an example of the new fairer economy.

**Such fantastic friends! Let us know about your mini mission at [seriousfriends@tonyschocolonely.com](mailto:seriousfriends@tonyschocolonely.com)**

### Campaigns

In the fall of 2017 we launched two campaigns. In November 2,500 of our Serious Friends gathered at Tony's FAIR: Serious Business to hear about the progress of our mission and how, as a company looking to create impact, we make chocolate that does just that. In December 13,000 (!) choco friends signed our petition for the Child Labor Due Diligence Act. And, in January, we created more commotion by delivering the signatures to the Upper House in person. Did you spot us on Nieuwsuur?

**Tony's FAIR 2017: Serious Business at the historic Beurs van Berlage..**



### Hip hip hurr.. nope

It goes without saying that we don't forget our Serious Friend's birthdays. We even give them a birthday present. To begin with, we sent them a bar of chocolate. Later on we arranged for them to visit the BITTER Chocolate Stories expo. Again, we learned a lot in the process.. For example, we learned that sending people something nice, such as a bar of chocolate, for their birthday can quickly get out of hand. We suddenly found that we had another 20,000 friends (who all found their way to us through gratis.nl) and they were all celebrating their birthday the next day.. That wasn't exactly what we had in mind. And hey, we know our bars are irresistible, but let's be honest with each other. Because that's what friends do!

### Special campaigns

For the first time, our Serious Friends could order Tony's Limited Edition bars with their own name (yep!) on the wrapper. This year, we had a caramelicious trio of flavors.. three Limited Edition bars with caramel in all three. And, uh, we also had unique tote bags featuring our one-of-a-kind Limited Edition prints. The bags are made by Afriek, a Dutch fashion brand working with tailors in Rwanda. (They're collectors' items!) We sent personal packages to 200 of our Serious Friends prior to the launch.

And, now, moving on..

So.. we did and learned a lot this year – together with our friends. Needless to say, next year we'll be hard at work applying what we learned.

There were four key insights :

1. We could do with a lot more Serious Friends.
2. We want to run more big campaigns, so together WE create an impact.
3. We want consumers to have a clearer idea about all the things they can do, so we're developing a Serious Friends toolkit.
4. We also want to make a serious number of Serious Friends outside the Netherlands.

### Tony's Chocolonely featured everywhere

We also made sure people heard about us across the border, especially in countries where Tony's is sold. There was a successful PR event for our Francophone choco friends in Belgium. We were also featured on French radio, 'Allo 'allo chocolat.. And 13 Belgian bloggers from Flanders and Wallonia joined us in our choco kitchen for a choco workshop. We had a super fun time as you can imagine.

A German film crew made a wonderful documentary about our mission entitled Faire Ostern (Fair Easter). It was broadcast on ZDF and Arte and can still be seen online. Check our website for the link! There were also articles in the German cooking magazine Mutti and the Süddeutsche Zeitung newspaper that explained abuses in the cocoa industry. We're now working on a campaign with IMA, the Influencer Marketing Agency. They help us to meet and get to know our neighbors, so we can get our message across even better.

And we certainly don't want to deprive you of hearing about Nicolay's adventures in the U.S. Nicolay takes crazy to new heights. He strutted the streets of Portland, wearing a Tony's choco suit, handing out treats to trick-or-treaters. He also skipped along the red carpet at a rooftop fashion show in New York. That's Nicolay for ya. Yee-haw! We also put on an event during Design Week Portland and made Serious Friends at a food blogger event for our "Not Just Dessert" chef collaboration series. And, yes, our efforts paid off. Last year, our Instagram following more than doubled to 6,000 #igers. Our Twitter base doubled to almost 900 fans and we now have 4,500 Facebook friends. That's a lot! But.. considering how big the U.S. is, it's not that much.

### **Numbers pleazzze**

Knowledge is power.. So, here are some of the things we monitor to get a sense of how many people we're reaching with our chocolate and our message. In the Netherlands our monthly Brand Monitor reports provide important feedback. They showed that last year awareness of cocoa farm slavery among choco friends increased from 64% of 67%. We're pleased about this. It represents a sig-nif-i-cant increase in one of the key brand success indicators for the first pillar of our roadmap: Tony's creates awareness. Our target was 66% and we actually slightly exceeded it. Kaboom!

And there's more good news: a lot more people bought Tony's this year. A total of 30% of adult chocolate eaters (ages 18 to 65) in the Netherlands occasionally buy a bar of Tony's. That's 7% more than last year. And the number of Tony's buyers who say Tony's is their favorite brand has increased further from 49% to 52%. We're blushing.. but it also presents us with a challenge. Even the figures show "more buyers", we've learned that doesn't automatically mean "more buyers choose Tony's because they want to support our mission." That number dropped from 33% to 28%. And the number of Tony's buyers who actively tell their friends and family about Tony's mission fell from 19% to 15%. From this we learned two things: we need to raise awareness of our mission and how important it is for people to join us in our mission. We're counting on our Serious Friends to make this the focus of their activities..!

Last year we announced plans to set up a Brand Monitor in the U.S. Having looked into this, we have decided to put it off for a year. We want to wait until our bars are more widely available so the results are more reliable.

Other cool figures:

→ **1,090 PR articles** were published in newspapers, magazines and online in the Netherlands. Last year, there were **1,360**. Bit of a bummer that there were fewer articles, but we didn't go public this year. That generated around **300** articles in a day.. Remember?

→ About **60 PR articles** appeared in (print and web editions of) the international press. (There were also a whole bunch of social media posts written and filmed by influencers (vloggers and bloggers), but they're not included in the figures.) We were also very proud of the large background article on our mission in the Financial Times. You can find the link on our website.

### **Tony's Super Store**

It was a long time coming! (Drum roll, if you please..) On Friday, April 13, we opened a Super Store at the Beurs van Berlage building in Amsterdam. (It was one of the first places cocoa was traded at the beginning of the 20<sup>th</sup> century!) And, yep, you read it right. It was Friday the 13<sup>th</sup> but this year it wasn't an unlucky day. Tony's Superstars couldn't wait to start showing choco friends around our brand-new store.

After the success of Tony's Home Store at our office at Pazzanistraat 1 (on the Westergasterrein site), we now have a second store – and a Super Store at that – near the Central Station in the heart of Amsterdam. At our Super Store we take you on a journey from bean to bar. Want to take a selfie in our Serious Friends photo corner or next to our colorful mega-monster-super-chocomat? Go right ahead! From the Classics to the Limiteds and exclusives, to Tiny Tony's, choco gifts and goodies – it's all found in the Super Store. To mark the opening of the Super Store, there's also Tony's Rainbow Pack: a beautiful bag containing a rainbow of 12 rainbow-colored chocolate bars.

Tony's Super Store is where we greet our choco friends and Serious Friends every day and tell them all about our mission: 100% slave free chocolate. Critical feedback, discerning questions and compliments are always welcome! And it goes without saying that everyone gets to enjoy some chocolate. And, as the cherry on the chocolate cake, we have something special up our sleeve.. As of November 2018, you can make your very own Tony's bar at Tony's Super Store: from the chocolate, to what you put in it to the wrapper. Pssst.. be sure to spread the word! In the last few months, we've been hard at work installing a machine that can do all of this in the store. Want to see it with your own eyes and try it out? Be sure to stop by Tony's Super Store!



→ We gave **165 Tony's talks**, both on our own turf and in other places. We couldn't get our Choco Evangelist Ynzo off the stage. He gave almost 100 talks across the world. And our talks were heard by **17,000 people**. Highlights included TEDxGouda (NL) and a mini Tony's Talk at the SXSW festival in Austin, Texas, which attracted **500,000 international visitors** (very, very pleased).

→ **32,247 choco friends** shopped at Tony's Home and Super Stores and all left laden with purchases.

→ **168 choco friends** got a peek behind the scenes in Tony's choco kitchen, with choco workshops run by our Recipe for Success Celine and Spice Girl Eva.

→ The number of choco friends we're in touch with through (international) social media (Facebook, Instagram, LinkedIn, Twitter and YouTube) increased from 179,000 to **206,000**.

→ **663,253 choco friends** visited our brand-new website during the last financial year. 80% of the visitors were Dutch, the rest were international. They viewed an average of three pages and spent almost three minutes on the website.

### World-shocking and deliciously compelling

We want to reach choco friends and Serious Friends, but we don't pay to advertise to do it. We believe impactful encounters, direct relationships, PR and collaboration are more effective. As born journalists, we are happy for our story to be told by filmmakers and writers with different and independent perspectives. Filmmaker Benthe Forrer made the documentary *Tony, van chocoladecrimineel tot wereldverbeteraar* (Tony, from chocolate criminal to idealist), photographer Joana Choumali and journalist Marijn Heemskerk collaborated on the photo exhibition and book of the same title BITTER Chocolate Stories, and in January 2018 author and journalist Jeroen Siebelink published 'Het wereldschokkende en onweerstaanbaar lekkere verhaal van Tony's Chocolonely' (The world-shocking and deliciously compelling story of Tony's Chocolonely). The book tells the story of the adventurous beginnings of Tony's Chocolonely and how we went on to become the company we are today. A true story about taking action and setting up a business to achieve a mission. A story about sticking to ideals in the face of intractable realities. The book generated a lot of PR. This financial year, more than 12,000 copies were sold in the Netherlands.



Tasty food for thought!



strange  
bristle

### Strange bristles in your chocolate??!

Having to issue a product recall in May was a setback. Bristles were found in several of our bars and we took immediate action.

On Monday, May 14, 2018 we received a call from Kim's Chocolates (the Belgian company that makes our bars) that made our hair stand on end.. Bristles had been found in a sieve used to produce our bars. "Huh?!" we thought, "How come there are bristles in our chocolate???" Well., new tanks had just been installed at the factory. Before the first production run, new couverture (liquid chocolate) tanks are coated with a fine layer of cocoa butter. The brush used to apply it is a bit like a wallpaper paste brush. And, as you can probably guess, some of the bristles had fallen out of the brush and ended up in the chocolate. The white synthetic bristles were around an inch long and approximately 1/64<sup>th</sup> of an inch thick. The material the bristles were made of did not pose an immediate health threat, but the bars weren't suitable for human consumption.

There were several big bars affected, specifically 32% Milk Hazelnut, Dark 70%, 51% Dark Almond Sea Salt and 51% Dark Pecan Coconut. We could figure out exactly which ones by the batch numbers (the code on the side of the wrapper). A small quantity of these bars had already been delivered and some of the bars were on shelves in Dutch stores. Fortunately, we could guarantee with 100% certainty that there were no bristles in any of our other bars or flavors. And, luckily, no bars with the same batch numbers had been sold in other countries.

The bars that had already been delivered needed to be recalled as quickly as possible. So, we launched our recall procedure and stepped into action. Kim's Chocolates reported the situation to the Federal Agency for the Safety of the Food Chain in Belgium (FAVV) and we reported it to the Netherlands Food and Consumer Product Safety Authority (NVWA). Supplies of the affected bars were immediately blocked and recalled from customers. We notified consumers through our website, social media channels and by email. We also issued a press release to all national media. Anyone who had purchased a bar with the same batch number could return it to us for a refund. All of this ensured that we quickly had the situation under control.

Yep.. mistakes can happen. It happened to one of our partners. They have a certified production site with high standards of quality and control. The company that supplies the chocolate tanks has taken action. And we didn't receive a single complaint from consumers who, found a strange bristle in their chocolate..

## And the winner is..

A trophy cabinet that's nearly bursting at the seams is a good sign. It means all aspects of our choco mission are gaining increasing recognition. We're very happy to collect the awards and bask in the applause. Keep the accolades coming!

→ The Sustainable Brand Index gauges which well-known brands are considered most sustainable by consumers. Guess which company was voted the Netherlands' most sustainable brand? That's right! Tony's Chocolonely! Woohoo!

→ Our trophy cabinet also includes a shiny Special Achievement Award. Great feedback from the Reputation Institute, which gathers and compares consumer opinions on different brands within the same industry. With a score of 86.8, we occupy the top spot in the Netherlands followed by chocolate giant Nestlé at number 2 with a score of 78.0.

→ Together with Paradox, we won a Bronze ADCN Award in the Editorial category for the book and accompanying exhibition BITTER Chocolate Stories. The jury said, "Everything feels very closely aligned. The book is very well put together and the accompanying exhibition brings it to life. The oversize photos pull the viewer into the story." What more is there to say? And.. uh, the exhibition can still be seen at the Tropenmuseum in Amsterdam.

→ Our new website has also won an award! a silver Dutch Interactive Award to be precise. In its report the jury said, "Getting chocolate fans involved is an important part of the Tony's Chocolonely success formula. Bitfactory and Studio Sugarfree helped create the same level of involvement online."

→ In one instance we even managed to scoop up two awards from the same publisher. Yep! The food industry journal and news website Levensmiddelenkrant named Tony's Chocolonely a Gold Partner in the Performance Contribution and Sales Performance categories.

→ Our sales figures speak for themselves. They were enough to convince the jury of the 2018 FD Gazellen Awards for the fastest-growing companies in the Netherlands. We are very proud of this award presented by the Financieele Dagblad newspaper. The 15<sup>th</sup> set of FD Gazellen Awards were presented to Dutch companies that had achieved at least a 20% increase in sales for the last three years and closed 2017 with a profit. Business is booming!



# WHERE DO ALL THE GOODIES COME FROM?

## Bye bye brownie!

Flaky crust, gooey chocolate center.. Yum! We love brownies. Our idea was to create a Limited Edition bar with bits of brownie made with our own chocolate or cocoa. There were several reasons why this didn't work, unfortunately. The baking process turned out to be too complicated, so it was 'bye bye brownie!'

## Let's keep the beavers out of it

For our new Limited Edition bar we had to figure out a way of making blonde chocolate. The problem was, we'd have to use non-certified sugar and vanilla flavor of unknown origin. In principle, we don't use additives. Occasionally, we make an exception if we know exactly what they're made of. But, vanilla flavor is sometimes made from beaver anal gland extract (we're not kidding!). Apparently, it creates a stronger vanilla and caramel flavor. Ummm.. we're not doing that. We came up with another solution – a combination of white and dark. Way cooler!

## The right kind of gold

Not a gold nugget, but a gold bar. What a great idea! But it wasn't that straightforward – especially in an industry accused of slavery and exploitation. And that wasn't the only thing that dampened our enthusiasm. It turns out that the gold powder used in the food industry is made with synthetic ingredients. So, our search for the right kind of gold ended abruptly.

cranberries  
from Canada

pecans and  
almonds from the  
United States

salt from Bonaire  
& Australia

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

lemon powder from  
Spain, Argentina,  
Brasil and Italy

sugar, meringue (free range  
eggs), shortbread, cookie and  
gingerbread cookie from Europa

milk powder  
from the  
European Union,  
Iceland, Norway,  
Switzerland and  
New Zealand

nougat from  
Belgium:  
Fairtrade

discodip,  
carrot from  
the Netherlands

raspberry from  
Eastern Europe

'Fair Milch'  
milk from  
Germany

marzipan from  
Romania

pumpkin seeds  
from Austria

cherries from  
Poland

popping candy  
from China

carageenan, pretzel,  
red wine powder, walnuts,  
caramel & popcorn from  
France

hazelnuts  
from Spain

toffee from  
France

rosemary from  
Turkey: Fairtrade  
dispensation

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

cocoa powder  
from Ghana

cocoa from Ivory  
Coast and Ghana:  
Fairtrade

coffee from  
Ethiopia:  
Fairtrade

coconut from  
Sri Lanka and  
Vietnam:  
Fairtrade,  
Organic

pineapple  
from the  
Philippines

cinnamon &  
nutmeg from  
Indonesia

cinnamon &  
cardamom from  
Sri Lanka:  
organic and  
Fairtrade

cane sugar  
from Mauritius:  
Fairtrade

## chapter ten:

# LET'S GRUNCH SOME NUMBERS

There's a different way of going about generating profit and we show that it can be done. Our roadmap says it all: we aim for impact and are commercially successful at the same time. If we can run a successful business case with the objective to make impact, so can Big Choco. So yes, being profitable is a necessity, but our profit is less than it could be if this was our main objective. Our profit is the result of our strategies that aim for an equally divided cocoa chain.

To illustrate our point, we paid € 2,283,572 in Tony's additional premium last year; adding this to the Fairtrade premium, the total came out to € 3,508,790. And yet, we managed to reduce the price we charge to supermarkets. Banks refer to these premium payments as 'voluntary contributions.' True, no one's forcing us and yet we're happy to make them. Paying a higher price is one of our five sourcing principles after all, and it's integral to a fair cocoa chain. As we've said before, to us, profit is not an end in itself; it's a means to an end.

Well then, let's have a look at the figures for the past reporting period. To tell you the truth, things turned out a little differently than we had expected.

### No 50% growth

Revenue was up 22.7% in the reporting period; our gross margin was 41.6% and our net profit margin landed at 4.5%. That's less than what we'd hoped for. We wanted to grow 50% in revenues, a gross margin of at least 40% and a net profit margin of 6%. Although most businesses would be over the moon with our realized growth rates of course, they were actually disappointing to us. And yet, we're proud of our financial performance as well.. All in all, you could say that we had mixed feelings.

It's time for a walk-through, so buckle up.

Our revenue rose from € 44.9 million to € 55.1 million. That's not bad, but our original target was € 67.4 million. Ouch! We fell short of the mark.

Our gross margin improved by 1.1 percentage points, rising from 40.5% to 41.6%, the main reason being the lower couverture price on the world market (in pounds Sterling). It may sound strange, but even though the chocolate in our bars is literally made from 100% traceable Tony's beans, the world market price for couverture affects our figures. What we should mention here is that the higher Tony's premium of \$ 600 per metric ton we paid for Ivorian beans was not included in the cost of producing bars until September (these beans have actually been used to produce bars since that date). Next year, the higher Tony's premium will impact the entire year. In addition, 88% of our revenue is generated in the Netherlands where we post a higher gross margin than in our silver markets and in the US; in 2016/17, this was 93%.

Please allow us to explain a few things about how our gross margin correlates to our net profit. Our employee benefits expense as a percentage of revenue was up from 9.5% to 11.6%. Our staff base continues to grow and we're spending money now to bring about impact growth in the Netherlands and abroad in the future. Our marketing expenses are rising proportionately too, yet they're relatively low. We're proud of the fact that we don't use paid media to tell our story; we want our narrative to be compelling enough on its own to create consumer awareness and encourage Tony's friends to act.

Our supply chain expenses have also seen a proportionate increase. Because the volumes we ship to and within the US are still relatively small, the logistical costs per 'box of bars sold' are relatively high. As we continue to grow we'll be able to harness efficiencies of scale.. Ehhh, what we mean to say, of course, is that there's room for improvement here.

Our impact consultancy fees are added separately to the premium payments and the 1% revenue contribution to the Chocolonely Foundation. We use these to fund our own impact projects and occasionally contribute to the cooperative's impact projects. So.. you're still here? On to net profit it is then.

Taking all this into consideration, our net profit margin was 4.5%. As we said, to us profit is what remains after we've done the right thing. But it was higher than our minimum target of 4% though.

### **Tony's impact costs**

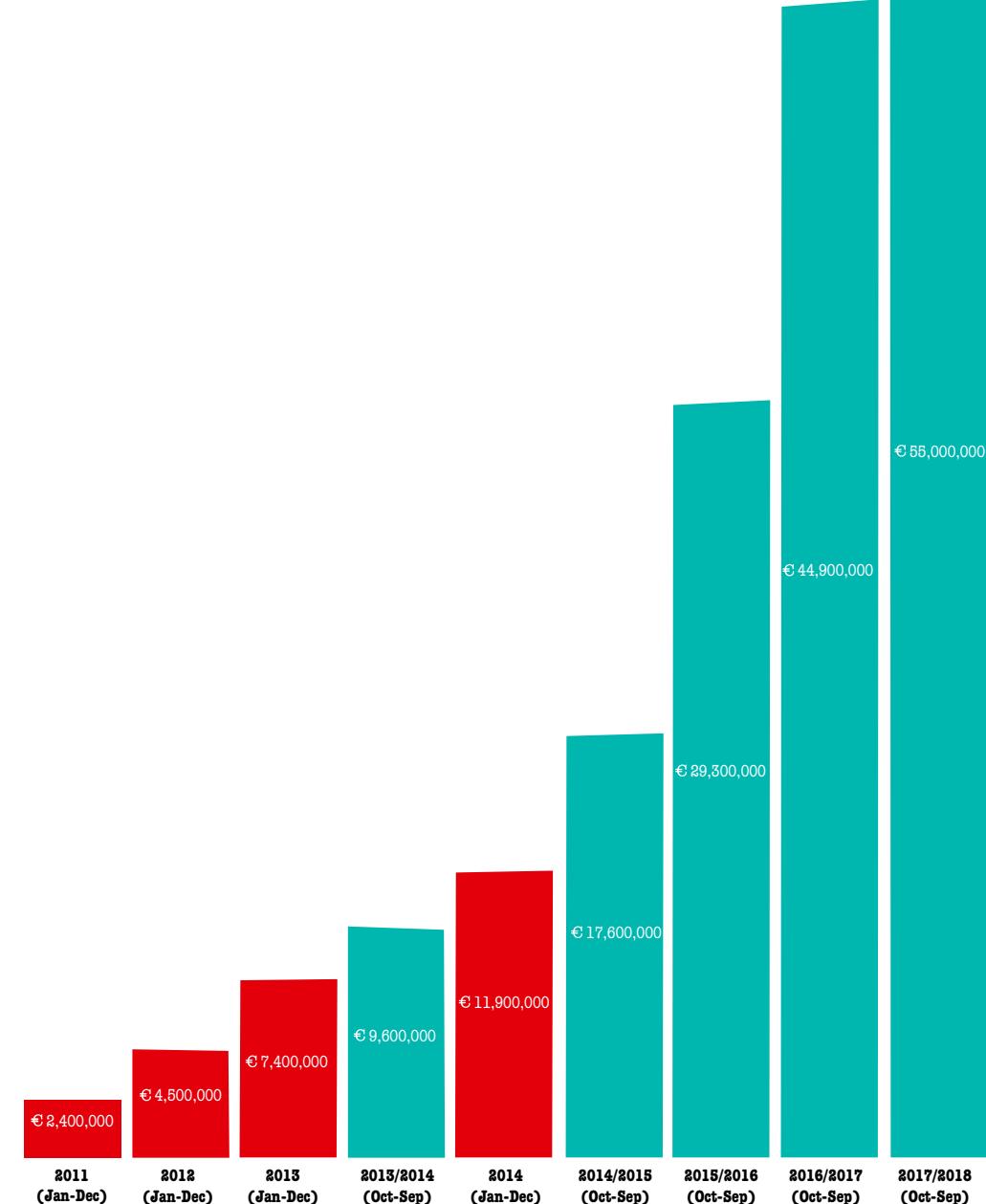
We refer to our voluntary contributions as impact costs. We make these contributions for the direct or indirect benefit of the farmers affiliated with our partner cooperatives and to promote our mission to make all chocolate 100% slave free. Our impact costs amounted to € 2,683,000 in the reporting period, which corresponds to a little over 4.8% of revenue. These are the costs that are actually recognized through our profit and loss statement. We've effectively transferred more money to the cooperatives, but if the beans are still parked on a pile awaiting processing, we recognize our contribution in the statement of financial position, also known as Balance Sheet. Capisce?

impact costs	2017/2018	2016/2017	2015/2016
<b>Tony's premium</b>	1,379	1,126	588
Fairtrade-premium	667	578	403
Tony's additional premium	712	548	185
<b>impact consultancy costs</b>	392	363	146
Fairtrade licence fee	361	285	206
<b>Tony's Chocolonely Foundation</b>	551	449	293
<b>total impact costs</b>	<b>2,683</b>	<b>2,223</b>	<b>1,232</b>

Table: Impact costs per financial year as accounted for in the profit & loss statement in 1,000 euro.

### **Net revenue**

Our revenues increased from € 44.9 million to € 55 million. A growth of 22.7%.



## Profit & Loss Statement (in €)

	2017/2018	2016/2017
Net Revenue	55,051,839	44,924,181
Costs of Sales	32,132,063	26,721,642
Cost of goods sold	31,420,162	26,173,556
Tony's Additional Premium	711,901	548,086
<b>Gross Margin</b>	<b>22,919,776</b>	<b>18,202,539</b>
Gross Margin Percentage	41.6%	40.5%
Personnel expenses	6,589,992	4,257,118
Selling expenses	7,384,416	5,849,457
Marketing & PR expenses	1,459,086	1,078,348
Promotional contributions	4,342,968	3,585,899
Fairtrade License Fee	361,107	284,851
Chocolonely Foundation Contribution	550,520	449,242
Travel and representation expenses	438,244	324,275
Other selling expenses	232,493	126,842
Logistics expenses	2,949,622	2,107,891
General expenses	2,206,096	1,827,333
<b>EBITDA</b>	<b>3,989,651</b>	<b>4,160,739</b>
Depreciation	592,019	266,019
<b>EBIT</b>	<b>3,397,631</b>	<b>3,894,721</b>
Interest costs	221,319	217,663
Exceptional items	-200,266	-
Income Taxes	895,230	959,766
<b>NET PROFIT</b>	<b>2,481,548</b>	<b>2,717,292</b>
NET PROFIT PERCENTAGE	4.5%	6.0%

## Balance Sheet (in €)

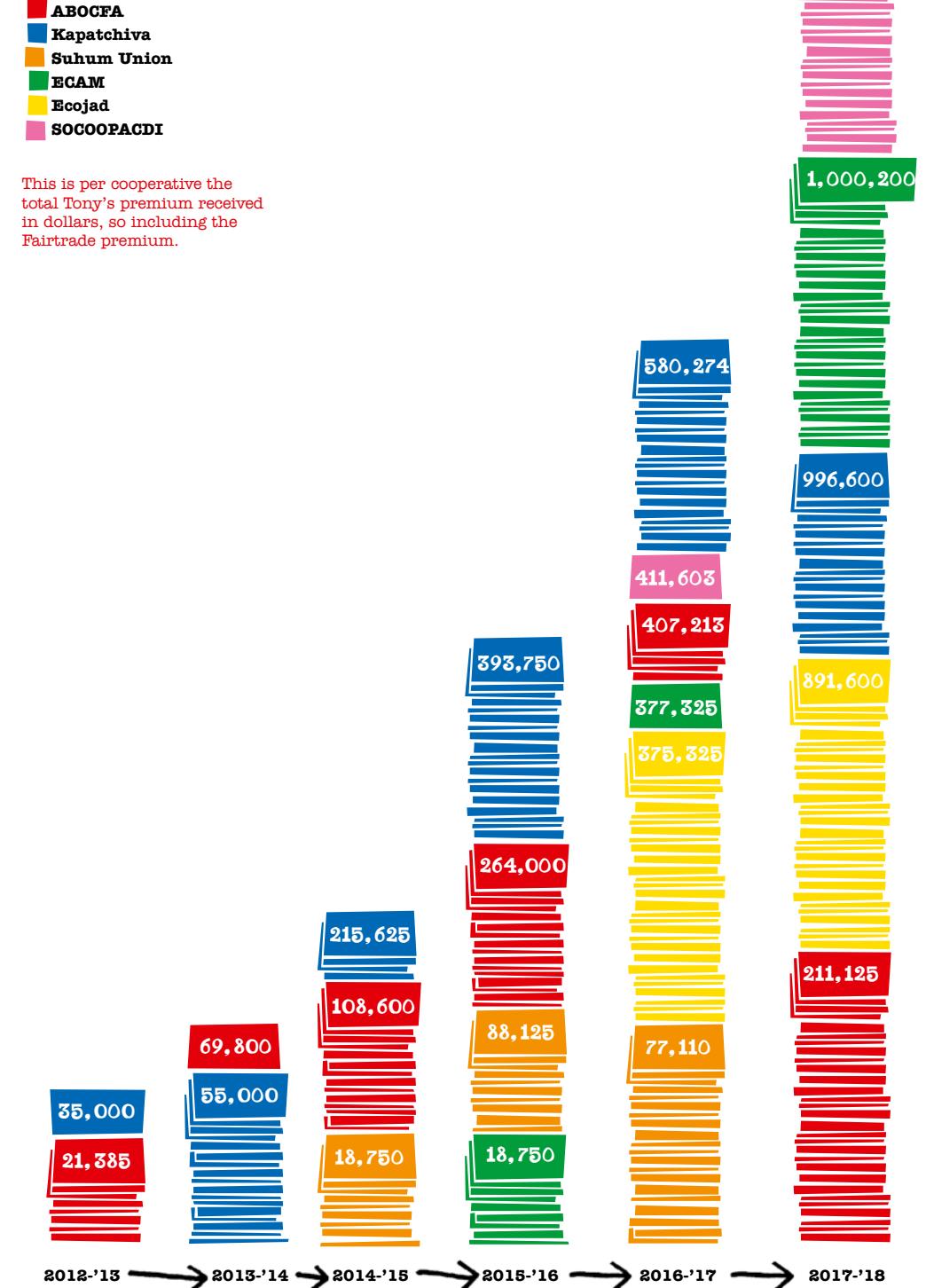
	30-09-2018	30-09-2017
Fixed assets	4,303,210	1,871,101
Intangible fixed assets	870,475	734,222
Tangible fixed assets	3,432,735	1,136,879
Inventories	5,833,838	4,766,123
Trade and other receivables	11,004,094	8,848,440
Trade receivables	8,097,800	6,362,774
Other receivables	981,559	785,449
Pre-payments of Tony's additional premium	1,924,735	700,817
Loan CocoaSource	-	1,000,000
<b>Total Assets</b>	<b>21,141,142</b>	<b>15,485,664</b>
Shareholder's equity	3,214,914	1,417,949
Issued and paid up share capital	37,112	35,829
Agio reserve	209,338	-
Legal reserves	216,431	216,978
General reserves	2,752,033	1,165,142
Current liabilities	15,631,331	11,641,048
Trade creditors	5,823,011	4,460,878
Taxes and social security premiums	513,974	414,747
Loan CocoaSource	-	1,000,000
Credit institutions	6,146,874	2,651,026
Other payables and accrued expenses	3,148,072	3,114,597
Long-term liabilities	2,294,897	2,426,667
<b>Total Liabilities</b>	<b>21,141,142</b>	<b>15,485,664</b>

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

### MT beans bought per coop per year



### Total Tony's premium received in \$ per cooperative



## Tony's premium

Tony's premium is our concrete interpretation of 'paying a higher price.' Over the past reporting period, we paid \$ 200 in Fairtrade premium per metric ton (mt) of cocoa beans and \$ 400 per mt in Ivory Coast and \$ 175 per mt in Ghana. So, overall, the premium payment to our five partner cooperatives came to € 3.5 million. This can be broken down into € 1,225,218 in Fairtrade premium and € 2,283,572 in Tony's additional premium.

The share of Tony's additional premium that is recognized through profit or loss corresponds to the total number of bars sold during the year. The difference between recognized additional premium and prepaid costs represents the premium on the beans that are still in stock. This difference is disclosed in the statement of financial position as prepaid costs and expensed as soon as the beans actually end up in a bar. More than € 1.9 million has now been recognized in the statement of financial position as part of total prepaid Tony's additional premium.

Impact fees: € 392,000. These are fees for such projects as the Best Farmer Awards, Tony's Handshake, fees paid to local consultants who assist the cooperatives in writing their five-year plan, and the cost of carbon emissions offsetting.

Fairtrade license fees: € 361,000. These are membership fees; they are not deducted from the premium payments.

We reserve 1% of the revenue achieved by Tony's Factory BV for the Chocolonely Foundation to fund foundation projects, such as 100weeks. The amount reserved in the reporting period was € 550,520. To find out how this money was put to use last year, just read on or – better yet – go to their website: [chocolonelyfoundation.org](http://chocolonelyfoundation.org).

## How is Tony's Chocolonely run ?

Transparency is pretty important to us. That's why we're sharing this annual FAIR report with you. In the following section, we'll tell you more about our organizational structure and how we try to keep our eye on the ball.

We have three Choco Chiefs who are in charge:

Henk Jan Beltman, Chief Chocolate Officer

Freek Wessels, Bean Counter

Anne-Wil Dijkstra, Choco Co-Captain

Our three Choco Chiefs are registered with the Chamber of Commerce as executive directors of Tony's Factory BV.

Tony's Heads are each responsible for a functional domain. Together with the Chiefs, they form the leadership team:

Frits 'Choconator' Snel, Head of Sales

Pascal van Ham, Chocoloco, Head of Marketing

Frans Pannekoek, Bean to Bartender, Head of Operations

Paul Schoenmakers, Impactus Prime, Head of Impact

Freek Wessels, who serves as Choco Chief as well as Head of Finance

Kristel Moedt, who joined us on 1 October 2018 as Head of People & Culture.

Welcome, Kristel!

This was what Tony's team looked like at the end of September 2018:

## Supervisory Board

Tony's Chocolonely has three supervisory directors who offer advice to the Choco Chiefs and monitor what they do:

Willemijn Verloop, Director of Social Enterprise NL; area of focus: social impact

Peer Swinkels, CCO Swinkels Family Brewers; focus area: sales and marketing

Erik Cornelissen, Partner Korn Ferry & chair; focus area: finance and legal

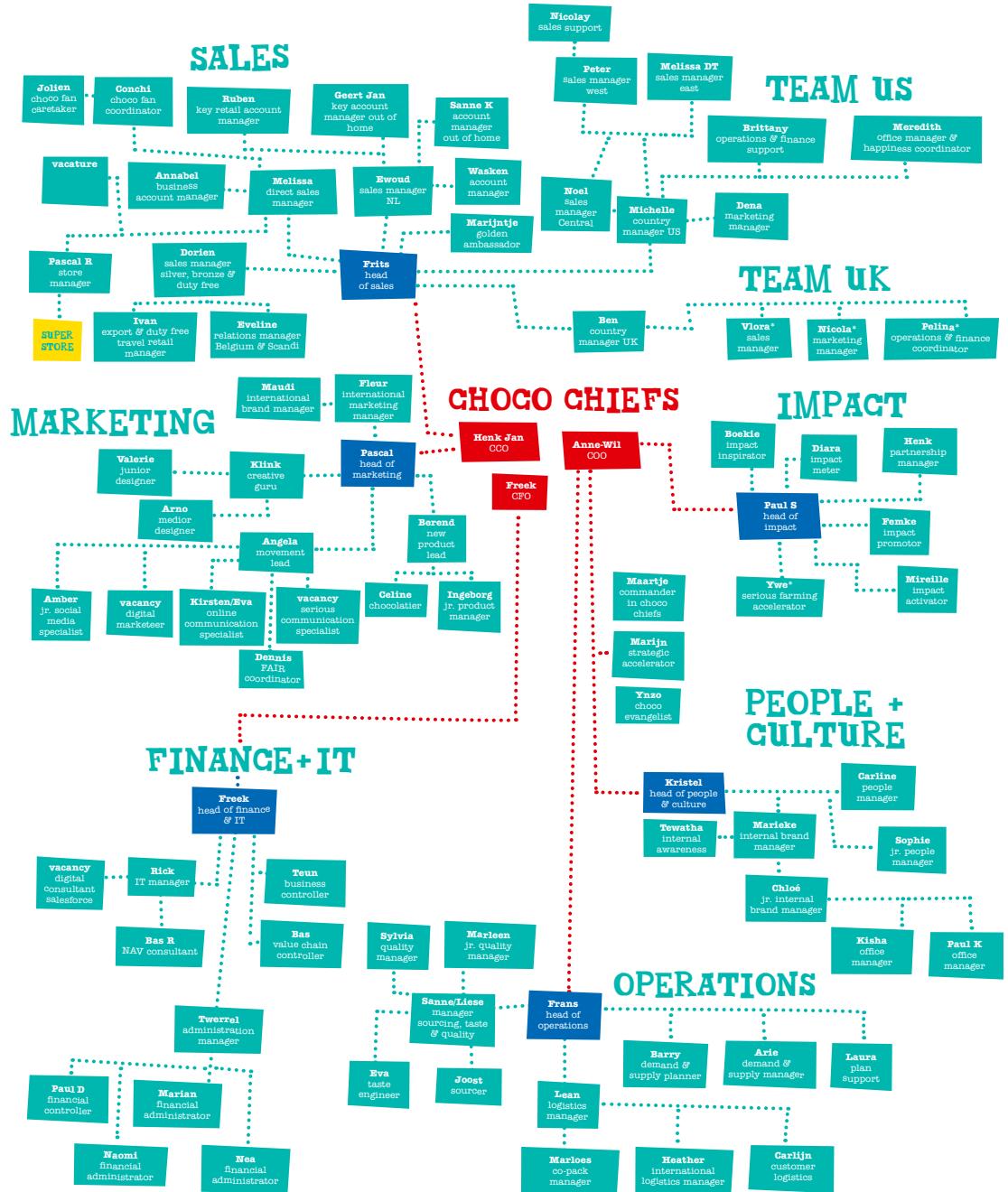
The supervisory directors are remunerated for their duties with € 15.000 a year.

Tony's Supervisory Board:  
Fair sharing guys!



# TEAM TONY'S

October 2018



## Children's Forum

As well as a Supervisory Board, we also have a Children's Forum. Similar to last year, a group of 11 and 12-year-olds from Amsterdam elementary school 'De Catamaran' were asked to offer their advice to the Choco Chiefs and Heads. We wanted to talk about workload and how to manage it. That topic resonated greatly with the school children because workload is something they're all too familiar with. It may not even always be about work duties or school work; sometimes, it's more about a feeling of having to perform and the pressure to do well. The best tips the children gave were to 'switch yourself off' for a while by doing some exercising and to discuss your concerns with your co-workers. We also collaborated with another Children's Forum, i.e. UNICEF's. To read more, see the section on Governments.

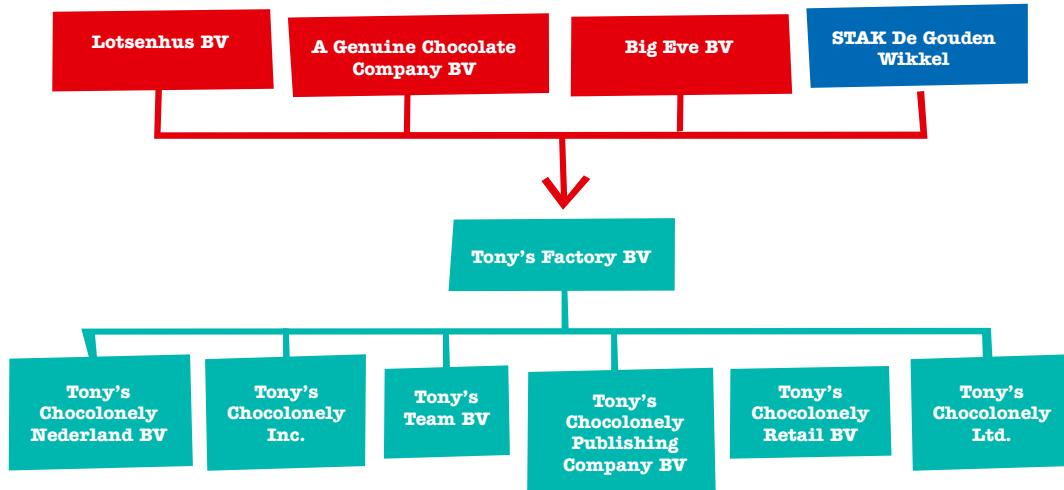
Children's Forum in action,  
waiting politely for their turn!



## Ownership structure, shareholders and legal form of Tony's Chocolonely

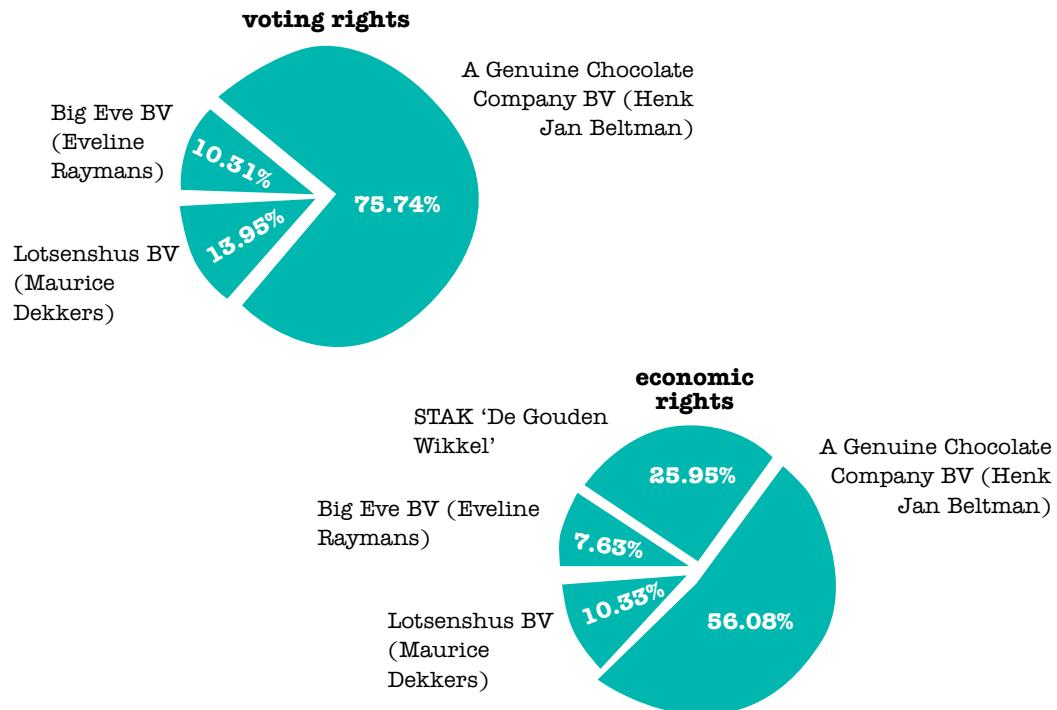
This annual FAIR report addresses the operations and financial performance of Tony's Factory BV and its six subsidiaries in the reporting period 2017/18. We only had five subsidiaries last year, but we created a sixth when Tony's Chocolonely LTD was incorporated in the UK in August 2018. Together, we refer to them as Tony's Chocolonely.

Tony's Factory BV has four shareholders. The voting and beneficial ownership ratios have changed from last year due to a number of transactions. So, let's get down to the nitty-gritty:



#### → Share transactions between voting shareholders

At the beginning of the reporting period, Maurice Dekkers (Lotsenshus BV) and Eveline Raymans (Big Eve BV) announced their intention to sell some of their shares. Henk Jan Beltman (A Genuine Chocolate Company BV) subsequently purchased 16% of the shares held by Lotsenshus BV and 4% of the shares held by Big Eve BV. After this share transaction, Genuine Chocolate's total equity interest in Tony's Factory was 75.74%.



#### → Golden Wrapper and the Senior Management Stock Ownership Plan

The beneficial ownership ratios have changed as well, first of all due to Golden Wrapper transactions that took place in November 2017. Every Tony who's on a permanent contract and whose year-end performance rating is spot-on has the option to buy a Golden Wrapper, one or more depositary receipts for shares with no voting rights attached. In addition, the shareholders, with Henk Jan as the initiator, offered the Chiefs & Heads and Klink, our Mr. T, the option to purchase additional Golden Wrapper depositary receipts in June. A total of 9% were made available for purchase, in Golden Wrapper depositary receipts Class A or in Golden Wrapper depositary receipts Class B via the newly founded management participation holding company.

A total of 963,227 depositary receipts had been issued by the Gouden Wikkel trust office on September 30, 2017. This involves 712,719 depositary receipts for Class A shares and 250,508 depositary receipts for Class B shares. Of the total number of depositary receipts, 334,010 were issued following the implementation of the ESOP (senior management stock ownership plan). Of these, 83,502 were depositary receipts for Class A shares and 250,508 were depositary receipts for Class B shares. The reason for this extra issue was that Henk Jan was eager to have a larger number of people feel and shoulder the responsibility for a rapidly growing organization. The end result: on September 30, 2018, 25.95% of the beneficial ownership was held by Tony's. At the end of the reporting period, 34 Tony's held Golden Wrappers.

#### No dividend

That's right; we won't be distributing dividend for the reporting period. Had we decided to do so, the amount available for distribution would not have been permitted to exceed 50% of the impact costs or 50% of the profit for the year, in addition to us having to comply with statutory rules. That's what we've agreed with each other, with the shareholders and with the Supervisory Board.

#### New employee representation body: Tony's High Five

After we announced as much last year, we created a Tony's employee representation body in the Netherlands this year. Nine Tony's were on the think-tank that developed an employee representation structure under the guidance of an independent legal expert. They opted for a form that closely resembles a formal works council, but offers more flexibility in terms of processes and throughput times. Everything's been formalized in official rules of procedure, which of course are written in Tony's lingo. The new employee representation body has already proven its worth: it sprang into action when a number of Tony's (Heads & Chiefs and another Tony) were given the option to purchase extra depositary receipts for shares. This raised questions with some Tony's, so Henk Jan explained his reasons to some people personally and he elaborated on them – at the request of Tony's High Five – during a Monday Morning Meeting. The entire team was given the opportunity to have their say, and they did. Even now, not everyone is on board with the decisions that were made, but they do appreciate the transparency and the opportunity to truly engage in dialogue about things with Henk Jan. We plan to introduce more structure to the meetings in 2018/19. Let's go for it!



# CHOCOLONELY foundation

Even though it's a separate and independent foundation, we can't leave the Chocolonely Foundation out of this Annual FAIR Report. The Chocolonely Foundation funds and supports projects and initiatives outside the chain whereas it is our goal as Tony's is to change the sector from the inside out. It goes without saying that the focus is on exactly one thing: getting us closer to that 100% slave free cocoa chain. Innovation is imperative in this respect and mixing things up is definitely allowed every now and then. This means acting as a catalyst, looking for the most effective way to tackle the problem and inspiring others to take action.

1

Stronger cocoa communities that reduce the risk of child labor and exploitation

2

Create awareness at consumers

3

Inspire to act

## WHERE IS THE FOCUS?

### → Stronger cocoa communities

The Chocolonely Foundation wants people of all ages to have the opportunity to shape their own future. We believe education and the ability to make a living income help make this possible. The Foundation concentrates on communities in Ghana and Ivory Coast, where Tony's works in partnership with cocoa farming communities. This way we try to reinforce each other's actions.

### → Create awareness

The purpose is to make both current and future consumers aware of the existence of modern slavery and illegal child labor in the chocolate and other industries. The point is to show that everyone can help make 100% slave free the norm in chocolate. The Foundation concentrates primarily on the Netherlands, U.S., UK and Switzerland.

### → Inspire to act

The goal is to inspire governments and companies to enact positive change in the cocoa supply chain. To end slavery in the cocoa industry, the key players in the industry need to reconfigure their supply chains. The main areas of focus are research, lobbying and giving farmers a greater say in the supply chain.

### Looking back on 2017-2018

The projects and initiatives of the Foundation are financed by Tony's Chocolonely. Tony's donates 1% of its annual net revenue. As you know, Tony's is growing, so the budget of the Foundation is growing, too. Over the past year, the contribution amounted to € 550,520.

In the past year, the Foundation has had to deal with an unprecedented luxury problem: it had wayyyyyy to much money in its account. That's actually not a good thing because money must roll to make an impact. Otherwise it would get stuck, right? So, it was perfectly clear what Henk, the brand-new First Foundation Officer, had to do: make an impact with the reserved money. And he definitely succeeded! Just have a look at the results of the past year:

### **Teaching at the Right Level**

You go to school do learn something, of course.. but, well, it turns out that 70% of Ivorian children can't read, write or do arithmetic at all by the time they leave primary school. The Ministry of Education in the Ivory Coast has noticed that the classes are huge, there are lots of dropouts and children simply don't go to school. The Jacobs Foundation and global research center J-Pal are working together with the Foundation at the ECAM cooperative to launch the Teaching at the Right Level project.

So what does that entail? Teaching at the Right Level is a successful educational intervention developed by the Indian NGO Pratham. After a short test, children are put into small groups based on their learning level (rather than age or grade) and are then taught French and math intensively for an hour a day. And it's been a resounding success: results from India have shown that this project definitely improves the quality of education. At ECAM, more than 2,500 students and teachers at 25 elementary schools have been taking part in the project since September.

In Ghana, the collaboration with Edukans and the Ministry of Education at schools in the region around ABOCFA has helped 1,500 children finish elementary school with flying colors. And it only took three years! That's a 67% improvement. Holy moly. And more good news: fewer children drop out of elementary school. More precisely, the number of children who stay at school has increased by 42% over the past three years, according to the Ghana Ministry of Education.

### **Financial independence for women: 100WEEKS**

A relatively new way to provide financial support is to give a small amount of money to the poorest women to help them get themselves out of extreme poverty in less than 100 weeks. That's 100WEEKS in a nutshell. The Foundation is working on this in Ghana. 100WEEKS, a local partner, a women's organization, ABOCFA, the chief and a representative of the church got together and drew up a number of selection criteria. They then used these criteria to select 100 women at ABOCFA to receive 8 euros a week. How they spend it is up to them. The women always start out in a group, so they can support and inspire one another and help each other figure out how to spend and invest the money. The local coaches provide training in budgeting, saving and planning. The first results have shown that the women's self-confidence and their ability to control their own lives have improved in particular. And that's an extremely positive first step.

The weekly meetings (in groups of 20), lead by a local volunteer, are an essential part of 100WEEKS. The women really appreciate them since they can use them to talk about experiences, support each other and discuss plans. This, together with the financial support and confidential sessions, is especially important for this group of vulnerable women. They are often living on the edge of the community, and this helps them regain their self-confidence and gain confidence in the future.

Our experiences also confirm how essential trust and support from the community are. Tony's Ghanaian partner, AG Care, involved a broad spectrum of influential groups in the program from the get-go; the local farmers' association, women's groups, religious leaders, the mayor and the traditional chief. Thanks to this support, everyone in every village knew what this program was all about; we've had no issues with jealousy and the selected women get plenty of support from the community.

Next year, the Foundation wants to also launch 100WEEKS in Ivory Coast.



**The first group of participants at the start of 100WEEKS.**



The festival of ideas at the Choc Box in Ghana.

#### Encouraging entrepreneurship: Choco Box Office

This year, the Foundation launched the Choco Box Office at ABOCFA. It's a local fund that supports local entrepreneurs with the start-up of an additional enterprise alongside their cocoa farm. Cocoa farmers really need to look at additional sources of income, but they often don't manage it on their own because they don't have access to funding. The philosophy behind the Choco Box Office is that the community itself should come up with the best possible opportunities.

And it's working perfectly, with the pilot with a small group at ABOCFA already completed. People have started such businesses as beekeeping, honey production and a chicken farm.

Thanks to its roaring success, Choco Box was renewed at ABOCFA where it has now been made available to more communities (you gotta think big, right?). So, that means more money and room and ideas from more communities. To encourage people to come up with more ideas, we organized an Idea Festival. It attracted 400 people with awesome plans: a training center to help young people get work, support for the elderly, a community pharmacy and toys and chairs for the preschool. The Foundation will be working with the communities to realize all of these plans.

And we've got more good news! Next year, the Foundation will launch Chocobox at Ecojad and Kapatchiva in the Ivory Coast!

Choco Box Office is an idea and initiative of Dr. Monk, a Dutch/Ghanaian creative studio that focuses on social issues. The Foundation finances the project.

#### Meanwhile, over here

Here in the Netherlands, the Chocolonely Foundation supports educational projects at secondary vocational schools, higher professional educational institutes and universities. In partnership with Masterpeace and a group of social entrepreneurs, it recently launched a project that gives young people in secondary vocational schools the opportunity to gain experience with social entrepreneurship.



Getting ready for the future: students of a secondary vocational education are taking a course in social entrepreneurship.

#### Research and taking action

Exposing the naked truth is the only way to tackle the problems and abuses in the cocoa sector. This means that independent research is imperative. And that needs funding, which is why the Foundation supported the Walk Free Foundation/Tulane study in the cocoa sector.

Additionally, investigating social entrepreneurship and putting it on the map is also essential. That's why the Foundation co-finances the Chair of Social Entrepreneurship at Utrecht University, where professor Harry Hummels is Professor of Social Entrepreneurship. Harry Hummels' inaugural address was entitled "The eighteenth sustainable development goal; voice of the beneficiary." After all, it's not just vital to talk about the people who have a right to a better life, but also to actually talk with them.

Over the coming three years, the Foundation will be supporting lobbying and research organizations like the Sudwind Institut. This German institute has been working on increasing the chocolate industry's sustainability since 2009 by conducting research, lobbying for European legislation on human rights and more. The latter is quite similar to the private member's bill on child labor in the Netherlands actually, only on the European level. Their ultimate goal is equal legislation for all countries (so the different countries don't have different laws and obligations).

For more details and financial figures, visit the new Chocolonely Foundation website at [www.chocolonelyfoundation.org](http://www.chocolonelyfoundation.org).

## chapter eleven:

# LET'S RAISE THE BAR!

**100%** slave free chocolate. Not only our chocolate, but all chocolate world wide. For less we will not settle. We are market leader chocolate bars in the Netherlands, but abroad we still have a long way to go. We want to share our story and grow the serious friends' movement in these countries as well. Coming year our growth will mainly come from the United States, our silver markets and we will start in the UK. What we are aiming for next year? In a nutshell, it comes down to this:

**5,500** **4,000**  
mt traceable beans cocoa farmers

We will purchase at least 5,500 metric ton (MT) traceable beans from our five partner cooperatives with Tony's premium. Yep, the target is lower than last year. This is because last year we grew by 23%, rather than the ambitious 50%. We also purchased more beans than we used and still have some left over. We have agreed on a plan with each of the partner cooperatives to minimize the impact on the farmers and their families.

**\$320**  
additional Tony's premium in Ivory Coast

**\$260**  
additional Tony's premium in Ghana

.. per MT of beans. We have better source data to calculate the premium. And, this year, we're going to share our calculation model with everyone. What could make the model better - or more stable?

### → 100% CLMRS

We are committed to providing sustainable solutions to existing child labor. CLMRS (Child Labor Monitoring and Remediation System) is not yet a "plug and play" program adopted sector-wide, but at the moment it's the best we've got. We want to raise the issue throughout the entire sector because we can – and must – all actively seek out child labor in the communities that produce the beans. Only by working together can we put an end to it.

**5**

### partner cooperatives

With our five partner cooperatives we will build more direct relationships with farmers that supply to us. The farmers we have in mind are farmers who are fighting for equality in their communities. They grow cocoa as independent entrepreneurs and consider it something to be proud of. If child labor is discovered, they help us implement solutions.

# 20%

## market share

We will increase our market share to 20% in the Netherlands. (That's including online sales, but not including seasonal bars.)

# 100%

## CO<sub>2</sub>-neutral

We plan to produce CO<sub>2</sub> neutral bars: we aim to compensate 100% of our CO<sub>2</sub> emissions in our bean to bar supply chain by partnering with innovative initiatives. We also want to reduce emissions in our supply chain by producing milk bars that contain traceable and more eco-friendly milk powder. (Barry Callebaut is helping with this.) The true costs of CO<sub>2</sub> emissions will be charged to the costs of producing a bar.

→ 50,000 Serious Friends will be supporting our mission worldwide. That's 41,431 more than we currently have. Yes, we'll be making friends next year! Fortunately, it's something we love to do. We'll be going all out to make and mobilize friends who support our mission, also in other countries, especially in the U.S. of A and the UK. And.. uh, English is English, right? Don't think so. To-mah-to, to-may-to, you know. Tony's Portland Team is up to speed and Team Tony's UK is under starters orders. Friendship Ahoy!

# 32%

## revenue growth

Next year, we want to see 32% revenue growth to at least 73.5 million euro, a gross margin of at least 40% and a net profit margin of at least 4%. To keep creating impact, we have to ensure that our organization is healthy.

# 2

## mission allies

We want to have at least two mission allies who also use beans sourced according the 5 sourcing principles in their own products. (The third pillar of our roadmap in action!)

→ And let's not forget the other European countries. We're so happy with all the support and campaigns in Germany, Belgium, Finland and Sweden. There, too, we'll be stepping up our efforts to spread our message and find Serious Friends.

→ We're ambitious. So, we're hard at work revving up the team in the UK earlier than planned. At the moment, we're busy sharing our story and we'll be in the shops from the beginning of 2019. So, UK, ready to join us on our mission?

→ So, we continue to tell our story – in whatever language using both words and pictures. Together – and only together – can we make 100% slave free the norm in chocolate. We're on a mission.. you and I.. and you.. and you.. Wow, how cool!! You, too?!



wake me up  
before you coco!

for the detail enthusiasts:

# IMPORTANT APPENDICES

about this annual FAIR report

PwC Assurance Report

GRI content index

explanation of Tony's non-financial KPIs

list of terms that are worth explaining

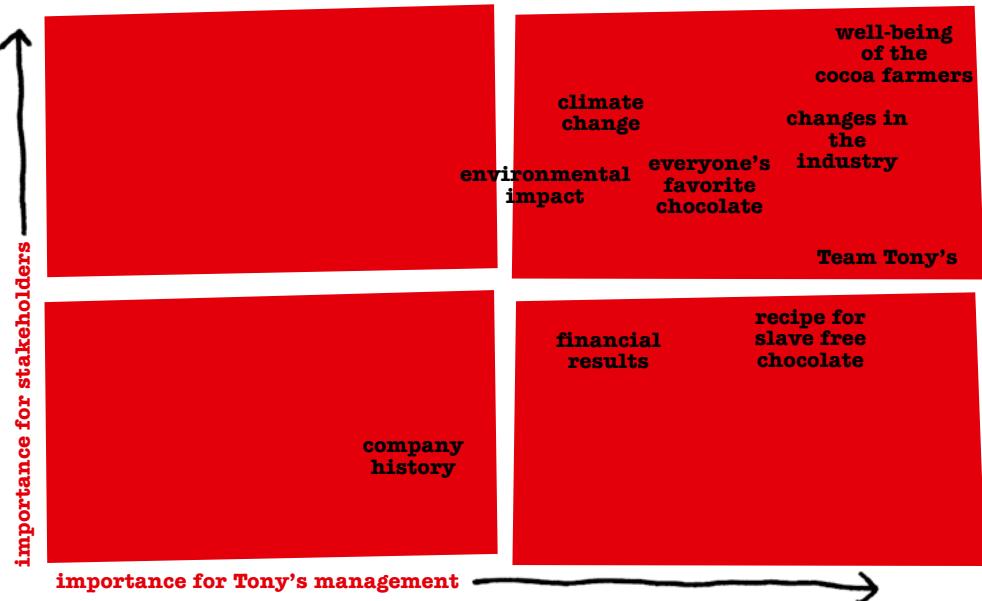
## Important Appendix 1: about this annual FAIR report

This is the Tony's Chocolonely annual FAIR report (duh..). Every year we write this annual FAIR report for you – our stakeholders. Let's have a round of applause for Team Tony's, the cocoa farmers, our choco friends (both individuals and businesses), our customers and our suppliers. You are all part of our choco supply chain, so you are important to us! Because together (and only together) we make 100% slave free the norm in chocolate – worldwide.

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

Stakeholder	Method of contact in 2017/18	Main issues
Team Tony's	Tony's biannual Fun At Work Survey, annual online stakeholder survey.	Abuses in the cocoa industry, last year's targets and results, ambitions and targets for the coming years.
Cocoa farmers	Work visits, consultations with the cooperatives, one-time survey by the Royal Tropical Institute (KIT).	Long-term relationships, payment of a premium for the beans, change in the industry, protection of children.
Individual choco friends	Annual online stakeholder survey, social media (throughout the year), annual choco friend survey	Tony's vision and roadmap, our impact on the environment, ambitions and targets for the coming years.
Business choco friends	Annual online stakeholder survey.	Tony's vision and roadmap, ambitions and targets for the coming years, our impact on the environment.
Customers (Retailers)	Annual online stakeholder survey.	Tony's vision and roadmap, how we change the industry, last year's targets and results, our impact on the environment.
Suppliers	Online stakeholder survey, the annual Limiteds Dinner, day-to-day conversations.	Last year targets and results, Tony's vision and roadmap, ambitions for the coming years.

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



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

→ Team Tony's: As far as we are concerned, these people play the most important role in enabling us to achieve our mission. But not all of our stakeholders want to read about this. But, let's be honest, as we continue to grow, the outside world is increasingly interested in the way we work at Tony's.

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

These issues are not just listed in the matrix and discussed in this annual FAIR report; they are also high on our agenda. And, if you have read any of our previous annual FAIR reports, you will know that the issues remain more or less the same from one year to the next. We spend quite a lot of time discussing our activities in the Netherlands and America in this annual FAIR report, but we also report on the welfare of the cocoa farmers, change in the industry and climate change. In addressing these issues we're concentrating on our impact on the cocoa farmers and the cocoa industry in general.

This report covers the period from October 1, 2017 to September 30, 2018. October 1 marks the start of the new cocoa season for the farmer cooperatives in West Africa (and the start of our financial year).

→ The issues in the top-right quadrant are important to us and our stakeholders.  
The welfare of the farmers and structural change in the cocoa industry are both in the top-right quadrant. It will come as no surprise that, as in previous years, these are our hot topics.

Some of the issues plotted in the matrix are actually clusters of issues. This makes the matrix easier to read. But we'd like to tell you what these clusters include since, after all, the issues are important.

→ It goes without saying that the welfare of the cocoa farmers includes the welfare of their families. A higher income and the prevention of forced and child labor are a very important part of this.

→ The rules for slave free chocolate: the approach we advocate requires that all players in the supply chain assume responsibility. This includes our Five Principles of Cooperation, which can also be applied by other companies, with the ultimate goal being to influence and change the entire industry.

→ Our impact on the environment: chocolate fans and retailers continue to identify this as a key issue. Our first concern is the welfare of the farmers and their families, but we are obviously aware of the need to protect the environment and mitigate the impacts of climate change. We believe every company has a responsibility to take better care of our planet – after all, it's the only one we have.

→ Everyone's favorite chocolate: We're crazy about chocolate, and we want everyone else to feel the same. This issue includes aspects such as new flavor and product development, our product range and product quality.

This annual FAIR report has been prepared in accordance with the GRI Standards (Core option). (The first global standards for sustainability reporting.) In other words, we compile this report in the same way as other chocolate companies. The Global Reporting Initiative (GRI) has defined a set of reporting principles. In the following table, we explain how we incorporate these principles in our annual FAIR report.

Principles for Defining Report Content	
Stakeholder inclusiveness	Every year we involve our stakeholders in determining the content of our annual FAIR report. The issues our stakeholders consider to be most important are covered in this report.
Sustainability context	The context surrounding the chocolate industry is the reason for our existence. To improve our understanding and interpretation of the context, we actively engage in discussions with parties at each stage of the chocolate supply chain. We also attend conferences, read research reports and commission our own research.
Materiality	The input we receive from our stakeholders helps us understand the issues they feel are important and increases our understanding of our impact. We weigh our stakeholders' interests against our interests in relation to each issue.
Completeness	Our annual FAIR report covers all material aspects. We define the boundary of each aspect and report on our performance in relation to each aspect during the financial year.

Principles for Defining Report Quality	
Accuracy	Every year, our annual FAIR report turns into a whole book. We go to considerable lengths to ensure that our stakeholders are well informed about our activities and the results we achieved. In recent years, PwC has helped us clarify our quantitative KPIs and make them more specific.
Balance	In our annual FAIR report we describe our achievements, but we also acknowledge what can – and must – be improved.
Clarity	We want our annual FAIR report to be easy for our stakeholders to read. We also want it to be easy for readers to find specific information. We use conversational (Tony's) language as much as possible and include a list of terms that are worth explaining and a GRI Content Index. We also translate our annual FAIR report into English and French.
Comparability	We use GRI Sustainability Reporting Standards so that our annual FAIR report can be compared with GRI-based reports issued by big chocolate companies. As far as possible, we also use the same indicators from one year to the next, so our latest results can be compared with our past performance. This year, we have added a few new non-financial KPIs. (These are explained in the KPI appendix.)
Reliability	This annual FAIR report was audited by an external firm. Like last year, Freek, our Bean Counter and Choco Chief, appointed PwC to audit our financial statements and review our non-financial performance indicators.
Timeliness	Our annual FAIR report is published within two months of the end of our financial year. Every year we pull off a serious sprint finish to produce the report in time for Tony's FAIR because we want to share the information with our stakeholders right away. Apparently, putting it off doesn't make it any less work (you don't say...).

## Important Appendix 2: GRI Content Index



GENERAL DISCLOSURES		
GRI Standard	Information Description	Page
GRI 101: Foundation 2016	Reporting Principles	110
GRI 102: General Disclosures 2016	Organizational profile	
102-1	Name of the organization	11, 93
102-2	Activities, brands, products, and services	62-63
102-3	Location of headquarters	15
102-4	Location of operations	15
102-5	Ownership and legal form	93
102-6	Markets served	58
102-7	Scale of the organizations	15, 59, 85, 86, 87, 90
102-8	Information on employees and other workers	15
	Total number of employees by employment contract (permanent and temporary), by gender.	55 people with a permanent contract (58% women, 42% men), 20 people with a temporary contract (70% women, 30% men)
	Total number of employees by employment contract (permanent and temporary), by region.	55 with a permanent contract (13% in USA, 2% in the UK, 85% in NL), 20 people with a temporary contract (0% in USA, 0% in the UK, 100% in NL)
	Total number of employees by employment type (full-time and part-time), by gender.	66 people work full-time (59% women, 41% men), 9 people work part-time (78% women, 22% 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.	5 people were engaged through different types of contracts (freelance, 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	13
102-10	Significant changes to the organization and its supply chain	15, 59, 85
	There have been no significant changes in the supply chain in the reporting period. The organization has grown significantly.	
102-11	Precautionary Principle of approach	47
102-12	External initiatives	57
102-13	Membership of associations	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	16, 27, 57	
Governance			
102-18	Governance structure	90, 91 The management board is responsible for all decisions, including decisions on economic, environmental and social topics..	
Stakeholder engagement			
102-40	List of stakeholder groups	107	
102-41	Collective bargaining agreements	0%	
102-42	Identifying and selecting stakeholders	107	
102-43	Approach to stakeholder engagement	107	
102-44	Key topics and concerns raised	107	
Reporting practice			
102-45	Entities included in the consolidated financial statements	87, 93	
102-46	Defining report content and topic Boundaries	109	
102-47	List of materials topics	108, 109	
102-48	Restatement of information	There were no restatements of information.	
102-49	Changes in reporting	The list of KPIs has been adjusted to better match our roadmap.	
102-50	Reporting period	109	
102-51	Date of most recent report	November 23, 2017	
102-52	Reporting cycle	107 Annual	
102-53	Contact point for questions regarding the report	125	
102-54	Claims of reporting in accordance with the GRI Standards	110 This report has been prepared in accordance with the GRI Standards: Core option.	
102-55	GRI content index	111-114	
102-56	External assurance	24, 118-120 Freek, Beancounter and Choco Chief, has selected PwC to assure the annual report for 17/18 and to review the non-financial performance indicators.	

MATERIAL TOPICS	GRI Standard	Information	Description	Page
<b>Social Topics</b>				
<b>Farmer welfare: Abolishment of slavery</b>				
GRI 103: Management Approach 2016	103-1		Explanation of material topics and its Boundary	7, 11, 12, 109, 115, 117
	103-2		The management approach and its components	24, 27, 38, 65
	103-3		Evaluation of the management approach	31, 37, 40, 45
GRI 408: Child Labor 2016	408-1		Operations and suppliers at significant risk for incidents of child labor	11
GRI 409: Forced or Compulsory Labor 2016	409-1		operations and suppliers at significant risk for incidents of forced or compulsory labor	11, 46
	TKPI3		Number of farmers who have participated in awareness-raising activities of the CLMRS	24, 40
	TKPI10		Number of householders growing cocoa and participating in CLMRS	24, 40
	TKPI11		Number of cases of child labor found at Tony's partner cooperatives through CLMRS.	25, 40
GRI 414: Supplier Social Assessment 2016	414-1		New suppliers that were screened using social criteria	There were no new suppliers in the reporting period.
	414-2		Negative social impacts in the supply chain and actions taken	40
<b>Team Tony's</b>				
GRI 103: Management Approach 2016	103-1		Explanation of material topics and its Boundary	15, 109, 116
	103-2		The management approach and its components	18, 19
	103-3		Evaluation of the management approach	18
	TKPI6		Average score on the annual work enjoyment survey	18, 25
<b>Economic Topics</b>				
<b>Farmer welfare: Improvement of economic circumstances</b>				
GRI 103: Management Approach 2016	103-1		Explanation of material topics and its Boundary	109, 116
	103-2		The management approach and its components	28, 33, 42
	103-3		Evaluation of the management approach	37, 45
GRI 201:				
Economic Performance 2016	201-1		Direct economic value generated and distributed	25, 28, 36, 83, 90
Sourcing	TKPI4		Number of cocoa farmers benefiting from Tony's premium	25, 33
	TKPI5		Number of cooperatives with which we've signed a 5-year Memorandum of Understanding	25, 30
	TKPI8		Percentage of cocoa beans in our chocolate traceable all the way to our partner cooperatives	25, 27

<b>Transforming the industry</b>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	50, 65, 109
	103-2	The management approach and its components	50, 52, 55, 65
	103-3	Evaluation of the management approach	26, 51, 55
<b>Everyone's favorite chocolate</b>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	69, 115, 116
	103-2	The management approach and its components	69
	103-3	Evaluation of the management approach	73
TKPI7		Percentage market share achieved	25, 56
TKPI11		Percentage of chocofans aware of the existence of slavery on cocoa farms	24, 74
TKPI12		Number of serious friends	24, 69
TKPI19		Percentage of chocofans who indicate Tony's as their favorite brand of chocolate	25
<b>Environmental Topics</b>			
<b>Climate change</b>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	109, 117
	103-2	The management approach and its components	47, 53
	103-3	Evaluation of the management approach	47, 53
GRI 305: Emissions 2016	305-4, TKPI12	GHG emissions intensity: average CO <sub>2</sub> emissions per kilo of chocolate sold	25
<b>Our environmental impact</b>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	109
	103-2	The management approach and its components	52, 53
	103-3	Evaluation of the management approach	52, 53
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	There were no new suppliers in the reporting period.
	308-2	Negative environmental impacts in the supply chain and actions taken	53

### Important Appendix 3: explanation of Tony's non-financial KPIs

Our main non-financial Key Performance Indicators are defined below. These 12 KPIs relate to material aspects and are therefore also reviewed by PwC. This year, we added a few new KPIs to the list. KPIs 1, 4, 5, 6, 7, 8 and 9 remain the same. KPIs 2, 3, 10, 11 and 12 are new. We still monitor the percentage of Tony's buyers who buy our chocolate to support our mission and the percentage of Tony's buyers who tell their family and friends about our mission (both were included as KPIs last year), but, in this list of our main KPIs, they have been replaced by the number of Serious Friends (the new TKPI2).

#### Pillar 1 Tony's creates awareness

- % of choco friends who are aware of the use of slavery on cocoa farms** The percentage of people living in the Netherlands who purchased at least one chocolate bar no more than three months before the interview, who said they had "often" or "sometimes" heard about the use of modern slavery in the cocoa sector. The research agency InSites Consulting selects a sample for this purpose that represents the Dutch population. This KPI measures consumer awareness of the abuses in the cocoa industry in West Africa. Consumer awareness is needed to make 100% slave free the norm in chocolate.
- # of Serious Friends** The number of people registered as Serious Friends worldwide. Serious friends have signed up on our website or via an online form during the Tony's Fair, in our stores or any other event that we organize as Tony's Chocolonely or are present at. This KPI measures the number of people who feel particularly committed to Tony's mission and want to be actively involved in achieving it. Consumer support is essential if we are to change the industry. We cultivate serious relationships by, for example, regularly informing Serious Friends about the latest developments, ensuring that they are the first to be invited to our FAIR and asking them to sign petitions.
- # of farmers involved in CLMRS awareness-raising activities** The number of farmers that attended a session child labor last financial year, organized by the community facilitators of the CLMRS. The community facilitators visit the farmers households one at a time. During such a visit a profile of the household is drawn up and awareness activities are carried out. In addition, public sessions are organized in the communities, which are open to everyone in that community. With this KPI, we measure to what extent cocoa farmers have been informed by our partner cooperatives of the dangers of child labor. A farmer can be present at home and at a session in the community been, so double counting is possible. Next year we want this double counting solved for both countries. We see awareness as an essential part of reducing child labor.

## Pillar 2 Tony's leads by example

4. **# of farmers who benefit from Tony's premium** The number of members of Tony's partner cooperatives in Ghana and Ivory Coast who sold at least 1 kg of cocoa beans to Tony's during the financial year. The higher the number, the more farmers who benefit from a better standard of living. This KPI shows that chocolate makers can be commercially successful without exploiting cocoa farmers. The members of a cooperative can decide democratically to distribute the premiums received towards more farmers than the specific set of farmers that supplied to beans over which the premiums were paid. Understandable, this way more farmers profit from the premiums, however the amount is lower per farmer. Regarding these kind of dilemma's – like the dilution of the premiums – we are in dialogue with the farmers and cooperatives.
5. **# of cooperatives with which we have a five-year Memorandum of Understanding** The number of cocoa cooperatives in Ghana and the Ivory Coast that supply beans to Tony's with which we had a five-year Memorandum of Understanding at the end of the financial year. This KPI is consistent with our social mission and the way we operate (Five Sourcing Principles). We form long-term relationships with farmers to provide them with greater security. This enables the farmers to make medium and long-term investments. And it gives us a chance to raise awareness of child labor and improve conditions on the farms and in the communities.
6. **Average score of Tony's Fun At Work Survey** The total average of the scores for each aspect of Tony's Fun At Work Survey: (1) enthusiasm, (2) commitment, (3) good employment practice, (4) efficiency, (5) trust and (6) social safety. This year social safety as a theme replaced vitality as a theme and as a result this impacts the comparability of the average score between financial year 16-17 and financial year 17-18. The biannual survey is completed anonymously by Tony's employees, with a temporary or permanent contract, in the Netherlands or the U.S., who have been with the company at least two months at the time of the survey. We are "crazy about chocolate, serious about people." When it comes to people, Team Tony's comes first. We believe that if the best people work together to change the chocolate industry, it will create the kind of organization we want. This KPI monitors systematic feedback from our employees.
7. **% market share** Percentage market share (in euros) based on chocolate bars and tablets sold in standard supermarkets in the Netherlands (including Aldi and Lidl). Organic and niche supermarkets are not included because the data is not readily available. This KPI relates to the period from October 1 to September 30 (our financial year). The bigger our market share, the more pressure it puts on the industry to follow our example. So, we keep a close eye on our market share.
8. **% of cocoa in our chocolate that can be traced to our partner cooperatives** Percentage of traceable cocoa beans in the five different kinds of couverture produced during the financial year. This KPI shows the traceability of the beans, from the cocoa cooperatives to the companies that co-manufacture Tony's bars. Traceability is one of our 5 sourcing principles. Cocoa tends to be treated as a bulk product. We believe companies can only really be held accountable for abuses like modern slavery and child labor on cocoa farms if they know exactly where their beans come from.
9. **% of choco friends who say Tony's is their favorite chocolate brand** The percentage of people living in the Netherlands who purchased at least one chocolate bar no more than three months before the interview, who said Tony's Chocolonely is their favorite chocolate brand. The research agency InSites Consulting selects a sample for this purpose that represents the Dutch population. With our incredibly tasty chocolate, we lead by example and show that chocolate can be made differently: the way it tastes, the way we package it and the way we treat cocoa farmers.
10. **# of cocoa-growing households visited by CLMRS facilitators** The number of households that are members of one of Tony's partner cooperatives visited by CLMRS Community Facilitators. During visit, facilitators note the composition of the household and create a profile of each member of the household. They do this by posing questions to the head of the household and children between the ages of 5 and 17. If this reveals cases of child labor, action can be taken to raise awareness and remediate the situation.
11. **# of cases of child labor found on Tony's partner by CLMRS** The number of children between 5 and 17 years of age of which, during interviews (with children, parents and / or farmers) and / or observation on the farm by a community facilitator of the CLMRS has been determined to be exposed to illegal child labor on a cocoa farm. We are not talking about human trafficking, but about child labor based on the legislation in Ghana and the Ivory Coast. These children are part of households who are member of one of Tony's partner cooperatives. If a child labor case is found immediate action is taken to raise awareness and find a sustainable solution. It is important that we find these cases – which are also validated in the CLMRS program – because only then can we do something about it.
12. **Average CO<sub>2</sub> emissions per kilo of chocolate sold** Average CO<sub>2</sub> emissions from the cocoa farmer to the distribution center in the Netherlands or the U.S. Our scope 1, 2 and 3 (!) emissions are calculated by the CO<sub>2</sub> model developed by True Price. Every year, we update our sales figures for each type of bar. The model then calculates the total CO<sub>2</sub> emissions and we divide the result by the number of kilos of chocolate we sold. If there is a change in our product range or if we switch to another supplier, we change the parameters in the model. This KPI monitors our CO<sub>2</sub> footprint per kilo of chocolate. In this model, estimation elements and average values are included to calculate the totals. The model and its calculations are a good indicator of whether we're on the right track.  
(For GRI fans: This KPI is GRI 305-4.)

## Important Appendix 4

Please note: this review report is an unofficial translation of the official review report in Dutch, signed by R. Jagbandhan RA on 15 november 2018

### Assurance report of the independent auditor

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

### Assurance-report on the sustainability information in the annual FAIR report 2017/2018

#### Our Conclusion

Based on the work performed and obtained assurance-information, nothing has come to our attention that causes us to believe that the sustainability information in the annual FAIR report 2017/2018 of Tony's Factory B.V. is not prepared in all material respects, in accordance with the reporting criteria of Tony's Factory B.V. (hereafter: Tony's).

#### What we have reviewed

The object of our assurance engagement contains 12 indicators on page 26 in the annual FAIR report 2017/2018 (hereafter: the sustainability information), marked with the symbol ◊:

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

All other sustainability information, as well as the data of previous year's indicators, in the annual FAIR report 2017/2018, is not in the scope of this engagement. Therefore, we do not report and conclude on the other sustainability information. We have reviewed these, accompanying the sustainability information, stamped for identification purposes, of Tony's, in Amsterdam for October 1 2017 until September 30 2018.

Please note: this review report is an unofficial translation of the official review report in Dutch, signed by R. Jagbandhan RA on 15 november 2018

#### 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.

#### Criteria for assurance engagement

The information to which this engagement refers to should be read in the context of the reporting criteria, which are included on pages 115 through 117. Tony's is responsible for selecting and applying these criteria. The lack of established practices for assessing and measuring non-financial information offers the possibility of applying several, acceptable measurement techniques. This can affect the comparability over time and between entities.

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

We draw attention to the disclosure on the number of cases of child labor found on pages 38 to 41 in the annual FAIR report 2017/2018. Here, Tony's explains that inherent circumstances that cause the amount of reported cases of child labor in reality to be possibly higher than the number registered in the Child Labor Monitoring and Remediation System ('CLMRS'). Our conclusion has not been modified as a result of this matter.

#### 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.

Please note: this review report is an unofficial translation of the official review report in Dutch, signed by R. Jagbandhan RA on 15 november 2018

Our conclusion aims to provide limited assurance. The performed procedures in this context consisted mainly of gathering information from officers of the entity and determining the plausibility of 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:

- Identifying and assessing the risks of material misstatement of the annual FAIR report 2017/2018, whether due to errors or fraud, designing and performing assurance procedures responsive to those risks, and obtaining review evidence that is sufficient and appropriate to provide a basis for our conclusion.
- Developing an understanding of internal control relevant to the assurance engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of the reporting criteria used and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management and related disclosures in the annual FAIR report 2017/2018;
- 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 2017/2018, and responsible for carrying out internal control procedures on the data and the consolidation of the data in the annual FAIR report 2017/2018;
- reviewing internal and external documentation to determine whether the sustainability information in the annual FAIR report 2017/2018, is substantiated adequately;
- analytical review of the data and trends;
- assessing the consistency of the sustainability information and the information in the annual FAIR report 2017/2018 not in scope for this assurance report;
- assessing if the sustainability information has been presented in accordance with the Tony's reporting criteria.

Amsterdam, 15 november 2018  
PricewaterhouseCoopers Accountants N.V.

This report is a translation from the Dutch JaarFAIRslag. The Dutch version is the official and original report. In case of any deviations the original prevails.

## **Important Appendix 5: list of terms that may confuse you**

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

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

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

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

**Choco friends:** The percentage of people living in the Netherlands who bought one Tony's chocolate bar no less than three months before the interview.

**Chocolate giants:** These are the three chocolate manufacturers that control approximately 70% of the world cocoa market: Barry Callebaut, Olam and Cargill. 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, Mondelēz International, Nestlé, Ferrero, Hershey, Lindt & Sprüngli).

**Cooperative:** Organizations of farmers who have joined forces to boost their economic power and due to strength in numbers.

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

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

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

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

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

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

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

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

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

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

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

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

**Poverty trap:** the phenomenon that people who live in (relative) poverty hardly get any opportunities to improve their circumstances.

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

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

**Tony's footprint:** The carbon emissions in Tony's chain: from bean to bar at the customer's distribution center in the Netherlands or United States.

**Tony's roadmap:** We have a very clear approach to achieving your mission, which is explained by the three pillars (principles) of our roadmap. The roadmap that tells you how, as a chocolate company, we want to change the cocoa industry from within 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 might share our story, choose the chocolate they buy with care, go to events or support us when we organize promotions and campaigns. They're also the first ones to hear the latest news.

# THAAANK YOUUUU!

Smooth sailing this year thanks to..

**Anne-Wil** and her ability to navigate the ups and downs. Oh no! Oh yes! We mean it! Soooo cool. Thank you!

Impact Promotor **Femke**, like a spider in a web attending to everything and more! Reading, correcting, intercepting, completing.. Coffee in hand, head down. Great job, Femke, just great!

Choco Editor **Elles Rozing**: adorable, entertaining, sometimes a bit of a stickler, but always as solid as a rock. The guardian of Only Tony's language. GIF it up for our very own Slack queen. Very pleased with it!

**Klink**: the ever imperturbable, willful and watchful eye over the creation and visualization of our journey to 100% slave free chocolate. Our very own Mr. T.. to know him is to love him. Hug!

**Marjolein Baghuis**, when it comes to GRI standards and stakeholder analysis, you're our secret weapon. Your upbeat critical

input was an asset throughout the entire process. GRI approval was well ahead of schedule thanks to your systematic approach and critical eye.. Yahtzee..

Impact Measurer **Diara**, Twelve non-financial performance indicators. We know how much work it involved for you and fellow Tony's Pascal, Frans, Femke and Ruben to get these approved. And that's without the impact study, Global Slavery Index and CLMRS. Diara.. Twelve points, douze points.

Choco Loco **Pascal**, for the hard-hitting communication strategy, different perspectives and fabulous reframed portraits of our partner farmers in West Africa. Still wish we'd come up with it..

**Henk Jan, Freek, Bas, Paul, Boekie, Frans, Maudi, Frits, Mireille, Twerrel, Valerie, Willemijn, Erik, Peer** and everyone else for sizeable chunks, bits and pieces, input and comments.

**Esther de Lange** from def. grafische vormgeving: for composition and makeup.. In three different languages this year. And fluent in all three. Quite a stunt!

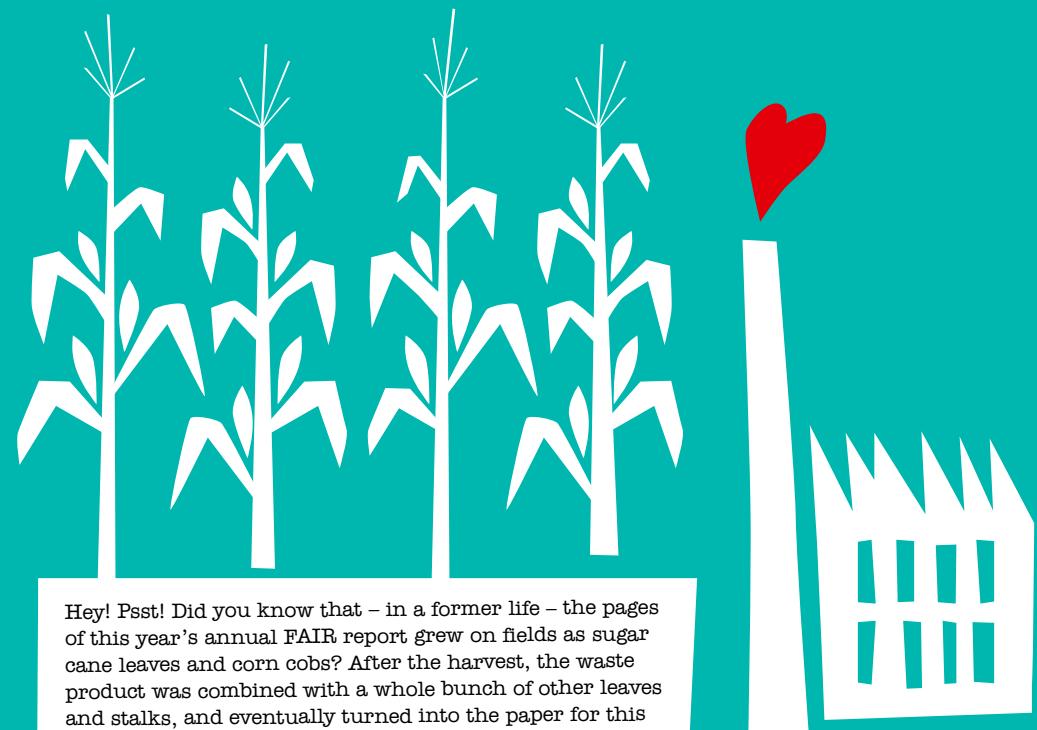
**Chères Catherine, Gaëlle et Korotoum**: Qu'aurait-on fait sans toi? Merci, merci beaucoup!

One last thing before we add the final period to this annual FAIR report.. Please be sure to let us know what you think of our ideas, our approach and our results. You can find us on Instagram, Facebook and Twitter. You can also call us, send us an email or mail us a letter. Or you can pop into one of our stores. We'd love to hear from you! Our contact details are as follows :

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

PRINTED ON PAPERWISE ...

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

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

Climate Partner<sup>®</sup>  
climate neutral

Print | ID 11491-1511-1001

# Delicious doesn't begin to describe it.. !

What was Tony's up to in 2017/2018?  
Once again, it was quite a year! Here's a quick rundown.

## november 2017

Your turn! Every six months our relay bar hands over the choco baton to another surprising flavor. Milk Melon Raspberry bowed out, but not before we sprinkled in a few seeds: Milk Pumpkin Seed Cranberry.



## may 2018

We now have four Exclusives: Milk Coffee Crunch, Milk Popcorn Discodip, Dark Meringue Cherry and White Stracciatella. Eenie meenie minie mo.. so difficult to choose.



## april 2018

And, of course, we couldn't open our Super Store without a super-mega-fantastic new chocolate gift: the Tony's Rainbow Pack. A fabulously gorgeous bag containing 12 rainbow-colored chocolate bars. There's also a six-pack – especially for those who've been training for months but are never going to make it by the summer.



## january 2018

As our Easter Best, we presented something new: an Easter Egg In Your Bar. In a wonderfully fresh Milk Lemon flavor. Yaaaaahhh! It was the easiest Easter egg hunt ever.

## january 2018

Worth searching for. This year the Easter Bunny also hid some white mini eggs, bringing the total number of flavors to 12. It just happens to add up to a dozen. All equally irresistible. The box definitely won't last long. Tick tock!



## april 2018

Time for a new relay bar. Do you like piña coladas and getting caught in the rain? White Coconut Pineapple in the mixxx.. A whole tropical beach – and a hammock!



## may 2018

Our choco friends picked a new Exclusive (drum roll..). And the winner is.. White Stracciatella. Because six Exclusives are a few too many, we waved good-bye to White Carrot Walnut and Dark Orange Rosemary.



## september 2018

Good news for toffee lovers out there.. This year, our Limited Editions are chock full of.. caramel! Let's hear it for Milk Shortbread Caramel, Dark Chocolate Cookie Caramel and Blonde Caramelized Pecan. Blonde?! Yup! It's new. White chocolate with a hint of dark chocolate. How much tastier can it get?



never mind  
guys..

.. that rain dance  
doesn't seem to be  
doing the trick

